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# Special Committee on the Canadian Mission in Afghanistan

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EVIDENCE

**Tuesday, February 15, 2011**

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**Chair**

**Mr. Garry Breitkreuz**



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•(1535)

[English]

**The Chair (Mr. Garry Breitkreuz (Yorkton—Melville, CPC)):** I'd like to bring this meeting to order.

This is the Special Committee on the Canadian Mission in Afghanistan, meeting number 24.

We have two main items on our agenda, the report from the Department of Natural Resources, and then we will be video conferencing with an individual in Vancouver.

As chair of the committee, I want to put forward a proposal to you. I have a motion that I would like to deal with right at the beginning; I'm sure it will only take a few minutes to get that taken care of. Then I'd like to divide the meeting into two 45-minute portions, rather than go one hour, and then 30 minutes. The reason I'd like to do that is because the second part of the meeting will be cut short, at 5:15, because I understand we have votes. So to allocate that time, I'm going to take 45 minutes for each of the presenters. Then we have a 15-minute segment at 5 o'clock for future business of the committee, where we will go in camera.

Is that okay with everybody?

**Some hon. members:** Agreed.

**The Chair:** Okay.

Monsieur Bachand, would you like to present the motion, please?

[Translation]

**Mr. Claude Bachand (Saint-Jean, BQ):** Thank you, Mr. Chair.

First, I would like to thank the steering committee for letting me introduce the motion now before you.

The motion deals with the stoning of young men and young women in Afghanistan. The Standing Committee on the Status of Women has passed this motion unanimously, and the members of that committee have asked me to present it to the bodies discussing the situation in Afghanistan. I am therefore presenting it to this committee and I will also be presenting it to the Afghanistan follow-up committee.

The motion asks the government to take the necessary action to put an end to stonings in Afghanistan, for any number of reasons. Just recently, on YouTube, we could watch two young people being stoned because they wanted to get married and their families were opposed. The families decided to stone them to death. It is a most barbaric practice.

I know that this a symbolic gesture, but I discussed it with the steering committee this morning and everyone was in favour. On behalf of those young men and young women, therefore, I ask you to pass this motion, one that will be submitted to the House by other committees, including status of women.

Thank you in advance for your trust in me. I ask you to lend your support to this motion.

[English]

**The Chair:** Is there any discussion?

(Motion agreed to)

**The Chair:** Thank you.

We will now move to a presentation from the Department of Natural Resources.

I'd like to welcome Mr. Anil Arora, the assistant deputy minister, minerals and metals sector, with the Department of Natural Resources; Ms. Ginny Flood, the director general, minerals, metals and materials policy branch; and Mr. David Boerner, the director general, central and northern Canada branch, Geological Survey of Canada.

We welcome you to our committee. We look forward to a brief presentation, if you have one, and then we'll open it up for questions and comments.

I'm sorry that we have less than 45 minutes.

Go ahead, sir.

[Translation]

**Mr. Anil Arora (Assistant Deputy Minister and Champion of Official Languages, Minerals and Metals Sector, Department of Natural Resources):** Mr. Chair, we are pleased to be invited here to provide a brief overview of Canadian expertise in mining, particularly in remote areas.

[English]

It is really a pleasure to be here with you.

I believe you got a copy of our introductory remarks. I won't go through every line here, to try to give the maximum amount of time for some dialogue, but I would like to highlight a few of the points from this set of opening remarks.

[Translation]

Under the Canadian Constitution, the federal government has broad responsibilities for federal lands, fiscal and monetary policy, international relations and trade, national statistics, and science and technology.

[English]

In the north, the federal government manages mineral resources in the Northwest Territories, in Nunavut, and, in the case of the Yukon, this responsibility is in the process of being devolved to the territory itself.

I think it's important to make one point, and this is that in terms of resources, it really is the provinces, the provincial governments, that own and manage the mineral resources within their own jurisdictions, and they're responsible for land use and decision-making.

The other point I'd like to stress right up front is that our department doesn't set the priorities internationally, nor do we develop international policy and undertake that particular responsibility. Certainly, we'll talk about the Canadian context, what we do, and in terms of what might be applicable to the case of Afghanistan, but I just wanted to put the markers there that it really isn't our position to talk about where our priorities and our policies should be in the international arena.

