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Chair

Mr. John Cannis

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Subcommittee on International Trade, Trade Disputes and Investment of the Standing Committee on Foreign Affairs and International Trade

Monday, May 2, 2005

• (1540)

[English]

The Chair (Mr. John Cannis (Scarborough Centre, Lib.)): I now call this meeting to order.

I'd like to welcome our witnesses to the Subcommittee on International Trade, Trade Disputes, and Investment of the Standing Committee on Foreign Affairs and International Trade.

I'll introduce our witnesses and guests today. From the Canadian Auto Workers Union we have Buzz Hargrove, national president; and Mr. Jim Stanford, economist, research department.

We have with us from the Rights and Democracy group Jean-Louis Roy, president; Lloyd Lipsett, senior assistant to the president; Iris Almeida, special adviser to the president, policy development and parliamentary relations; and Diana Bronson, coordinator, globalization and human rights.

From SNC-Lavalin Group Inc. we have Mr. Robert G. Blackburn, senior vice-president, government and international development institutions.

As well, we have with us, ladies and gentlemen, from the Canada Eurasia Russia Business Association, Piers Cumberlege, acting executive director.

Ladies and gentlemen, welcome to our committee.

We'll commence with you, Mr. Hargrove.

Mr. Basil "Buzz" Hargrove (National President, Canadian Auto Workers Union): Thank you very much, Mr. Chairman and committee members, for the opportunity to be here today on such an important issue.

The CAW is Canada's largest private sector union. We have 260,000 members in over fifteen different sectors of the economy. We represent people in manufacturing, the fishing industry, and transportation, across the gamut. There's a growing sense of alarm about the long-run implications of the incredible shifts we've seen in the global economy, shifts in the balance of competitiveness between different regions of the global economy, and consequent shifts in trade and investment flows.

Every producer now needs to know what the China price is for the product or in many cases the service they produce. Typically, the China price, the price a Chinese-based supplier could bid for the work, is half or less than half of the Canadian price. I doubt if we've

ever had a situation in any period in our history where a trading partner can manufacture virtually anything we can, including finished vehicles, aircraft, sophisticated electronics, and machinery, for half our cost.

Only one thing can happen in this environment if profit-seeking companies are allowed full freedom in their decisions, and we are seeing it happen slowly but increasingly. Companies move to China to take advantage of that super-competitiveness, imports from China start to replace our domestic production, and a huge trade deficit arises. Companies that don't go to China are sometimes driven out of business.

We've just seen this in Brantford, where Wecast Industries, which has been around for many years, closed a facility that employed over 600 people just recently because of imports of manifolds—which is quite shocking—from China. A manifold is huge, heavy steel thing. To manufacture that in China and ship it to Canada cheaper than we can build it here I think is an interesting lesson for all of us.

There's a new dimension to this process, thanks to Internet technology. Service industries feel the pressure too, not just manufacturing. We were just recently told by Bombardier—we thought they were going to be here today—that they're going to move a hundred highly skilled technical writing jobs from our Toronto location to India simply because they can get it done cheaper and transfer the work through technology. These things we're getting more and more of, and our members are getting more and more furious about how the government allows this to happen.

It completely discredits the idea that our skills will protect us from this new and dangerous dimension of globalization. It's clearly not a question of us importing labour-intensive, low-tech products in return for our exports of high-tech, knowledge-intensive products and services. Our imports from China and other emerging economies are booming across a whole range of products, including high-tech machinery, transportation equipment, and electronics. We export very little of anything to these countries except our resources. In this way, the rise of China is clearly reinforcing Canada's backward regression as a hewer of wood and a drawer of water to the global economy.

I'd like to stress a couple of important dimensions to this emerging problem. First, our new trade imbalances are not solely or even mostly due to low wages in developing countries. China has always had low wages, but it's only in the last few years such dangerous imbalances have emerged in our bilateral relationship. There are many other countries with low wages that pose no economic threat to Canada. Mexico is one example, even though it's within NAFTA. Some of the countries doing the most damage to our industries and our workers have relatively high wages, like Japan, with whom we have a \$5 billion annual deficit in automotive products alone.

There's a complex mix of ingredients that must come together for a trade imbalance to become so threatening to us: yes, low wages, kept forcibly so in China's case by restrictions on human and trade union rights, but also high productivity. In auto assembly, we're told, Chinese productivity is 70% to 80% of our level and increasing rapidly because of the same technologies being used in those countries by the same companies that operate within our borders.

Policy plays a key role too. Focused strategic efforts by foreign governments to promote a competitive advantage for their domestic firms from subsidized capital and protected domestic market, compulsory technology transfers from foreign firms, and control over exchange rates—all of these factors explain why China now dominates the global market for foreign direct investment. Low wages are a small part of the story. By the same token, Canadians could cut their wages in half and it wouldn't make much difference to the argument on competitiveness that we face.

We support human rights and trade union freedom in China and other emerging economies. We work with a lot of others, and we're pleased to see the Rights and Democracy group here today. They do a lot of work around the world. We also do our own work through our social justice fund in many of these countries. But no one should be naive enough to think that even if these efforts are eventually successful, that alone would balance the economic playing field, certainly not in my lifetime or my children's lifetime.

Secondly, the Government of Canada's responsibility is to protect the viability of Canadian producers, and support them against the unbalanced efforts of foreign policies and foreign competition, regardless of the factors behind this imbalance. In this regard, I was dismayed by the comments made by the international trade minister Mr. Peterson during the recent mission to China. He encouraged Canadian companies to invest abroad, and stressed that his government welcomes competition from emerging economies. The minister seemed to almost boast that Canada's government would not intervene to protect Canadian producers or Canadians jobs. He should look at some of the restrictions the Chinese have on us competing in their country. I can't imagine him arriving at the kind of decision he's talked about publicly.

This commitment to free trade whatever the cost is naive and destructive. Other governments don't do it that way. The Americans sure don't. All you have to do is look at softwood lumber and many other examples. The Japanese certainly don't. Just look at auto. The Japanese have over 20% of the automobile market in Canada, yet imports in their entirety from the rest of the world have less than 5% of the Japanese market—the second-largest market for vehicles in the world. The Chinese certainly don't.

Other countries act forcibly and strategically to promote their economic interests. Should Canadians just put on their boy scout uniforms and march out into the global market and announce they'll play by the free trade rules whatever it costs? Our union doesn't think so.

Let me just talk a little bit about the auto industry, which is Canada's most important export industry, accounting for one-fifth of our exports. Recent initiatives led by the Canadian Automotive Partnership Council are helping the industry enhance its competitive position within North America through measures like the new federal and Ontario auto investment programs. The CAW has been part of this, has been an enthusiastic partner in CAPC from its start, and applauds their efforts. They have made and will make a difference within North America.

But there's a growing sense within the industry that while our position within North America is improving, we face more serious threats from offshore. Our automotive trade deficit with non-NAFTA countries reached a record \$11 billion last year. Much if not all of that deficit is with Japan, of course, and emerging economies like Korea and China. There's no reciprocal arrangement with any of those three countries, where we ship into their market as well. Addressing these growing and painful offshore trade imbalances is so far the missing link in our search for a new automotive policy for Canada. It is therefore essential that the government act forcefully to support Canada's position in a global automotive trade, especially with respect to offshore trading partners.

We must reject the notion of a bilateral free trade agreement with Korea. I might add that CAPC just recently voted to oppose a free trade agreement with Korea. Korean firms have over 5% of our market, but we sell virtually nothing at all in Korea. Until that changes, further liberalization would only make things worse. We need our government to start getting forceful with the Nissans, Hyundais, and BMWs of the world. These companies profit from tens of billions of dollars of Canadian consumer spending, yet have not created a single direct manufacturing job here. They need to invest here if they're going to sell here.

Finally, we need to get aggressive about penetrating fast-growing Asian markets. The only area of the world where the auto market is actually growing is in Asia, and we're completely blocked from that. If we don't get involved we're going to be left behind in the global emerging markets.

What will it take for us to sell vehicles in Japan, Korea, or China—a special export processing zone, I would ask? I'm open to anything, as long as it creates jobs in Canada and helps restore some form of balance in our trade flows.

• (1545)

I've been talking to a lot of U.S. people recently, and the Americans, unlike Canadians, love war talk. I described the trade relationship with Japan, and emerging more so with Korea and China, as a war in which the only people who have weapons and can shoot are the other side. We're sitting with our hands over our heads trying to protect ourselves, and they keep penetrating and penetrating, and eventually our industry is going to disappear if we don't find a way to start shooting back.

We're open to ideas, Mr. Chairman, and I challenge the committee to come up with some unique ideas that can be looked at by Canadians.

Let me summarize our main policy recommendations described in more detail in our brief. We need proactive efforts to manage the imbalances that are arising from the emergence of new, super-competitive players in the global economy. Free trade ideology won't protect us; neither will our skills, and neither will encouraging Canadian firms to invest offshore.

And I should point out, Mr. Chairman, that our auto industry plants in Canada—and I could go through several others—are some of the most productive, high-quality, low-cost producers in the world, but that still doesn't allow us to continue to keep the jobs here, because we can't sell in the emerging markets, especially in Asia.

What will protect us? First, there is a broad requirement that our trading relationships have some degree of balance. Companies that import into Canadian markets must either buy Canadian-made products and services in return, or they must invest in offsetting Canadian facilities. If that fails, then they must face limits on their imports, and they also must open their markets.

Second, we need supplementary measures to help our industries find a stable footing as a global economy evolves. This must include a commitment to flexible, focused, sector-specific economic strategies like our recent work in the auto industry.

We also need a recognition by the Bank of Canada that our currency must stay in a reasonable range—the mid-seventies at highest—if we are to maintain a place for our value-added products, not just our oil and minerals in world markets.

Now I'd like to ask our economist, Dr. Jim Stanford, to quickly summarize some of the main statistical facts in our submission.

• (1550)

The Chair: If you can, Mr. Stanford, please do so in a very short brief, because we allocate about ten minutes per presenter.

Dr. Jim Stanford (Economist, Research Department, Canadian Auto Workers Union): That's right. Certainly, Mr. Chair.

The Chair: Mr. Hargrove was just under twelve.

Dr. Jim Stanford: I'll speak for negative two minutes and then we'll break even.

The Chair: I know when there are questions from the members you'll certainly have ample opportunity to add. Go ahead, please.

Dr. Jim Stanford: Let me just draw to your attention some of the main empirical findings in the brief we circulated in English and in French.