In terms of the provincial and federal jurisdictions, there a number of shared areas as well, and those are on economic development, environmental protection and conservation, health and safety, and aboriginal economic development and consultation. We work in concert with many other federal government departments on this particular file: for example, with Fisheries and Oceans when it comes to impact on fish habitat; with INAC, or Indian and Northern Affairs, on mining regulations in the Northwest Territories and Nunavut and on aboriginal consultation; with Transport Canada; with HRSDC on skills; with Statistics Canada on some of the statistics; with Industry Canada on some of the mining company directory, to help connect supply of goods and suppliers and services; and of course with our colleagues at DFAIT.

So at NRCan our mandate is to collect and publish statistics on the mineral exploration, development, and production of the mining and metallurgical industries in Canada. We make full and scientific examination and survey of our geological structure and mineralogy of Canada. We have regard to the sustainable development of Canada's mineral resources and their integrated management. And we seek to enhance the responsible development and use of Canada's mineral resources.

On the geoscience front, we certainly provide geoscience as a public good to all Canadians and to other foreign companies in a very open and transparent way so that we can make sure there's maximum benefit and advantage to Canadians as a result of the exploration and the mining and production. We can certainly talk more about that.

In terms of methodology, we certainly are involved with all the various cycles of the mining process, beginning right from the land acquisitions to exploration to advanced exploration, pre-feasibility, feasibility studies, the development of the actual mining projects, the

operations of them, the closure, and even rights to the land ownership that's renounced.

Canada is an expert in the area of mining, and we certainly know within our own remote context some of the unique issues. We certainly talk a little bit about the challenges of infrastructure, challenges with environment, challenges with labour, and challenges with some of the social aspects of mining in remote communities and in areas. In Canada, we have a system of a free market, or a free entry system, whereby anybody can come in and stake a claim to a particular geographical area. In other countries, they have auctions, where the governments get involved with assessing what is the value of a particular plot of land and then looking at how do they get the highest bid. That's just another nuance within Canada's context.

We also have, obviously, technical mining expertise, but we rely very heavily on our private industry and our experts within industry to really provide that mining expertise. Certainly some of our laboratories provide some of the technical expertise in the areas of green mining, for example, where we want to make sure that mining is done in the most responsible way: leaving behind the least footprint, making use of the least amount of energy, having the least amount of impact on water, for example, and so on.

I'll stop there. I would be pleased, with my colleagues, to try to answer as best we can the questions you have.

• (1540)

**The Chair:** Thank you very much, Mr. Arora.

We'll go over to the official opposition.

Mr. Wilfert, please.

**Hon. Bryon Wilfert (Richmond Hill, Lib.):** Thank you, Mr. Chairman.

Thank you for coming.

I have one significant question, in terms of why anybody would want to invest in Afghanistan. I'm familiar with Mongolia, and in Mongolia the issue right now is the need for a foreign investment protection act, which the Mongolian government has been somewhat reluctant to bring forth to Parliament, given the fact that in the early 1990s it felt it had been taken advantage of as a new democracy, in terms of royalties and taxes.

If you do not have a FIPA agreement or something of that nature in Afghanistan, if you do not have a steady regime that clearly will be able to deal with royalty issues, infrastructure costs, and taxes, and given the fact that the former minister of mines met with Canadian officials in 2008 and was then sacked in 2009 for a \$30 million bribe because of a Chinese copper interest—which he denied, but of course then President Karzai sacked him—I'm not quite sure why mining companies would go to Afghanistan. Not to, of course, add to the fact that they're in a war zone.

The question I have, through you, Mr. Chairman, is this. What kind of advice or assistance do you provide to Canadian companies—companies like Kilo, which is looking at doing a major development there—in terms of protection?

Clearly, any investor wants to make sure its assets are protected. In Mongolia, as you probably know, Canadian companies are the second largest investor and yet we're still dancing with the Mongolian government as to protection for Canadian companies, as well as for others, of course.

**Mr. Anil Arora:** You certainly raise a number of challenges that Canadian companies face in mining in a global context.

If you look at the Fraser Institute, for example, it does a survey annually on jurisdictions outside and which ones are friendly, if you like, in terms of investment for various countries, various industries, and various organizations. Obviously you've alluded to some of the prerequisites of good governance and making sure an environment has the regulatory and the policy levers that allow for industry to take part in a particular setting.