We've identified six emerging market regions. Our collective trade deficit with those six regions last year came to \$40 billion. Half of that deficit was with China. We've estimated that \$40 billion deficit translates into a loss of about 160,000 jobs in the manufacturing sector, and that deficit has grown, not just in numerical terms, but as a share of the total bilateral flow.

If you look back ten years ago, with all of those regions, except for Mexico, our trading was a two-way trade. Today it's increasingly a one-way trade. We import three dollars from those emerging markets for every dollar we export there.

The other key finding is that the imports of relatively sophisticated high-skill products and now services are actually growing faster than the traditional labour-intensive commodities. So the idea that we're going to import cheap labour-intensive stuff from them and they're going to buy our high-skill, high-technology stuff is quite wrong. The empirical evidence shows that our imports of technology-intensive manufactures from those regions are actually our fastest-growing type of import.

So I'll leave you to look through the brief in detail at your leisure, but I did just want to draw some of those to your attention.

Thank you for your extra minute there.

The Chair: Thank you very much.

We'll go to our next presenter. Mr. Roy, please.

[*Translation*]

Mr. Jean-Louis Roy (President, Rights and Democracy): Thank you, Mr. Chair. I would like to start by apologizing to the committee members. We had three or four documents to produce but could not get these three or four documents in both languages. I am really sorry because I am very careful about this policy. I think that the document will be available in French tomorrow or in the next few hours, according to what I have been told.

Mr. Chair, what we just heard from our friend Cumberlege reflects our perspective as well, namely the protection and defence of rights, of all human rights. I would like to tell you first about the perspective that we bring in coming before this committee and thank you for having us here.

We think two things. The first is that at this point in time there is no basic contradiction, no basic conflict, between human rights objectives and international trade objectives. It seems to us, as Paul Hunt the UN Special Rapporteur on the Right to Health said, that we are all trying in different ways to improve the lives of people and communities. The time has come, therefore, for us to really start getting together.

[English]

As we enter the 21st century, it is important for us to understand that human rights are firmly entrenched in international law. Human rights are an increasingly important component of global governance.

[Translation]

This could be seen recently in the European constitution. It could be seen as well in the plans to reform the United Nations, especially in the reform of the Commission on Human Rights and the creation of a Human Rights Council on a par with the Security Council. There are people here from business who know that human rights are becoming an increasingly important issue for all the stakeholders in a company, including the shareholders.

We are therefore appearing before you to ask that the recommendations that will come from your work, and the policy that will be developed, will be sure to take into substantial, lasting, solid account, I hope, strategies that include in a strong, sustainable fashion the obligations incumbent upon us as a result of our commitment to human rights as well as the obligations we have as a result of our international trade commitments.

If human rights are an increasingly important factor in global governance, we know—and have just heard forcefully stated by the previous speaker—that international trade is also a major consideration for our country. This creates some formidable challenges. We also know that international trade is a central, determining factor in our current era of globalization.

We think that a government like Canada's has a responsibility to include human rights concerns when determining its policies in support of international trade and when conducting bilateral or multilateral negotiations, as well as in all planning phases of its work.

• (1555)

[English]

Human rights implies democracy, the rule of law, independence of the judiciary, a fair and transparent public administration, an active civil society. These are the fundamentals of good governance, of democratic governance, and are in the interest of the business community, many of whose members understand this completely.

We need to clearly define the human rights responsibilities of all international actors, including the business community. This requires progress in establishing clear and binding standards at the national and international levels. We must also ensure that mechanisms that promote and protect human rights are part of the normative, regulatory, and economic framework within which we conduct our trade and investment activities.

[Translation]

We just heard that at this very moment, Canada is in a delicate situation, to say the least, in regard to its relations with these emerging markets, according to information from the National Automobile, Aerospace, Transportation and General Workers Union.

I would also like to say that the same pertains to the work that our country and society have done over 50 years to develop standards and rules on human rights. We may find ourselves tomorrow facing what are called emerging markets. Maybe we will have to change this expression and call them main markets. If we do not take this opportunity to strengthen our human rights standards, we could find ourselves headed into extremely complex times when others will determine these standards and rules.

I believe that this is what is happening in certain large countries in the world with which we currently trade. I am thinking in particular of China, where this is happening to foreign interests. The ability that these countries have to close things down and put foreign interests under considerable pressure should make us stop and think.

We should move in the direction that I just indicated for three reasons. These emerging markets represent 40% of humanity.

[English]

The universality of human rights is certainly at stake in these emerging markets. Furthermore, these countries are in the process of becoming dominant political and economic forces at the regional and international levels. Therefore, our ability to engage their governments, business, and civil societies on issues of human rights—through convergent diplomacy, trade, investment, and corporate initiatives—will affect our success in promoting shared values through the international system and its various multilateral mechanisms.

Thirdly, as these emerging markets become international donors rather than recipients of international development assistance, their commitment to human rights and corporate social responsibility will have a profound ripple effect on many other countries throughout the developing world.

• (1600)

[Translation]

Mr. Chair, I was recently asking our ambassador in Abidjan what was new on the African continent. She told me about things with which we were already more or less familiar. So I asked if she could say what was really new in Africa. She answered as follows: "China". People who follow events in Latin American are also aware of the strong presence of the Chinese authorities. The President has made two trips and the Prime Minister one, and there are trade commissions in all the Latin American countries. The real news in Latin America may well also be the arrival or presence of China.

Mr. Chair, I would like to complete and finish my remarks by stating more explicitly how we see the role that the government should play in promoting corporate social responsibility. Let us recall, first, what I suppose all the committee members know. A great many initiatives have been taken over the last few years by corporations or groups of corporations as well as public institutions. I am thinking of the UN Global Contract, the OECD rules on multinationals, the considerable work done by the International Labour Office and many others

[*English*]

the European Union framework for corporate social responsibilities,
[*Translation*]

that have recently changed the level of their texts. I have cited these initiatives but there are many others that I could have pointed out as well. There are about 200 of them.

[*English*]

We welcome those initiatives. They mark real progress. We strongly believe that respect for human rights can also be a tool for improving business performance, shared development, and renewed global governance. At a broader level, corporate social responsibility improves the sustainability of trade, investment, and development, and increases long-term shared prosperity.

Nonetheless, it is important to note that the majority of these initiatives are non-binding in nature. This raises three concerns: voluntary initiatives may be ineffective in situations of fragile or failed states; voluntary initiatives may be perceived as optional for many corporations; and voluntary initiatives may be superficial rather than substantive in nature.

Therefore, it is important that the Canadian government promote a comprehensive notion of corporate social accountability and responsibility that systematically focuses on human rights concerns and obligations.

The United Nations draft “Norms on the Responsibilities of Transnational Corporations and Other Business Enterprises with Regard to Human Rights”—citing the text, these are binding—is a key reference for focusing our attention on the human rights dimension of corporate social responsibility.

All those voluntary initiatives should be commended and encouraged. They should also be understood as a first-generation attempt to deal with the serious and demanding situation. We now need to move on to a series of second-generation initiatives that the Canadian government should actively promote.

We need to clearly delineate the obligations of states, which have the primary responsibilities for the promotion, protection, and realization of human rights, and those of corporations.

We also need to identify the responsibilities of business in relation to specific categories of human rights—civil and political, social, economic, and cultural rights—and provide information on best practices for promoting and protecting those rights.

We need to develop an appropriate and effective spectrum of national and international incentives and sanctions to ensure that human rights standards are applied by all corporations and that there

are effective remedies for victims of corporate human rights violations.

We need to encourage greater transparency and accountability in corporate governance to empower customers, investors, and civil society watchdogs, and to ensure that the information required to assess corporate behaviour and stimulate market-driven incentives and discipline on human rights is publicly available.

We need, lastly, to develop human rights impact assessment tools and methodologies that can be used to identify risks associated with international trade and investment projects. These human rights impact assessment tools should be adapted to and applied by international financial institutions and government funding agencies—Export Development Canada, CIDA, and the Canada fund for investment in Africa—to ensure that public funds and support are not given to dubious projects and programs.

Mr. Chairman, I'd like to inform you that at Rights and Democracy we are currently developing a human rights impact assessment methodology, and we would be pleased to engage in further dialogue with the government, corporations, or other stakeholders on this subject.

● (1605)

The Chair: Merci.

I can give you two minutes.

Mr. Jean-Louis Roy: Thank you.

Corporate social responsibility initiatives are in the public interest; however, they cannot replace governmental regulation and incentives in setting the parameters and conditions for the behaviour of all citizens, including corporations. To quote the European Commission, “We no longer live in an era where delivery of basic public social and environmental goods relies on the unilateral largesse and charity of big business. That is government's job.”

We believe, Mr. Chairman, that this subcommittee should ensure that the Government of Canada plays an increasingly active role in linking its emerging market strategies with corporate social responsibility initiatives and in integrating business and human rights at both national and international levels.

Thank you.

[*Translation*]

The Chair: Thank you very much, Mr. Roy.

[*English*]

We'll go to Mr. Blackburn.

Could we stay within the 10 or 11 minutes, witnesses? We went 13 and a half only because it was just as interesting as Mr. Hargrove, but, please, could we stay within the 10 or 11 minutes? I can guarantee you, I can assure you, there'll be many questions coming from the members of Parliament, and you will have, as I said earlier, plenty of opportunity to continue.

Mr. Blackburn.

Mr. Robert Blackburn (Senior Vice-President, Government and International Development Institutions, SNC-Lavalin Group Inc.): Thank you, Chair. I'll certainly stay within the ten minutes. Please remind me if I'm getting too close to the limit.

Thank you for inviting me to testify today, Mr. Chairman and members of Parliament, ladies and gentlemen.

The chair introduced me. I would say, perhaps relevant to your committee, I'm also chair of the Canadian Council on Africa, which has existed for about three years and now includes over 100 members and associate members from business and business associations and from colleges and universities involved in business and economic development in Africa.

I'll give a slight capsule on the SNC-Lavalin Group. You have a paper that I circulated; I think it's available in both languages there, so I don't intend to read it or speak to it in detail. SNC-Lavalin Group has 11,000 direct employees, and we're working in more than a hundred countries, basically doing complex project management, engineering, construction, facilities management, infrastructure management, and ownership. Of our revenues in 2004, which amounted to almost \$3.5 billion, 48% of that was outside North America. Of that \$1.64 billion outside North America, 41% was in Africa, 20% in Europe, 19% in Asia, 5% in Latin America, and 14% in other countries, including major business in the Middle East. I put that on the table as an example of where we see our main markets.