I know that even in the case of Afghanistan a few years back, there was a call that was put out for mining a particular deposit—I believe it was the Aynak deposit—and the Chinese ultimately won the bid. Certainly, we had a company out of Canada that did bid as well on that particular possibility.

It is ultimately the decision of the private sector and companies whether those conditions that exist in a foreign context are something they can handle and something they are willing and prepared to take into their equation before they submit a bid or in fact develop a particular project.

You pointed out all of those kinds of issues that the Fraser Institute also points out as some of those conditions and inhibiting factors that might be out there for any jurisdiction, any industry, or any specific company to consider before it decides on a particular project.

• (1545)

**Hon. Bryon Wilfert:** Mr. Chairman, I'll turn it over to Mr. Dion.

I just wanted to point out that in the case of Mongolia, Canadian companies there are pressing the Canadian government, and obviously our embassy, very strongly for intervention, given the fact that, yes, they've been there, but the rules are changing. My concern is that as an investor, yes, you can pick the place, but if you go there and the rules are changing, what's the point if you're going to get nailed particularly on the issues of taxes and royalties?

May I turn it to Mr. Dion?

**The Chair:** You have approximately three minutes left. I didn't get the timer started, but we'll give you about three minutes.

[*Translation*]

**Hon. Stéphane Dion (Saint-Laurent—Cartierville, Lib.):** Thank you, Mr. Chair.

Mr. Arora, I would first like to congratulate you for having made sure we see your title of Champion of Official Languages. It is clearly something that is close to your heart, so I am going to ask my questions in French.

Do you have a strategy by which the Canadian mining sector can take advantage of the situation in Afghanistan in a way that will benefit Afghans and Canada alike? If so, what is it?

**Mr. Anil Arora:** Thank you very much. It is a real pleasure to represent my department in my role of champion of official languages.

Actually, the strategy we have around the world is to work with multilateral organizations, meaning our partners in the United Nations, especially, for example, the committee that deals with sustainable development. There are also other bodies like the ICMM, which deals with responsible resource development.

We are very active participants in an intergovernmental forum. After our presentation, I think you are going to meet with representatives from PDAC and the Mining Association of Canada. We work with multilateral groups to promote best practices around the world in various aspects. Different countries have different situations, various challenges and a number of levels of governance.

So we have a transparent system that allows us to work multilaterally; other countries can benefit from the discussions we hold in those forums. That is our strategy.

It is really beneficial for us in Canada, specifically because of the agreements we have with other institutions. That allows us to develop our relationships with some countries. But, as I said earlier, it is not our responsibility to determine foreign policy, nor to decide on priorities. That is not what our department does.

[*English*]

**The Chair:** Thank you very much.

Monsieur Bachand.

[*Translation*]

**Mr. Claude Bachand:** Thank you, Mr. Chair.

We were talking about this earlier, but, in 2008, the Afghan mining minister came to Ottawa. Do you know what he talked about in his capacity as spokesman on natural resources? Did you attend that meeting and can you tell us in broad terms what the issues were?

• (1550)

**Mr. Anil Arora:** I was not there personally, because I have only been with the Department of Natural Resources for about 11 months. But I am aware of the meetings that took place in 2008, and, of course, of the subsequent discussions with people in Afghanistan. I think there were requests in areas like technology, and so on.

We are working with our colleagues and we have also met with the ambassador to determine how we can encourage Afghanistan to become a member of the institutions and thereby to benefit from everyone's expertise.

So I am aware. I was not there myself, but we are continuing the dialogue on those matters.

**Mr. Claude Bachand:** Mr. Arora, can you say that you know what lies under Afghan soil? Have you been to the country? Have you done any studies there? No?

**Mr. Anil Arora:** No. We have not visited Afghanistan or conducted any studies there. That is not in our mandate. It is something that still has to be decided.

**Mr. Claude Bachand:** But the United States Geological Survey and the Afghanistan Geological Survey have done some estimates. Are you aware of those studies? Do you consider the estimates to be reasonably accurate?