I tried to shape my remarks to the three questions the committee posed. The first was asking about the utility of more free trade agreements, double taxation agreements, agreements over movements of persons and this sort of thing. My general comment is that visible government-to-government interest, expressed through agreements of various kinds, has a very positive effect on business interest and confidence in given markets. There are good examples of this that we see following the NAFTA agreement, the agreement with Chile. The focus on Africa has attracted much increased business attention.

Obviously, to do business in new markets, double taxation agreements are very important, investment protection, recognition of professional standards, work permits, and development finance institutions also can be useful. And last week we had the example of the Canada Investment Fund for Africa going into operation. You could say there's enough money available if we have the confidence, but these demonstrations of government leadership are important in opening up new markets, so all sorts of business of that kind are very helpful.

The number of free trade agreements that are discussed in this commerce part of the foreign policy review... We're happy to respond to opportunities, when free trade opportunities arise, as long as the main markets are addressed and the trade department has resources to pursue them. Sometimes it's not entirely clear why some markets are chosen to negotiate free trade agreements. I would just say that if resources are scarce, as I think they are, in the trade department, we need to make sure we focus on good existing markets and key emerging markets. I sometimes wonder whether the list of free trade agreements being negotiated meets those criteria.

You also asked about the types of service and information that would be helpful in supporting business in emerging markets in the light of resource constraints again that the department faces. A general comment again would be that it's not macro-economic trend analysis we need. We see lots of that. We all know and hear and read about China and India, and we're aware of their importance in the world economy and in world geo-strategic terms, but what we need is people on the ground. We need a Canadian presence in key markets. People who are living there, who know who's who and what's what, how things work, can help open doors or solve problems.

● (1610)

This is particularly true in new market economies that were previously centrally planned. We need not just the trade elements of the embassy; we need the whole embassy, including the political parts. In emerging markets, these things aren't neatly segregated. The political, economic, and personal relationships are inextricably mixed, so we need people on the ground who understand how these societies work.

The next priority is to have adequate and accessible federal Team Canada resources here in Ottawa in trade, foreign affairs, immigration, border service, finance, and agriculture. We need the whole team. We need Immigration to facilitate business, travel, and training. We need the Department of Finance to provide the corporate tax environment that encourages people to look to new markets and tax treaties. We need Transport Canada to look at adequate air travel and other transportation links with emerging markets. Algeria is a place where we're very involved, and we would like to see improved air linkages there.

We need coherent Canadian policies that emphasize, but are not limited to, trade with key countries and markets. In the international trade part of the foreign policy review, Africa is almost absent. There are a few brief references, but it really isn't part of the strategy, even though the government has said it's a key strategy.

Export Development Corporation is very important. Canadian Commercial Corporation is often helpful in building confidence, not only among Canadian exporters but in emerging markets as well. CIDA can also be helpful. The key point is that we need coherent policies and initiatives addressing key markets and the full federal Team Canada involvement, not just the trade people.

The third question you asked was what policy and promotional efforts advance trade, investment, and Canadian values? We've heard about human rights and the rule of law. Selective interventions by the prime minister, ministers, ambassadors, or senior officials, if they're focused and timed right, can be helpful to a company like ours that's already established in these markets. Trade missions are less helpful to us. Though I realize they can help to raise Canada's profile, they're less important to company like ours.

Senior-level involvement for problem-solving—I've spoken of this in relation to embassies and Canadian presence on the ground—is very valuable to us. When we run into a problem, which is often the case in an emerging market, senior people from the Canadian government can help us to gain credibility and get cooperation.

The Martin-Zedillo UNDP report and the Blair commission talked a lot about private sector development as a key to realizing the millennium development goals. The Canadian private sector has the international experience it takes to contribute to building the private sector in the developing world. In recent years, however, CIDA has been less and less interested in working with the Canadian private sector. Over the last five years, the Canadian private sector, as a delivery for Canadian international development assistance, has fallen from about 25% to about 6% or 7%. So we are very encouraged by the latest foreign policy statement, which talked about partnerships with Canadian companies, NGOs, and institutions. Also, the February budget included incentives for promoting Canadian private sector involvement in Africa.

•(1615)

I have just an overall summary remark. The key in developing our international trade and investment policy focus on emerging markets is not to depend only on trend analysis, but to focus more on the actual experience of Canadian companies working in foreign markets, where we've worked many years to establish our present market. China, India, and Brazil are obvious and important globally, but we have other markets that are more important to us, as the data at the beginning of my presentation indicate.

Thank you, Mr. Chairman.

The Chair: Thank you, Mr. Blackburn.

We'll go to Mr. Cumberlege, please.

Mr. Piers Cumberlege (Acting Executive Director, Canada Eurasia Russia Business Association): After that fairly exhaustive and detailed list of points, I think I'll keep within the ten minutes fairly successfully, at the risk of repeating otherwise many of the things that Bob has said.

What I would like to do, if I might, is focus a little bit on the hat I'm wearing today, which is the Canada Russia Eurasia Business Association. I would like to focus on the specific issues and opportunities that Russia and Eurasia, which formerly would have been known, perhaps, to many as the CIS, represent to Canada, but at the end I will extend briefly my comments to cover some of the other key emerging markets that I feel perhaps could do with a bit more attention, and where I've been actively personally engaged.

Canadian international trade has focused on three of the four BRIC countries. That famous Goldman Sachs report you're probably familiar with highlights Brazil, Russia, India, and China. The

international trade section has focused very much on Brazil, India, and China, with the exclusion of Russia. Russia comes as a player in the second division, rather than up there in the first division. I would like to question that, and to suggest a few reasons the Canadian business community is questioning it itself.

In the early 1990s in Canada, for many people, Russia was a two-syllable word synonymous with mafia, but there's been a major change in style, and there has perhaps not been a recognition of the degree of that change in style. Russia is a liberal economy. There has been development in the rule of law. There are certainly areas for improvement—a lot of room for improvement—but there has been a lot of improvement since the days of cowboy capitalism in the early nineties.

The economy, buoyed up by the oil price, is a very significant market and is also a very significant producer of natural resources worldwide. It's a significant market in size. It's 145 million people. There is a consumer market there, a middle-class market, that has developed significantly in the last few years. I could figuratively say that prior to the 1998 crisis, Moscow was a place where you saw Versace and Mercedes; now it's a place where you see Benetton and Volkswagen. It's changed considerably. Russia is now a large middle-class market. There are still a lot of people—approximately 40 million of those 145 million—living at a very low standard of living, close to poverty, but there has been an incredible change over the last five to six years compared to the early stages of the opening-up of the Russian economy.

Moving to the Russian links with Canada, there's a very high regard in Russia for Canadian technology. There is a sense of sharing a common northern dimension. Russia sees itself as a northern country. Canada is a northern country. There is a feeling of a common destiny and a common need to solve common problems, and there is a great deal of respect for Canada's ability to show leadership and provide technology in that particular dimension, in that area. Canada is looking to exploit that. We in CERBA, in the business association, see there's a very active move from a lot of small- and medium-size Canadian companies with specific technology in those fields. They are addressing that with Russian counterparts.

Another area where there is a common interest is in the whole field of energy. Russia is, as you all know, a very major supplier of energy, both oil and gas, to the European market at the moment, with strong ambitions to become a major supplier to the United States. Those ambitions are going to be realized. President Bush has recently, as I'm sure you're aware, been opening up the notion that the United States will be purchasing energy from some of the countries upon which it hitherto would not have wanted to be energy-dependent, but now recognizes it needs.

•(1620)

Canada has a key role to play in that, as a geographical stepping stone between Russia and the United States, and also I would suggest as a political and economic balance that enables the supplier relationship between Russia and the United States to be brokered through an honest broker or an independent third party. In the Russian perspective, to a certain extent, Canada is perceived in that sense.

This clearly also, though, translates into business opportunities, particularly specific business opportunities for Canadian companies in the oil and gas sector. There are going to be very big pipelines, big transit systems, and so on—big opportunities there.

Another area in which Russia—and this touches perhaps on what Monsieur Roy was saying earlier—has a high regard for Canada is in the field of corporate social responsibility. As you may recollect, in October last year the Prime Minister visited Moscow, had a meeting with the President, and also had a meeting with a number of Russian business leaders—a round table, which I attended.

A message that came out of that was, “Canada, please, we don't need your investment dollars; we're not looking for your investment dollars. What we're looking for is the soft technology that helps our enterprises and helps our new business leaders to become better corporate citizens and to follow, to emulate, that style of corporate citizenship that Canadian enterprises have in Canada.” This is something which the Russians see as of critical importance. There have been a number of quite important dialogues between Canadian and Russian businesses on that very subject. That's an area in which Canada has a niche, a core competitive advantage, that could be exploited there in that relationship.

What do we therefore require in the relationship? Firstly, we need to reinstate the *R* in the BRIC. At the moment, we don't have Russia in the BRIC in Canadian international trade policy. We need to reinstate it. It needs to get back up there. It's missing and I, and certainly the members of our association, believe very firmly that there is an engagement required there and that Russia has an equal call to be seen up there with Brazil, certainly.

We look for engagement at a ministerial level. Unfortunately, it has not been possible for the Minister of International Trade to visit Russia recently. But there is, both from the Russian side and from the side of the Canadian corporate sector, a great desire to push forwards and to make concrete the Canada-Russia Business Council, which was announced jointly by the Prime Minister and the President during that October meeting in Moscow.

We need to look for greater support for the northern dialogue and the northern business relationship, which has been developing well but could offer greater benefits if Canada were to put more effort into that. The Russians are welcoming it and they are putting efforts and investment into it from their side. I would suggest that Canada could enhance its own approach there.

We need to look for continued focus on Russia's accession to the WTO. This is imminent. It has, as have many things in Russia over the last couple of years, been imminent for some months.

Canada has played actually a key role there as a behind-the-scenes honest broker in helping to try to achieve agreement between Russia and the United States, and Russia and the European Union on some of the key files. I believe that has engendered in the Russian government and in the Russian bureaucracy very strong feelings of support. I've actually encountered those when I've been to the Ministry of Economy. There has been very definitely a feeling of gratitude for the support Canada has given. That should of course translate itself into some very specific concessions that should be made to Canada in that accession process.

● (1625)

I'm thinking of the aerospace industry in that respect, where Russia has some extremely protective tariffs. Those need to be taken out before that accession is granted. In the finance sector as well there are questions of access to the Russian financial services sector that certainly need to be addressed.