**Mr. Anil Arora:** Perhaps I can ask my colleague David Boerner to answer your question.

**Dr. David Boerner (Director General, Central and Northern Canada Branch, Geological Survey of Canada, Department of Natural Resources):** We are aware of the studies done by the United States Geological Survey. It is a world-class organization and I believe that the work was done well. The results are based on solid, concrete data. The significance of the metal deposits in the soil is something that has still to be determined. It is very difficult to determine the exact size and concentration of the deposits. Statistical work must still be done in order to get an approximate idea of the amount of metals. So that does not come from actual direct observation of what is there.

**Mr. Claude Bachand:** You say that, from a scientific point of view, the study was done well. Do you think the estimates are reasonably accurate?

**Dr. David Boerner:** "Accurate" is not the word I would use. It is not possible to say that the estimates are accurate. It is an approximation. We make comparisons with other kinds of deposits. We compare and then we estimate.

**Mr. Claude Bachand:** So really it is an estimate of estimates.

**Dr. David Boerner:** It is based on the facts, but it is not exact.

**Mr. Claude Bachand:** Mr. Arora, earlier, you partially explained the procedure from the Canadian point of view. I do not know if you can answer my next question. In your view, are Afghan authorities able to fend off what I call "natural resource predators"?

I know that the Chinese have a strong presence in Afghanistan and are anxious to become established there. That is also certainly the case with some Canadian companies whose activities have been known to be on the dubious side, to say the least.

From what you know of the Afghan system of allowing access to foreign capital, legislatively or otherwise, do you believe that Afghanistan has what it takes to make sure that permits will be issued in a way that will benefit Afghans? Given that their legislation is a bit too loose, is there not a danger that some natural resource predators will make off with the goods, if I may use that expression?

**Mr. Anil Arora:** No, I am not aware of the policies, nor of the way the government in Afghanistan works. What I am aware of, as you are too, is that it has been a few years since the government opened the doors to competition by allowing exploration by other countries with a view to determining the interest in developing the resources.

As you know, the Afghan government has received a number of proposals, including one from Canada, but nothing came of it. There will be other occasions, of course. As I said just now, it is really up to the companies to decide if the risk is worth it or not.

•(1555)

**Mr. Claude Bachand:** Was it Rio Novo Gold that showed interest at that time?

**Mr. Anil Arora:** I think there were three companies. I am not an expert in that area.

**Mr. Claude Bachand:** Rio Novo Gold expressed a lot of reservations because of the climate of insecurity and the lack of regulation. Do you think that it may be premature for Canadian companies to move forward? You seem to be saying here that companies do not want to move too quickly because of the risks associated with making investments in the country. You can understand that too. Do you share their opinion that it is a little too risky at the moment?

**Mr. Anil Arora:** I have no opinion on that. It really is up to the companies to make that decision.

**Mr. Claude Bachand:** Fine, thank you.

[English]

**The Chair:** Thank you very much.

Mr. Obhrai.

**Mr. Deepak Obhrai (Calgary East, CPC):** Thank you very much, Mr. Chair, and welcome to the committee.

The purpose for which we have asked you to come here is to look at the post-2011 involvement of Canada in Afghanistan, as you know, the non-military portion of it.

Up to now, CIDA and everybody else have been investing in good governance and schools, the priorities that came out of the Manley commission. The committee is looking at that. We have just received, from the Library of Parliament, information pertaining to natural deposits and mining in Afghanistan. One area that Canada can focus on, when this committee looks at it, is to see how we can assist the Afghans in the exploitation of these resources, so that it is a source of income and stability for that country.

Experiences have shown that if there's no good governance, the exploitation tends to be under corruption, and the people do not see the trickle-down benefit of these natural resources that exist there.

This committee wants to look at how Canada can help, because of our record. We have an excellent record of corporate social responsibility along with the mining companies out there. We are considered world experts, and I hope we are better than the Australians.

The issue is, how can this committee look at your department to see how your expertise can be of assistance to Afghanistan's development of these resources for the benefit of its people? We are trying to tie the two now. Of course, you've given us your excellent presentation of what you do in Canada, but this committee wants to look at this issue.

What are your thoughts, and what can you suggest to us that would actually enrich areas where Canada could be beneficial in the development of these resources in Afghanistan?