Moving on, I think another thing we require is support for the business-to-business dialogue. I mentioned at the beginning of this that Russia is a liberal economy, and it is one that is far less regulated than China. It is closer to India or closer to Brazil in the sense that it is far less regulated. There is private enterprise in Russia that has by and large, with a few notable and rather public exceptions, complete liberty of action. It's very important that the Canadian government recognize and support the development of that business-to-business dialogue, which is already starting to emerge.

The modern—if I could describe it as such—Russian businessman bears no resemblance to the Russian business people whom you may have encountered in the early nineties, who perhaps would have given a rather less attractive picture of people to do business with. Now, I would argue, there are good business people in Russia who have found strong relationships with Canadian counterparts. There needs to be strong support for that and encouragement for the development of those relationships.

Here are a couple of very specific points: continued focus on investment protection, particularly in the natural resources sector, and—I've already mentioned it briefly—market access in aerospace and financial services. I would also echo the need Bob Blackburn highlighted earlier for perhaps a more integrated approach in political and trade services at the embassy.

Finally, just to conclude because I'm conscious of time, if I can step back very briefly from Russia per se and just look at a very quick overall sketch, I see China, a massive block and a very strong economy; India, an emerging, very strong economy; and of course, Europe and the United States, two very strong economic blocks we're familiar with already.

I would argue that there are three others as a minimum that need to be addressed in order to remove the risk of dependence on any one of those existing ones I've just mentioned. Russia and Eurasia are one of them, Brazil and Latin America are another, and—I would echo here some comments of Bob's—South Africa and the rest of the African continent are another. I believe there has been, although I laud totally the need for focus, an over-focus on China, India, and Brazil at the expense of building up a more balanced international trade policy that looks at those other blocks as well.

If I can, I'll just conclude by saying I would recommend that Canada, at an international trade level and on a political level, review the importance those blocks may be able to play as balancers in the new economic order we're beginning to see in the world.

Thank you, Mr. Chair.

● (1630)

The Chair: Thank you.

I must say we've been pretty liberal with our time as well.

The format we're going to follow will be to start off with Mr. Obhrai; Madam Deschamps will follow, with Madam Jennings afterwards and then Mr. Martin. There will be 10 minutes, witnesses, shared between you and the questioner. After that 10 minutes, if we can get by the first round, I'm sure there'll be time afterwards and we'll go into a second round. If you please, be cognizant there's 10 minutes not just for questioning and not just for answering but 10 minutes in total.

Mr. Obhrai.

Mr. Deepak Obhrai (Calgary East, CPC): Mr. Chair, we have very important witnesses who have addressed very important issues. There are two sides, but they all came together and we can engage in a bigger dialogue with them.

I want to start by saying I met Mr. Buzz Hargrove when I was doing the WTO study on China's entry into the WTO. At that given time there were of course objections raised by the union.

I will buy the argument Mr. Hargrove has made about China and its human rights record, which in turn leads me to you, sir, on this human rights issue of...all together over there.

I've been down to the UN human rights conference twice now. That body, regretfully, as our ambassador has now mentioned, is totally ineffective. When you have international bodies that become totally ineffective, the message going out is that there is no level playing field out there. China is one of those cases that, as Mr. Hargrove said, is not a level field, due to there being no trade unions and their not being into human rights in that country, which of course impacts on world trade, which is the China factor we're talking about.

While I'll buy his argument over here, Canada still remains a trading nation, and we need to go out there and trade. We're only 30 million people. What is coming out is—I've been on the trade missions to both China and India—the emergence of small businesses going on these trade missions that have nothing to do with these things. SNC-Lavalin, whom I've met on many occasions on these trade missions, is a big corporation that had the resources to be there on their own. I have to be very frank; they can handle things by themselves.

But a new emergence that is happening in Canada with the multicultural community coming along is this new area of opportunity, I would say, for Canada over this thing. Countries like Brazil and India, which have been mentioned here, do have a pretty good trade union movement and other issues over there. We only have a problem at this current time with China, and of course Russia itself is not a member of the WTO right now...I thought.

Being here now and going through all these things, I come to a conclusion here, that Canada has no choice but to trade. We want a level playing field; I agree with you. I think that's where we should put our resources together, through the WTO.

You mentioned softwood lumber. We know the reason for that. NAFTA, of course, which objected too, was to create a level playing field. Human rights issues are coming into play in a lot of countries such as Indonesia and in Africa.

But overall, in all this playing, how do we get this level playing field? Isn't it through international bodies like the UN Human Rights Commission? And the ILO, which you've just mentioned...I've been to the ILO. I've seen over there. I don't find them very effective. They all get mired in politics and everything over there.

The question is, for this committee coming out here, for emerging markets, how do we go and take full advantage of that, along with the opportunities being presented, but maintaining core Canadian values?

• (1635)

The Chair: Was it directed at somebody specifically or the entire panel?

Mr. Deepak Obhrai: The thing is, we have such wide expertise out there.

The Chair: You have a good six minutes among the three of you.

Monsieur Roy.

[*Translation*]

Mr. Jean-Louis Roy: I would like to thank Mr. Obhrai for the difficult questions that he raises and tell him that

[*English*]

I completely agree with him that this United Nations Human Rights Commission has to be completely redone and reformed. There are significant proposals by Kofi Annan on the table. I think Canada and Canadians should follow what is going on. We need now in the world...it is becoming another kind, another level, another quality of instrument to deal with the human rights needs, for human rights protection.

[*Translation*]

I would just like to add one thing, Mr. Chair. We have heard a number of countries mentioned here. We heard Algeria mentioned on the African continent, Russia, and the region that you identified. Other countries could have been mentioned as well. I can think of Iran because it is a human rights question. I am sure that Mr. Blackburn would not be opposed to what I am going to say.

There was a time, not very recently, when it was difficult to work in Algeria because the rights of Algerians and the protections for foreigners were constantly in doubt. There were continual group assassinations and massacres in Algeria, and that went on for years and years. Algeria is again becoming a country with which we can do real business—we did so before but it was hard—and in an easier way. It is starting to have the rule of law. It is becoming more like a democracy that respects minority rights and human rights.

As you said yourself, it was not so long ago that we were wondering, in regard to Russia, who are these people? Was this country really dominated by the Mafia? I am repeating what you said.

You are bringing us good news. I take you at your word when you say that in Russia we are approaching ...

[*English*]

Mr. Deepak Obhrai: Mr. Roy, we only have ten minutes.

[Translation]

Mr. Jean-Louis Roy: ... something that will eventually be a kind of democracy. That is becoming possible. In other words, the conditions surrounding this trade are important to Canada. You are right, we have no choice. These conditions include, at the top of the list, a reference to the protection of human rights, which is the strongest expression of democracy, a strong, independent judicial system, and the possibility of redress when there are abuses, either by public authorities or the private sector.

• (1640)

[English]

The Chair: Mr. Blackburn, I think you wanted to respond, sir.

Mr. Robert Blackburn: I have just two quick points on Mr. Obhrai's comment. First of all, you talk about SNC-Lavalin being able to do these things on its own. Something just to be aware of is that what we do is draw on the skills of Canadians and international corporations. For instance, the Chamera II project that we just recently finished in India used 60 Canadian SMEs plus many, many Indian companies. So we're basically an integrator. We're not on our own ever.

The second point is, how do you bring Canadian values to bear? Well, we have a strong corporate code of ethics. We observe local laws, and where local laws are weaker than they would be in Canada, in some of these areas we use international standards. So we have our own code of behaviour, and I think most major Canadian companies operating abroad have their own codes of behaviour that they bring with them and that apply in Canada or elsewhere. And that's one of the advantages that I see for Canadians—with 86% of our trade being with the United States—in going to some new markets and taking Canadian ways of doing business to emerging markets, to problem markets, the sort that Monsieur Roy has just talked about.

The Chair: There's still a minute and a half left.

Mr. Hargrove, Mr. Stanford, do you have anything to add?

Dr. Jim Stanford: We need to press for human rights and labour freedoms in all of those areas, through any avenue we can: bilaterally, independent Canadian initiatives, the multilateral forums. You mentioned the ILOs, sir. I think we've made some progress through there, but there are also the sector labour federations like the International Metalworkers' Federation in other places where we've been successful. But we should do those things for their own sake, not because we think it's going to level an economic playing field. And I think the point we tried to make with our submission is that by and large the success of regions, whether it's China or Korea or Japan or penetrating our markets and creating these large trade imbalances, is not mostly rooted in oppression or the violation of human rights. Some of that goes on, but generally less over time.

Let's take Korea as an example. Korea initially started out as rather a repressive regime. It's been liberalized. There have been important democratic gains. The labour movement is very strong in Korea. In fact, we had one auto company say the only union in the world that was more militant than the CAW was the Koreans', and that's saying something, you know. They've made tremendous gains over there. Despite that, Korea exports \$1.8 billion worth of automotive products to Canada and buys nothing from us. You know

why? Well, there are a range of factors, some of them economic, some of them policy, some of them non-tariff barriers, some of them cultural. Should we sit back and say, well, they've got trade union freedoms in Korea; we've got nothing to complain about; we've got a level playing field now; so let them have at our market? No. What we're looking for is some kind of balance in results and actual demonstrated mutuality in the trade relationships. We are not trying to get to some kind of an abstract level playing field and then turn it over to the market.

The Chair: Thank you very much.

[Translation]

Ms. Deschamps, please.

Ms. Johanne Deschamps (Laurentides—Labelle, BQ): Thank you, Mr. Chair.

I am going to set my sights on Mr. Jean-Louis Roy. I want to continue in much the same vein as Mr. Obhrai.

You ask Canada to be very sensitive to human rights. How can respect for human rights be guaranteed when you are dealing with a country where there is no responsibility for them and sometimes not even a desire to protect them?

Mr. Jean-Louis Roy: Madam Member, thank you for your question. It gets back to Mr. Obhrai's concerns.

Countries have a responsibility to protect and promote human rights. That is the most commonly accepted doctrine among human rights activists. I think that it was reaffirmed at the World Conference on Human Rights in Vienna. Countries have this responsibility.

You ask how we can ensure that human rights are guaranteed in countries where there are problems. That goes back to the question of your colleague, Mr. Obhrai.

There is no doubt at all that the system for cooperating and searching for new protections of human rights on the international level has lost all credibility. Kofi Annan says so, and Louise Arbour just said so in very clear terms. A country like ours must absolutely support and expand proposals to reform the world system for defining and protecting human rights, which emerged after the war and which, 60 years later, needs to be completely renewed. A country like Canada can question a country like China more directly than the international community can and see whether or not it respects human rights.

Kofi Annan has made a proposal for reform. Some countries are currently playing a kind of game that is very hard to untangle. If you went to Geneva, you know what I mean. However, under Kofi Annan's proposal, the new Human Rights Council within the United Nations system would be a kind of peer review of all the countries in the world. That is not so terrible. The council is divided into two chambers, and if you go through 20 countries a year, in ten years you can do 200. All countries would come, not to explain themselves, as they would before a court, but to report on how they are handling civil, political, social, economic and cultural rights. That would be done in the great regions of the world before certain human rights commissions, for example for Africa, for Latin America, and for Europe. It would then be worldwide. That is my first answer.

I started my remarks a moment ago by saying that we think that business circles have a key role to play in protecting human rights. As a matter of fact, they already play a huge role in the world and investment is very important in world markets, with technology transfers and so forth.

I have a lot of respect for what Mr. Blackburn said, and I think that there are many corporations that have quality voluntary codes of conduct, but not all corporations do. I think that we must crank things up another notch because human rights may be first and foremost a government responsibility, but governments are not solely responsible. The power of corporations and the impact they have when they arrive in a foreign community, what they bring and what they do, are so significant that there should be some common standards. I would add that we are also talking about countries in great difficulty, countries emerging from wars or that are bankrupt. There are many of them. There are some in west Africa, in central Africa. There is also Columbia, and you could continue.

We have seen reports done for the UN Security Council describing the behaviour of certain Canadian companies that was literally scandalous and an offence against the dignity of people placed in unreal situations by these corporations. We are no doubt talking about exceptional cases. I hope. But these exceptional cases happen in the vast areas of the world where there is no rule of law and no controls. There is a well-known concept in the international community, which originated in Canada, it is said, and which is thriving now in the international literature and in the hopes of the Secretary General of the United Nations: the obligation to protect. The obligation to protect is also a human rights regime.

What we are asking is that, before the Government of Canada invests public money in plans for international trade, exports and all kinds of support, a human rights impact assessment should be done, as we are starting to do now in regard to the environment. We can hardly expect 1000% success by tomorrow morning, but we would at least like this concern to be present, central and ongoing. In this way, the work that we do in the world will be of a kind that enriches Canada and enables us to do business of course. However, I agree with my neighbour that this is not the primary reason why we do this.

We do this first of all because we believe that human beings everywhere in the world have a common dignity and that you cannot treat Congolese in any old way, or force eight-year-old children to work, or treat men and women in totally unequal ways on labour markets, etc.

There is a large part of the world that we have not mentioned yet, Mr. Chair, and that is the Arab world, the Islamic world one might say. It is also a large market that is now at the heart of international concerns. You cannot solve the problems of these regions without a lot of pressure regarding human rights.

The Chair: Thank you.

You are next, Ms. Jennings.

• (1650)

Hon. Marlene Jennings (Notre-Dame-de-Grâce—Lachine, Lib.): Thank you, Mr. Chair

Thank you very much for your presentations.

I have three questions: one for Mr. Roy, one for Mr. Blackburn and one for Mr. Hargrove.

Mr. Roy, in your presentation, you talked about a ban. You recommended a temporary ban on the sale of Canadian security and surveillance technology to China.

I leafed very quickly through the report on the Golden Shield Project. Being especially concerned myself about the entire question of the right to privacy and access to information—I happen to be on the House's new standing committee on these matters—I would like you to tell us a little more while discussing the Government of Canada's current policy on the sale of dual usage systems. I think it's really a key issue.

Mr. Blackburn, you had a lot to say about the role that CIDA could and should play. You said in your remarks that in addition to using multilateral tools to forward our humanitarian assistance to countries that have suffered a catastrophe, we should utilize CIDA to make use of Canadian expertise and adopt a policy that would make it possible to call upon Canadian companies for certain international development services. In contrast to emergency situations, these would not necessarily be humanitarian services.

However, CIDA is proposing to make quite draconian cuts to the number of countries considered priorities. How will this decision affect the ability of Canadian companies, in some cases small and medium-size but mostly large companies, to penetrate the markets of countries that do not receive financial assistance from CIDA? How will those that are already in these markets be able to increase Canadian participation there?

Mr. Hargrove, I greatly appreciated the concerns you raised about the imbalance in the market, especially between Canada's automobile industry and that of other countries. You used Korea as an example. Imagine that the automobile industry were running a deficit. If there were a surplus in an entirely different sector, there would still be a surplus overall, despite everything.

It could be that the Canadian government might decide to sacrifice the automobile industry because of surpluses in other sectors. If possible, I would like you to spell out clearly for us some of the factors or criteria that the Government of Canada should keep in mind when free trade agreements are negotiated with other countries.

• (1655)

[English]

The Chair: Mr. Hargrove.

Mr. Basil "Buzz" Hargrove: One of the problems is that we have an overall trade deficit with 99% of the countries we're talking about, so we don't have this kind of horse-trading.

You asked what the problem was and what we should be doing. First, we should be scrapping the idea of signing free trade agreements with governments, and get back to dealing with trade agreements based on sectoral issues that were common and/or trade-offs, as you just mentioned. If you were to say we've decided that in our trade with Korea auto is one area we're going to give up on because we have a strength in another area, that's the kind of horse-trading my father would say makes a lot of sense for the country. We're not doing that. We're signing agreements that are giving up our sovereign rights on trade, like with the United States, and we're getting the hell beaten out of us. Even though we're winning every panel decision, the Americans are saying they don't care. They're not only going to put a tariff on us, they're going to take the tariff and give it to the U.S. producers, in spite of the fact that all the panels say they've suffered no harm.

Hon. Marlene Jennings: I got into a lot of trouble. You didn't read the editorials?

Mr. Basil "Buzz" Hargrove: Yes, I did.

A lot of people around Ottawa today and the media are saying Ottawa has lost its clout in Washington. The reality is we've lost our clout in Washington because we have this trade agreement that allows the Americans complete access to our natural resources, without any interference at all. At the same time, they can say to us, "Sorry, we don't like your getting a bigger share". They've done it in steel, things like strawberries, and pork bellies. They've done it in almost every area of the economy. And I'm not critical of the Americans; I want to be clear I'm not anti-American. I have a lot of respect for the Americans. I'm critical of Canada, our government. Why are we so one-sided? Why do we allow people to kick us, without kicking back once in a while?

We have a huge trade imbalance. We should get back to using our strengths—our natural resources, our incredibly skilled workforce, our productivity, our quality—to bargain trade relations that are saying yes, you can come into our market and sell, and the quid pro quo is we have to go into your markets and sell where we have a strength. That's not happening. Look at Japan. I've been arguing this for so many years.

Let me just give you a recent example. Bricklin has decided they're going to import vehicles from a Chinese company called Chery automotive into the United States. They're a stone's throw from Japan, the largest automobile or vehicle market in the world. They're not even talking about going into Japan because they won't let them in. They're going to dump them into the United States and Canada at a very cheap price, and undermine further our ability to have an auto industry in this nation. We have to be able to deal with that from a position of strength, not weakness, which we have under FTA, NAFTA, and the WTO.

Hon. Marlene Jennings: Thank you.

I agree with you that Russia should be a priority market for Canada. I had an opportunity to visit Russia and speak with Russian parliamentarians on the whole issue of governance, parliamentary oversight of government agencies, etc. There has been a major change, as you said, so I agree with you.

Monsieur Roy.

[*Translation*]

Mr. Jean-Louis Roy: Madam Jennings, you are asking an absolutely crucial question here and I thank you.

I will try to be brief because time is short. Canada decided that it would not extradite human beings, citizens, regardless of their status in Canada, to countries where there is the death penalty.

Hon. Marlene Jennings: Very true.

Mr. Jean-Louis Roy: Canada decided that it would not extradite people, even in connection with security issues, to countries where there is torture. At least we are not supposed to do that. Today we are talking about selling surveillance systems to certain countries, including China and Burma, and helping them create large databanks on all their citizens. Well, these are actions that bear a close resemblance to the first two that I mentioned because the result is that people are put into prison, are tortured, and in some cases, suffer the death penalty.

In China, people are put into prison because their telephone conversations were intercepted or because they were traced on the Internet and it was determined that they had published a message there expressing their political dissent and demanding democracy. Much can be said about our selling systems that will enable the Chinese government to keep people under surveillance and incarcerate those who write about their hopes for democracy.

Over the last year, we have been carrying on a dialogue with the Government of Canada, a conversation as you would say in English. It has been very interesting. I was very happy to see that we could converse with some Canadian authorities, including the National Research Council of Canada and the Canadian Police Research Centre, about what were doing. You know, of course, that Canada has signed a memorandum of agreement with the CNRS, the Canadian Police Research Centre, and the Chinese Department of Public Security. That made us very uncomfortable. We intervened in this regard and asked a lot of questions. We got at least some answers.

In finishing, I would like to quote a long letter that the Prime Minister wrote to us on April 11 and that was made public. It says:

● (1700)

[*English*]

As you know, China will host the 2008 Olympic Games in Beijing and the 2010 World Exposition in Shanghai. With these events of international scope comes a legitimate requirement for security technologies to protect athletes and visitors alike. Canadian firms have considerable expertise and products to offer their Chinese counterparts in this area. The proposed export of security goods and technologies which may be subject to Canada's export control regulations would be reviewed, and factors such as human rights would be considered in the review prior to a permit being issued or denied.

[*Translation*]

That is the state of our dialogue with the Government of Canada. We were quite pleased that the Prime Minister made a commitment to review these product lists.

[English]

The Chair: We'll get a quick response from Mr. Blackburn on the question, please.

Mr. Robert Blackburn: The focus question, I think we would all agree, is that Canadian aid needs to be more focused than it has been in the past. My concern is that over the last few years, the curve has been like this in resources that CIDA managed, to international, where we're probably over 70%—the last number we saw was 68%, but on a curve that went like this.

The important thing, and we're seeing it in the foreign policy review, is a focus on needing to get Canadians involved by focusing in areas where Canadians have expertise and by managing, having a balance, between the amount of development assistance you're delivering internationally, multilaterally, and the amount that you're delivering yourself directly.

The international poster boy for good behaviour is the British DFID, the Department for International Development. It manages half its resources itself, untied. Anybody can bid, but the fact is, since they're operating in areas where there's good British expertise, probably 80% of the contracts go to British firms and British NGOs. That would be a good model for Canada.