**Mr. Anil Arora:** Certainly, that's at the core of why we're here, to share the Canadian experience and why it is that the industry is so successful in Canada, and that the Canadian industry is so successful outside. I talked in my opening about good governance being one of the prerequisites, if you like, in our own experience and in the experience of many other countries, as a precursor, number one, and a good competitive environment that allows for the sharing, if you like, of the resources at all levels of government.

Having a very good economic and fiscal regime allows, for example, in our case, municipal governments to receive property taxes. They benefit from it. Local communities out there have impact benefit agreements with companies, for example, as is the case with our first nations communities, and so on.

• (1600)

**Mr. Deepak Obhrai:** How can you as a department...? Let's start with one small step. This is a major thing. This is a country that is at ground zero. Governance is bad; things are bad. Give the committee a sense, from your experience, of small steps that we in Canada can take, from your department, that would form the basis of the long term and the short term. Give us some short-term objectives, from your experience, that you think we should have.

**Mr. Anil Arora:** First of all, in my view, Afghanistan is not unique in trying to capitalize on a resource it has and trying to make sure it benefits their population. As I said right up front, we are willing, and we have in the past...we have a track record of sharing our expertise.

There's no magic formula in terms of how we've developed our resource in a responsible way in Canada. Through the various multilateral organizations that I talked about earlier, we've shared that very openly. In fact, other countries as well—Australia, the U. K., the United States, some of the Scandinavian countries—also contribute very openly. The literature is prolific on various websites on those organizations, and so on.

We openly encourage our Afghan colleagues to make better use of the dialogue that exists already, and to take advantage of the intergovernmental forum on mining and minerals, for example. There are 43 countries that belong to it. It's a voluntary organization, and they share “the secrets”. We share very openly about good governance, competitive environment, fiscal regimes, a regulatory environment, a competitive strategy that looks at exploitation of the resource, doing it in an environmentally friendly way, and making sure there is good stewardship of those resources. These are hallmarks, if you like. These are the absolute pillars that any government looking to build its regime and its framework should take into account.

A lot of the successful countries that have been able to bring increased quality of life to their citizens have built on those things. So I think it's about taking part in those discussions. They're very open, and they openly allow other countries to join and to share freely within that knowledge.

The reason I also think that's the better strategy is that every country is unique. Some of the remote kinds of issues that Afghanistan is going to face are very different from the kinds of issues Canada faces in our remote areas. We may not be able to simply say here's the recipe, why don't you photocopy it and paste it

in your regime? They would benefit from other countries that have environments...that have other issues, that are in various stages of development. I think they can provide a lot of that expertise and assistance that would allow Afghanistan to try to build its capacity in a very uniform way.

**The Chair:** Sorry, we'll have to wrap it up there.

**Mr. Deepak Obhrai:** So this organization you're talking about would be the first step, for us to encourage the Government of Afghanistan to join them, right?

**Mr. Anil Arora:** There are a number of them: the United Nations Commission for Social Development, the intergovernmental forum on mining and minerals, and there's the ICMM, which I talked about earlier. There are a number of these institutions out there, and I think they should fully participate in those.

**Mr. Deepak Obhrai:** Thank you.

**The Chair:** Mr. Harris, please.

• (1605)

**Mr. Jack Harris (St. John's East, NDP):** Thank you, Chair.

Thank you for joining us, to our guests, and thank you for your presentation.

Has your department been asked to provide any assistance or lend any expertise to the Government of Afghanistan to help them with technical assistance or to assist in developing a mineral regime for their country? I did hear you say that you were asked—or somebody was here in 2008 and asked—and the only response seems to be that you've had some dialogue. I'm not criticizing you for that, but when you were asked by Mr. Obhrai about what particularly you could do, it seemed to be more of the same. I don't want to make too strong an analogy here, but we could tell the Afghan people, for example, that having a good education system will help them with economic and social progress, but that's not what they need. Are there any programs that you have? Are there any projects that you're undertaking here? Are there any hands-on things that you're doing or could do? I'm not saying that you haven't been asked to do them, that you don't have the mandate to do them, but we're looking at what it is that Canada could do to help the Afghans in the governance issues. For example, the Minister of Agriculture in Afghanistan happens to be an Afghan Canadian who develops a fair bit of his own expertise here in Canada, and he's actively working to help build a good agriculture system and whatnot.