For my company, when it first started getting involved in international markets in the sixties, CIDA was a very important factor. It kind of got us launched. It introduced us to markets. Out of our annual revenues, you could hardly find CIDA—there were a few contracts here and there—but it got us launched. And if you take away that capacity, you're going to really lose something in terms of Canadian engagement in the developing world and developing markets. You can say that Canadian companies should find their own way, but the fact is, they tend not to. The attraction of the American market is such that they're not going to find their way to these other markets unless there's some government involvement to help push them or pull them outside North America.

Hon. Marlene Jennings: Thank you.

The Chair: We'll go to Mr. Martin.

Mr. Pat Martin (Winnipeg Centre, NDP): Thank you, Mr. Chair, for this opportunity. I'm a substitute on this committee, so it's not my normal area of expertise.

The Chair: You're a very informed member of our initiatives.

• (1705)

Hon. Marlene Jennings: We expect excellent questions from you.

Mr. Pat Martin: That's very generous of you, Marlene. I'll try not to let you down. You won't like this line of questioning, actually.

What I'd like to concentrate on is one Canadian export to emerging markets that I'm not proud of or pleased with at all. In fact, I think it's one of Canada's greatest shames that we're in fact spending millions of dollars as a country to dump asbestos into the developing nations, which you've flagged as emerging markets. I think it's one of Canada's greatest shames that we're in fact merchants of death in this field. We're the largest single producer and we're spending millions of dollars to still expand those markets and find new markets and find ways to talk about asbestos in a way that is acceptable. There is no safe use and there is no safe level.

So I guess I'd like to ask, in terms of corporate and social responsibility, does the work, Mr. Roy, of your organization extend to that type of ethical question, not just the human rights component, but the moral and ethical question about what materials we do export?

Would any of you like to comment on that?

I do have a second question, but first I would like to hear whoever would like to start on asbestos. I'd be interested in hearing the Auto Workers as well.

Mr. Roy, in terms of corporate and social accountability and responsibility, does the export of something as clearly deadly as asbestos concern you?

Mr. Jean-Louis Roy: I was living in Europe for many years in the nineties, and I remember a huge scandal at the level of the European Union, the selling in Africa of beyond-due-date drugs by containers and containers. It was criminal. People were paying a high price for drugs that had no capacity to do anything to help them.

Mr. Pat Martin: But they are—

Mr. Jean-Louis Roy: But that's a contrary example.

If we are exporting products of some sort that are clearly, as you mentioned, producing death, it's incredible that a country like ours accepts this. We should stop it.

Mr. Basil "Buzz" Hargrove: If I could, Pat, this is an excellent question, which fits into one of the problems with trade and jobs. Unfortunately, not only are we shipping asbestos to many emerging nations or developing world markets, we're also producing it in the province of Quebec, where a lot of people have suffered incredibly.

We have had two major cases in our union in the last few years, one of them about ten years ago at a place called Holmes Foundry in Sarnia, where people were working with asbestos without any type of protective clothing. There's very little protective clothing that can keep you from catching these very fine fibres in your lungs, but they had absolutely nothing and they worked with it. Some people at a very early age are more susceptible to these fibres than others. It ended up with a number of deaths in the workplace, but no one realized what was causing it until just....The company had actually closed the plant and moved on by the time we found out what it was.

We've now filed claims on behalf of about 300 people, most of them families of people who've passed away, including the chairperson of our union, a young man by the name of Bob Clarke, who died from exposure at age 53, but many others—and families, women, children, where asbestos was brought into the home on their work clothes and when people would take off their clothes the fibres would float through the house and it was incredibly dangerous.

Just recently, at General Electric in Peterborough, we have discovered that there are several hundred people who were exposed to asbestos in the workplace. And the employer, innocently enough at that time—we're talking 25 to 30 years ago—actually used to donate asbestos to workers to build fireplaces or shelves for fireplaces in their homes. They were getting all of this exposure, and it's just now that we're finding....There will be several hundred claims before we're done here that people have serious illnesses now because of the exposure and their families have serious illnesses. And in the community in Peterborough, there's exposure there as well.

So the question really becomes why are we still producing this in Quebec or mining it and shipping it to emerging markets? Several countries have already outlawed asbestos, but not enough. Even some of the more developed countries, like the United States, have not barred asbestos. So we have an obligation as Canadians to find other work for the workers so that they're not fighting. The unions are fighting like hell to keep the mining going because it's a livelihood of their members and their families. People don't tend to worry about tomorrow; they worry about today and feeding and clothing their families. So we should find alternative work for them and we should stop mining and shipping asbestos around the world.

• (1710)

Mr. Pat Martin: Thank you.

Actually, that's where I was from, an international trade point of view. From a Canadian government trade point of view, when those other countries tried to ban asbestos, Canada sent their intervenors to the WTO to stop them from banning asbestos because we might jeopardize our market for asbestos.

Mr. Basil "Buzz" Hargrove: It actually put money in to promote in emerging markets the buying of this as being a good product in some instances, which is really terrible.

Mr. Pat Martin: I'm thinking of all those good ideas that you people raised today where we could use attention of the government, those millions of dollars we spent promoting it.

Mr. Roy would like to add something.

Mr. Jean-Louis Roy: I have a very short comment about—

The Acting Chair (Hon. Mark Eyking (Sydney—Victoria, Lib.)): You have lots of time.

Mr. Jean-Louis Roy: Thank you, Mr. Chairman.

I have a very short comment about the question you raised. That may be a good example of what a human rights impact assessment will produce in terms of what we export, the program we have. Maybe we will have stopped that if we have those human rights impact assessments.

Mr. Pat Martin: If you could view that through a screen, an ethical screen if you will, it's an excellent point.

There was another issue I wanted to raise. I noticed, Mr. Stanford, in some of the figures you pointed out, that the trade deficits in the six major emerging economies considered have already translated into the loss of some 160,000 direct manufacturing jobs. That's a staggering statistic. The other job figure that's being bandied around the editorial pages recently is that this deal with the NDP and the

Liberal Party is going to cost 350,000 jobs, that if you take away these corporate tax cuts, you can kiss 350,000 jobs away.

Has there ever been a study that would give us the empirical evidence that eliminating a corporate tax cut will kill 350,000 jobs? Is that figure based on any empirical evidence, or is this just some notion that certain economic think tanks like to believe?

The Chair: Who would like to speak to that? Mr. Stanford?

Mr. Pat Martin: Mr. Stanford was raising the subject of jobs, so —

The Chair: Was it directed to somebody specifically, Mr. Martin, or to anybody?

Mr. Pat Martin: Whoever's interested.

Dr. Jim Stanford: I can jump in on it. I see we have a free-wheeling agenda at this committee. It's called "flexibility".

The Chair: It's called the most liberal committee in the House.

Dr. Jim Stanford: There we go. Well....

We actually released a brief from CAW on this very subject last Friday that perhaps I could share with you, where we looked at the history of corporate tax reductions.

The Chair: If you have that study, would you be so kind as to send it to the clerk so that we could make sure every member on the committee gets a copy?

Dr. Jim Stanford: I'd be absolutely pleased to, certainly.

The Chair: Thank you.

Dr. Jim Stanford: I think it does in a way relate to the mandate of the committee in terms of what things are going to enhance Canadian competitiveness in this global scenario and what things aren't. The across-the-board corporate tax cuts have had no visible impact whatsoever. Most of those tax cuts are already in course.

The tax cuts that were postponed or deferred under this deal that you referred to were a small portion compared to the, I estimated, \$9 billion of annual corporate tax savings from the tax reductions in the basic corporate rate, the elimination of the capital tax, and the other measures that have been taken. There's no visible impact at all from those tax reductions on investment spending in Canada, which has actually weakened during the period those taxes were being reduced—probably in response to some of the competitive challenges we're talking about today.

As for job losses from deferring those corporate tax cuts, I don't think there's any empirical evidence to support that position at all. I looked at that C.D. Howe paper and I'm going to inquire as to their methodology, but that's very far-fetched.

On the other hand—

• (1715)

Mr. Pat Martin: It's more of a notion than any—

Dr. Jim Stanford: —from boosting the spending upfront, for example, for the housing construction that would be part of that deal, we estimated about 26,000 person-years of work would be created, just on the housing construction upfront. If anything, I'd say that arrangement had a net gain for jobs.

Mr. Pat Martin: Okay, thank you.

Dr. Jim Stanford: I will send the full report to the clerk.

Mr. Pat Martin: How am I doing for time, Mr. Chairman?

The Chair: Your time's over.

We'll go to Mr. Eyking, and then afterwards we'll go to Mr. Obhrai.

I will inform the members of the committee, for the purpose of time in questioning, that I've been advised that at 5:30, bells for voting will commence. Just judge your time around that; it is now 5:15.

Mr. Eyking.

Hon. Mark Eyking: Thank you, Mr. Chair.

I have a few questions first for Buzz, Mr. Hargrove.

You mentioned that our exports to many of the emerging economies are almost non-existent. We had a witness here, last week or the week before, who said many vehicles that we send to the United States end up in the Middle East, China, or other markets. My first question would be, do you have a number for how many automobiles that we sell to the United States stop, only stay for a short term in the United States, and then head for another country?

The second thing is about the strength of our auto industry in North America or Canada. We know the Big Three were always the big makers. We hear Honda and Toyota have plants also in Canada. My second question is, are we positioned to go through the changes to come out all right in a few years' time?

My third question to you would be about GM. There are some bad forecasts for GM lately, for various reasons. What do you see as the whole future: with GM, or without GM? How much of an impact is it going to have on us here in Canada, and how should we adapt to that?

Mr. Basil "Buzz" Hargrove: On the first point, it's very few vehicles. We would produce more in a week in one of our assembly plants than the amount that goes through the United States through to some other country in the world. The United States sells very few vehicles from the United States to other markets in the world. They were way ahead of the Japanese in terms of going to Europe, for example, and building plants, because they wanted to sell in Europe, and providing jobs in Europe.

In terms of the last point you made, on the industry, if you turn to page 9 of our brief, it shows you a bit about what's happening to us, what's happening to the Big Three. I'll read the first paragraph, just for the record:

Despite investments here by companies such as Toyota, Honda, and Suzuki, Canada's automotive industry is heavily dependent on the continued operations of the "Big Three" automakers (General Motors, Ford, and DaimlerChrysler). The Big Three account for about three-quarters of all Canadian light vehicle assembly, over 80 percent of all OEM employment, and close to 90 percent of all Canadian automotive component purchases.

Ford, as one example, provides more jobs in Canada than Toyota, Honda, and Nissan all put together, and yet the market share of Toyota and Honda exceeds that of the Ford Motor Company. So the question is whether we want these folks to keep telling us....

Again, I'm not critical of the Japanese. The Japanese are great. They're like the Americans. I just love people who are willing to protect their own interests. So the Japanese are great. I'd call them the best in the world at talking and at shipping into markets where, eventually, when the political pressure gets high enough, they'll put in a small investment but still import all the parts.

The last number I looked at for Honda shows that its plant in Alliston, Ontario, including parts and assembly, has about 35% Canadian content, total. If you look at the numbers in this chart, you'll see where their markets went up and those of the Big Three went down. We closed three assembly plants last year because of what they were doing to us.

According to both left and right economists looking at the industry, there are about 25,000 jobs directly related to an assembly operation. We've closed three. In the last 30 months, 75,000 jobs have left Canada, and we're allowing them to come in under the pretence that somehow they're our friends, when in fact they're doing this to us. Last year, General Motors, Ford, and Chrysler sold 20,000 vehicles in Japan, the second-largest market for vehicles in the world. They sold more than that in the province of New Brunswick last year. That's my home province; that's why I know the numbers.

So it's an unfair trading relationship. It's unfair in the sense that they're not making a commitment to Canada. They don't buy parts from Canadian parts makers. You saw Frank Stronach in the *Globe and Mail* just last week, saying that the industry is in crisis; we can't sell to the Asians, because they won't buy from us. We'd better wake up, because they're taking our market. They're not buying our parts and they won't let us sell in their market. Until we get our heads into that, we can't change it.

• (1720)

The Chair: May I interject? How come Mr. Stronach's companies are expanding, reaching record profits, and growing by leaps and bounds? Where is he selling to?

Mr. Basil "Buzz" Hargrove: He's selling to General Motors, Ford, DaimlerChrysler, and some of the European manufacturers. He's not selling to the Asian manufacturers.

The Chair: But he's saying that the market share continues to decline.

Mr. Basil "Buzz" Hargrove: Of these three.

The Chair: If they're declining, where is he selling to?

Mr. Basil "Buzz" Hargrove: He's selling a larger share of parts. He's expanding his parts operation. Magna is probably one of the most efficient parts manufacturers in the world. They're probably the most high-tech and low-cost.

I don't know what the numbers are—maybe Jim knows—but at one point they were selling, say, \$100 a vehicle, and every vehicle sold by GM, Ford, and Chrysler was Magna. Today that's over \$2,500. So he's selling more parts to a declining company, but he's doing fine. However, he knows that if the rumours about General Motors turn out to be a reality, and they go bankrupt, he's not going to escape that firestorm when it hits.

Hon. Mark Eyking: That leads to my question about GM. We know what Dodge or Chrysler went through, and they got through it. Do you think GM is going to get through this?

Mr. Basil "Buzz" Hargrove: GM will survive. I just had a meeting with General Motors. They're not worried about their survival. It's a question of how they survive. Will they be the kind of operation they are today, providing the jobs they are in Canada and the United States? The answer is no. They may very well end up, as others have, like Chrysler. Chrysler is now a German company for all intents and purposes. It has its operations in the United States and Canada but is owned and controlled by Germans. But there'll be a lot fewer jobs than there are today in both Canada and the United States.

We're fortunate in Canada, as I said in my opening remarks. General Motors has been unionized since 1937. Its three assembly plants in Oshawa are the most productive, high-quality, low-cost producers of vehicles anywhere in the developed world—in Japan, the U.S., and Canada. That has meant the Canadian government, through CAPC and our lobbying, agreed to put some money in to help offset some of the incentives that the Americans and the Europeans are putting in to try to get new investment. We were able to stabilize GM in Canada, but stable today means three or four years. Then after that, or if they should end up in chapter 11, which again I don't anticipate happening, there are a lot of options from where they're at now and chapter 11 in the U.S.

We're okay for the next three or four years, but following that, it's a very uncertain thing, unless the United States government as well forces Japan and the other emerging countries that have a growing automotive market to open those markets up, so you can build in Canada and the United States and sell in those markets like they are with us. It's not a question of costs. Our labour costs, for example, are lower today than the Japanese labour costs are, but we can't sell because they won't let us in the market.

The Chair: Go ahead.

Hon. Mark Eyking: Do I have any more time?

The Chair: You have some time.

Hon. Mark Eyking: I have to commend you for the work you've done with the auto industry. You have this knack of sitting down and working with the industry. Many times I've seen you avoiding strikes and work stoppages, and I have to commend you for it.

My last question is to Piers. It's on Russia. Where's Russia going to be in the next few years? With their proximity to China and their having many of the resources we have, do you see Russian companies as becoming the key suppliers for that whole engine of growth in China? Do you see us as a partner with these Russian companies or having an opportunity to invest in companies that are supplying raw materials to China?

Mr. Piers Cumberlege: Russia has been working, in the last three to four years, to try to build up an energy supply relationship with China, putting pipelines actually into China. There is a tension between the two.

Part of the tension is that China has a lot of people and not much land, and Russia, relatively, has fewer people and a lot of land, and there's a porous border. Russia is very concerned about trying to establish for itself some levers—and energy is one of the key ones—which it can use in order to persuade the Chinese government to police the border more effectively and not to start looking aggressively at the opportunities for expansion into the Russian far east.

Now, in that broader geopolitical context, there is a lot of opportunity for Canadian businesses to work with Russia in the energy sector, and Russia is welcoming that. It then goes beyond that because of the expansion of pipeline activity. There are two routes being suggested. One is actually a pipeline, with a suggested route over the north to access the U.S. market, and the other is actually transatlantic, LNG-carrying, which would then actually come into Quebec and deliver through into the United States. There are big projects going on there, which have become relatively public.

In that sense, in that whole energy sphere, there is a very big place for Canada to follow on from what Russia is trying to do. Russia is trying to build its energy up, not just simply to create petrodollars for itself, but also to create political leverage.

The same applies to mineral resources. We know—we heard a reference earlier—the degree to which China is active in Africa, for example, looking to try to access mineral resources. It wants to access them in Russia as well, but it is conscious that perhaps the line of least resistance at the moment is Africa, whereas in Russia there is a quid pro quo attached to it.

There is, in that area as well, a role for Canadian business and opportunities for Canadian business, certainly. If you look at the significance of Russia as an oil and gas producer and its significance as a natural resources producer, and you look at the competence of Canadian business in those fields, there's a natural relationship.

The China aspect to it, though, as I say, is specifically related to a geopolitical leverage game, and as such, it is complicated. I also sit on the Canada China Business Council, and one does have to recognize that for anything dealing with the Chinese government, business decisions are not taken purely on a commercial basis; they're taken on a political basis. So for a Canadian company working with the Russians to supply China, if the Chinese then decide to go somewhere else, there's going to be a knock-on effect, and it's not a straight commercial decision.

• (1725)

The Chair: Before I go to Mr. Obhrai, Mr. Hargrove, I'm just a little bit puzzled. These foreign auto manufacturers, I know when they invest tens and tens of millions of dollars there's a big celebration, etc. I'm still puzzled. Where do they purchase their equipment to build automobiles? The nuts, the bolts, the leathers, the bumpers, where do they purchase those things to put this car together?

Mr. Basil "Buzz" Hargrove: A lot of the main powertrain parts come from Japan. They're shipped in from Japan. They moved assembly to the United States when the pressure built up in the late seventies and early eighties because of the level of imports. They moved assembly first, and then they had this family of parts that followed.

Now Honda, for example, in Alliston, has more U.S. content than it does Canadian content because it buys parts from Japan and from the U.S. and ships them into Canada. But again, it's not from the traditional U.S. manufacturers, like Hayes-Dana Inc. and Woodbridge Foam and the Lear Corporation. It's from a family of Japanese companies that came from Japan at the insistence of...

That's why the American parts industry and the Canadian parts industry are frustrated as hell. They're not as open as Frank Stronach. He's so successful that he's the only one who can criticize them publicly and not feel their wrath. The others keep hoping that somehow they're going to be able to sell. The reality is that they're not going to be able to sell to any significant degree.

• (1730)

The Chair: Mr. Obhrai.

Mr. Deepak Obhrai: Thank you, sir.

I have two questions, one to Mr. Buzz Hargrove, and one to both of you.

You said that you were opposed to free trade. What about the strategy that the government has been using when going overseas? They're telling the business community in the emerging markets to come and invest in Canada and create jobs because we have a free trade agreement with the U.S.A., so they have a free market into the U.S.A. We are using this as leverage for investment and job creation in Canada. If we didn't have the free trade agreement with the U.S.A., we wouldn't be able to do that. Would you comment on that?

Before you do that, I have a small amount of time, so I'll ask you the other question.

We're talking about emerging markets and the expansion of emerging markets. You've mentioned Africa and Eurasia. How do we get over the perception that at the current time, both in Africa and Eurasia, the human rights situation is not conducive to foreign investment right now?

You can argue back and forth about what is happening in Georgia or what is happening in other situations over there, but it leaves a shaky impression for any company. I come from Calgary, and no oil company is interested because of the atmosphere over there.

It applies to Africa too. Why would we talk about South Africa? AIDS and the situation in the African continent are not really conducive to human rights. The Congo and Rwanda are going down. Would you comment on that?

Mr. Basil "Buzz" Hargrove: I would answer your first question with a short and simple answer. The argument was overstated. We didn't see a big rash of foreign investment coming into Canada to access the U.S. market. The reason for that was simple. They watched as some of the trade irritants continued under the free trade agreement, under NAFTA, and under the WTO.

Companies that are coming here to get into the U.S. market are saying that they have to invest in the U.S. market if they want to protect that investment. Today you could be selling in Canada, and tomorrow the Americans will cut you off, as they did the with softwood lumber people.

There's absolutely no evidence that happened. That was sold by the Mulroney government as part of the reason for why we should have free trade, but it has been a real disappointment to Canadians.

Mr. Piers Cumberlege: I would very simply say that I think an important thing to look at is the whole notion of improvement, the whole notion of change, and the notion of willingness to change at the level of government, at the level of corporations, and at the level of civil society.

Where you have historic problems, you then find there is a government that is prepared to try to make changes. Within civil society, you find that people are trying to make change happen, and within the corporate environment people are trying to make change happen. I think there has to be a question on whether you should have punishment or rewards.