We could suggest, for example, that the Government of Canada could help by having some expertise from your department or that you could bring together from other governments in Canada—because there's a lot of expertise around this country—to provide assistance to Afghanistan. I'll just give one example from the World Bank, which notes the long lead time for the development of a mine, the lack of support infrastructure, and the need for the Afghan government to develop effective revenue management and benefit-sharing policy: they are identifying the problem that they need to have a policy development. They need to work out some of these issues that you're talking about in terms of revenue and benefit sharing in order for this economic development to take place. And this is not old news; this is September 2010, so it's relatively current.

Is it possible that your department would be able to or be in a position to provide more than just the dialogue you're having with the ambassador and so on, to actually develop a program or project and say, okay, we have some people who are prepared to work in Afghanistan with you to help develop these policies, identify some of the roadblocks, etc.? Is that something that you think, if given the request from the Government of Canada, you would be able to provide?

**Mr. Anil Arora:** You've raised some specific questions about what we were specifically asked for. Again, I wasn't there, but certainly in 2009 we were asked specifically for three things. One was chemical analysis equipment for analyzing mineral samples; mineral exploration equipment to define areas of potential before opening up to private sector investment; and training and scholarship support for ministry staff and students. So those are the specific requests that were made.

Specifically, the first one, chemical analysis equipment, obviously has a price tag associated with it. Certainly neither my sector nor the department is funded to do that, and that is something that others like CIDA, for example, would have to provide the resources to be able to do.

**Mr. Jack Harris:** So there are specifics. These seem to be fairly basic. So from those three requests I can assume that the level of expertise and even equipment is pretty basic in Afghanistan right now. If Canada were interested, for example, in supporting the development of the mineral sector in Afghanistan, these things could be done. These have already been requested, but it requires money that you don't have the ability to dispense. Is that what you're telling us?

**Mr. Anil Arora:** It's Afghanistan that's asking us for this equipment.

**Mr. Jack Harris:** I understand.

**Mr. Anil Arora:** Should the money be made available? This is equipment that's available in the Canadian private sector, and they certainly could provide that equipment to Afghanistan.

**Mr. Jack Harris:** Did they ask Canada to get engaged in providing training and perhaps scholarships for Afghans to come to Canada to study? Was that the idea?

• (1610)

**Mr. Anil Arora:** Correct. Again, there we work with various Canadian universities, because my department doesn't do the training itself. We provide the links, for example, to Queen's University or other institutions—

**Mr. Jack Harris:** You don't provide scholarships, though.

**Mr. Anil Arora:** No, our department does not. That would be—

**Mr. Jack Harris:** You tell them where the universities are.

**Mr. Anil Arora:** Correct. Then, through the established programs, students do make use of multiple programs that are there today to try to—

**Mr. Jack Harris:** There may be existing programs that students could qualify for, for example.

**Mr. Anil Arora:** Exactly. So we play that facilitation role.

To your question, these are the specific requests that were made should the funds be there for the equipment. I think that's certainly doable, and we do play that facilitation role. In fact, even in a meeting that we had with the ambassador, we made some connections with a number of people in the various institutions, to say that those institutions would be quite welcoming of foreign students in learning right from the ground what it takes to develop the mind and what kinds of things are successful for us.

**Mr. Jack Harris:** Chemical analysis equipment was one, mineral exploration equipment was another, and training and scholarship support. Could you tell us what kind of training they were most interested in at this point, or at the point of contact with your department?

**Mr. Anil Arora:** I only have what was requested here. I know—

**Mr. Jack Harris:** They didn't say what kind of...? You don't have that note here?

**Mr. Anil Arora:** In this particular interaction I don't. But in my conversation with the ambassador we talked about a range of programs, from technical skills—how to operate this kind of equipment, for example, how to do some of that basic exploration work, operate the equipment that does the seismic work, the geoscience work, mapping, and that kind of thing—to mine design and how one goes about doing the actual drilling and so on. This capacity exists in Canada—

**Mr. Jack Harris:** Yes, we have a lot of expertise in all aspects of the things we're talking about here. That's correct.

So if you were given the resources and the mandate, you are in a position to at least help develop a program or design projects that might assist those things?