In a lot of the markets that we're talking about, whether it's the Eurasian space or whether it's the African space—where I also have an interest—I would suggest that there are very definite moves by a number of governments to try to change their human rights policies, to bring themselves in line with the principles of treatment of their populations and the principles of treatment of individuals. Those are the principles that luckily we, in our developed worlds, find surrounding us.

I think that when countries are trying to make those changes, we should encourage them. Rather than looking to punish, we need to find change that is positive. The name and shame is one thing. On the other hand, there should also be name and reward. I think that's extremely important.

Mr. Robert Blackburn: If I could just add to that, in the case of Africa, I think a lot of the problem with Canadian companies getting involved in Africa is lack of knowledge and lack of human networks, of business networks. I agree very much with what Piers said. We have a trend in Africa that's sort of like South America 10 to 15 years ago. There's a trend toward democratic elections—far from perfection. There's the NEPAD integrated plan for good governance and social and economic improvement and peace, which is subject to peer review and reports. So the trend is in the right direction.

Last week Piers and I were at a very interesting two-day conference in Toronto on financing business and infrastructure in Africa. I think by far the best presentation we saw was a 40-year-old woman from the Industrial Development Corporation of South Africa, which initially invested only in South Africa, but in the last five or six years its mandate has expanded to the rest of Africa. The countries and the lists of projects they have made all over Africa was very instructive to those of us who thought, you know, Africa is pretty risky. But this is a very profitable crown corporation in South Africa that is investing all over Africa. At the end of the conference there was a young student from McGill who had sat in on the conference who got up and said what we have to do is send our \$50, start investing. He was sort of inspired. Actually, it was the woman

from the head of the Nigerian stock exchange who inspired this enthusiasm, an enormously impressive woman.

There are things going on in Africa. Africa isn't Africa; Africa is 53 different countries, in very different situations, each of them. So we have to know what we're talking about. We have to develop the confidence and the knowledge of the people and the environment and the government to be able to act. Our eyes are so focused southward in North America that it's hard for us to get the knowledge and the contacts that we need to be efficient.

I'll just give a little commercial. Piers modestly hasn't noted that he's going to be the Canadian manager, private sector manager, for this Canada Investment Fund for Africa.

Sorry if I've blown your cover on that one.

• (1735)

Mr. Piers Cumberlege: I was trying to keep it a secret.

Mr. Robert Blackburn: It was announced by...we had three ministers at this conference last week—

The Chair: A free commercial.

Mr. Robert Blackburn: —Ministers Goodale, Peterson, and Carroll—and they were there basically to launch the Investment Fund for Africa. It's a joint venture thing, Piers' company and Actis in the U.K.

The Chair: We're just about to close, and if I may, I'm going to ask a suggestion from all of you. It relates to Bill C-31. As you know, that bill did not go through the House in terms of splitting the two departments—international trade, etc.

Mr. Hargrove—and I'll start with each individual—you said in your presentation that we cannot be the boy scouts; we need to be proactive.

Mr. Blackburn and Mr. Roy talked about our corporate social responsibility, human rights, child labour, and all that falls under that. And Mr. Blackburn, you talked about our need to be there, about going to different countries and respecting the laws, understanding and working with them.

I think the question many of our Canadian citizens, Canadian residents, our constituents, are asking is what do we do? Do we stay out of this arena completely, or do we go there—I'm just asking—and maybe show them, teach them how we do things, and try to slowly change? Because it seems, from what I'm hearing, it's an area that you just cannot change overnight.

The other area of concern, Mr. Hargrove—because you talked about it as well—is that we need to be proactive. One of the areas you touched upon...two or three examples—softwood lumber, steel, etc....

We have the WTO. Are there any suggestions you can put to us? Because you said in one of your closing statements that we can have all the rulings in our favour. The question we've been asking and seeking your input on is how do we seek compliance? How is it going to be enforced, collectively or individually? How can we go through a body such as the WTO?

I mean, in 2000, when the United States gave most-favoured-nation trading status to China, at that time it was like an open blank card, for example. Today we're trying to deal with something we never imagined we'd be facing four or five years down the road.

How, with what mechanism, what suggestions do you gentlemen have so we can seek compliance, have enforcement of the rulings that come down? I'll use softwood lumber as an example again, and many others. What suggestions do you have? Because that is what makes us here in Canada—and I'm sure other countries—very frustrated. We have ruling after ruling after ruling, and it gets costly for us. We're losing money continuously.

Do we collectively, as members of the WTO, band together? And I'm not here to criticize the United States, or any country for that matter. Is there any magic formula that you can suggest to us as we put our report together?

• (1740)

Mr. Deepak Obhrai: Mr. Chairman, before we go, where's your bell?

The Chair: Mr. Obhrai, I was advised it was 5:30. It obviously has not come up, but certainly we can continue after this. I'm more than happy to.

Mr. Basil "Buzz" Hargrove: I would just make two points, dealing with your last point first, Mr. Chairman. I appreciate the opportunity to do that. I think everyone in Canada, at least in the business community, and a number of Americans agree that the dispute settlement mechanism under NAFTA does not work. It was flawed to start with, when you accepted a dispute settlement mechanism that says we have to comply with American law, not the free trade agreement. The free trade agreement should have been the basis for the dispute settlement mechanism. We opened ourselves up to say Americans not only make the laws that were there when we signed it, but they change those laws, and there's a no-winner.

I get back to what I said before. We had more clout in Washington.... Imagine us today, as a country, with Washington needing our resources, especially oil, given what's happened in the rest of the world—the uncertainty in the Middle East, the uncertainty in Venezuela. We have our ability to bargain on the individual, to say that you have a problem, we have a problem. Our producers are

much more productive and we have better quality in softwood lumber. You want some oil? We've got a lot of it. Let's work an arrangement out here. That's what we'd always done prior to the FTA coming into play in 1989, followed by NAFTA, and then joining the WTO. That's the first thing.

The second thing—and I've said this in every forum, including to the Prime Minister—is we should act more like the Americans. If we have a problem in trade, we should say we're going to protect Canada's interests. Let somebody take us to the WTO. The Americans have shown, if anything—this dispute's been going on, I think, since at least 1991—that you're a winner even if you lose. At the end of the day, the Americans have been taking advantage of us all these years. If we end up somehow settling this thing.... We've now got Paul Tellier and Gord Ritchie. I have great respect for both of them. They're wonderful negotiators. But if they settle it—look out, producers in Canada; you're going to pay a hell of a penalty.

The last point is on the question of how you deal with others. We've got companies selling in here—the Koreans, for example, have 5% of one of the most lucrative auto markets in the world. At one time we used to sit down with Volkswagen and some of the others that were starting to creep up in terms of market share and tell them that since you're not part of the auto pact, since you're not part of the FTA—or, in this case, NAFTA—if you want to sell here duty-free, then you're going to have to make a commitment to investment in jobs. So we had a big wheel plant built by Volkswagen up around Barrie. It was later closed after we joined the WTO.

But it's still possible to do that now. That's to use the stick and the carrot. The carrot is we've got a wonderful market to sell in, and we have wonderful skilled people, and we have a lot of support from government for the industry. The stick is if you don't do that, you're going to have to pay a penalty, or we're going to give others who will do it an incentive that you're not going to be able to enjoy.

The Chair: In terms of foreign markets, new markets, or growing markets, Mr. Blackburn, your suggestion is what, that we go there, as opposed to seeing a trouble spot and avoiding it? Do we go there and teach them our ways, show them our ways? What is your response to that—or suggestion, or recommendation?

Mr. Robert Blackburn: SNC-Lavalin has made a career out of going to difficult places and taking on jobs that other people wouldn't. A recent example of that was a couple of aluminum smelters we built in South Africa and Mozambique. We built one in Mozambique on a swamp full of land mines. Major floods happened during the construction. People thought we were crazy to agree to build on a fixed price and fixed time, as planned. That was in Maputo, the Mozal smelter. We built phase one on time—ahead of time—and under budget. We did the same on phase two. It's now 70% of the Mozambique economy. We trained thousands of workers who are now building tourism facilities in the country.

I think there are opportunities for Canada to go to places that other people from other countries don't go to. We have the advantage of the English and French languages. There are the advantages of the *code civil* and common law, the systems. We have very good international relationships at the governmental level, and to a certain extent at the personal level. Let's ride on them.

I have some sympathy for Mr. Hargrove's concern about free trade agreements. One can only observe that if one looks at countries with which we've negotiated free trade agreements—the United States, Mexico, and Chile—Mexico and Chile hardly figured in the Canadian trade numbers at all before these agreements. Now they've attracted business interest, and the figures are growing. So it's an example of what I was saying earlier—when you have government-to-government interest, it attracts business interest and investment. Whether we're comfortable with it in all cases or not, the world is evolving in that direction. And you can't afford to be like King Canute trying to roll back the tide. You've got to figure out how to use those forces to work for you.

• (1745)

Mr. Basil "Buzz" Hargrove: Mr. Chairman, I'd like to apologize. We have to leave. We thought the bell was ringing at 5:30.

The Chair: Just a quick response from Mr. Roy in terms of some of these trouble spots and the concerns we have with respect to human rights violations. What is your view? Do we stay away

altogether, or do we make an effort and go in and try to change things?

Mr. Jean-Louis Roy: Well, Mr. Chairman, by mandate, Rights and Democracy has to be where it is difficult in the world. In the last few years we have been in the Ivory Coast, we have been in Kenya, we are in the Democratic Republic of the Congo, we have people now in Togo.

I think we have to be there. We have to help people build their institutions. It's a long process, it's a difficult process, but as Mr. Cumberlege said, when people are moving, we have to accompany them and say to them that we are with them. We have to help them to build institutions. We have to help them organize their civil societies, slowly but clearly to international norms and international standards, and also related to reality.

You know, yesterday I was with people—I just came back from the Middle East—who were in Canada for World Press Freedom Day, which is tomorrow. One of them was the editor for Al-Jazeera, and we were discussing exactly your question, Mr. Chairman. At some point, this man stopped all of us and said, "But today people around me have a question on their mind: Where can I find clear water? Where can I find food? Where can I find drugs when I need them?"

We also have to help people sort out the difficulty of their poverty, not just say to them that there are international norms and blah, blah, blah. We have to help them. We have to invest in people and accompany them.

The Chair: I see my good friend Senator Prud'homme is here. Maybe there is another meeting coming.

With that, I'll adjourn the meeting, but before I do that, I want to thank you all very much for your time and your input as we put this report together. Thank you very much.

The meeting is adjourned.

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