**Mr. Anil Arora:** Yes. Some of these cases are under provincial jurisdiction. We do work to try to ensure connections are made and those institutions can meet those needs.

**The Chair:** Thank you very much.

Ms. Brown, please.

**Ms. Lois Brown (Newmarket—Aurora, CPC):** Thank you very much, Mr. Chair.

Thank you, Mr. Arora, for your presentation.

My son-in-law is one of those graduates of the great programs that Canada does have in the mining industry. He came as a foreign student from Ghana and was at Laurentian, which is where they met. He is going to be very pleased to hear about the availability of resources in Afghanistan. He is currently finishing his PhD and working with some rare earth elements, germanium particularly. He just spent \$300 on a very tiny wafer to complete his project for NASA. So when I tell him the resources that are available in Afghanistan, I'm sure he's going to be very happy.

I was reading some of the same documentation I expect Mr. Bachand was referring to. The American publication, *Businessweek*, was saying they figure there are 1.4 million metric tonnes of rare earth elements in Afghanistan, for a total of \$3 trillion worth of deposits spread throughout the country.

The Minister of Mines is quoted as saying:



The heavy rare earths in Khanneshin are found only in few locations around the world. This deposit could represent a long-term opportunity for Helmand province, creating jobs and stabilizing the area.

I refer to the opening of your presentation to us that talked about Canada as a country that has been able to translate resource extraction into lasting socio-economic benefits for its citizens. I wonder if you could expand on what you think that might look like for Afghanistan, knowing these deposits are there and that they recognize they're there.

If I may just bridge this, I had the opportunity to speak this morning with an organization doing micronutrients. They were talking with me specifically about the salt mines that are available in Afghanistan as well. Of course, there's a desperate need for iodized salt for the population to have a healthy life. They also say the salt can be fortified with iron as well to provide those micronutrients. What does that look like in the long term for the well-being of the Afghani people and the opportunities for jobs, well-paying jobs, and skills development? Can you comment on that?

• (1615)

**The Chair:** We're a little over time here, but we'll let you answer.

**Mr. Anil Arora:** The short answer is yes.

**The Chair:** Thank you.

**Mr. Anil Arora:** You've touched on how pervasive minerals are in our daily lives and how rare earth elements play a part in the most advanced technologies. Green technologies, new technologies from windmills to cellphones to the colours you see on TV—these make use of rare earths, and they're extremely important for the future.

So I think you're pointing out that this is an opportunity for Afghanistan and for Canada as well. We have a number of projects under way to try to increase the amount of rare earths that are available.

You talked about the health elements, salt iodine and various elements. They can have a positive impact on health outcomes, vitamins, you name it. Certainly, there's another possibility. They're important in every walk of society, and Afghanistan is not unique. From what appears from the geological work that's been done, there are some real possibilities for Afghanistan.

We're blessed in Canada with the kinds of resources we have, and it appears that Afghanistan has some potential. It can be of benefit on the health front and in the development of many of the emerging technologies as well.

**Ms. Lois Brown:** Thank you.

**The Chair:** Thank you.

We're going to have to leave it there for now. You came on short notice, and we appreciate that very much.

We're going to suspend for a short time to get the video equipment set up, and then we'll start the second part.

Thank you again.

• \_\_\_\_\_ (Pause) \_\_\_\_\_

• **The Chair:** We'll draw back together again. We're on a fairly tight timeline, so please take your seats and we will reconvene.

I would now like to move into the second part of our meeting. We'd like to welcome, from the Prospectors and Developers Association of Canada, by video conference from Vancouver, as an individual, Mr. Robert Schafer, the director.

Welcome, sir, I hope you can hear us. We look forward to your expertise in this area. Can you hear us?

**Mr. Robert Schafer (Director, Prospectors and Developers Association of Canada, As an Individual):** Thank you, Mr. Chair.

I can hear you loud and clear, and I appreciate the invitation from you and your committee members.

**The Chair:** Thank you.

The usual practice at our committee is to allow you an opening statement of approximately 10 minutes, or whatever you feel is appropriate. Any time you're ready, you may go ahead.

**Mr. Robert Schafer:** Thank you very much.

Let me introduce myself. I'm very pleased to have the opportunity to speak to you today on my experiences in Afghanistan with respect to the minerals industry and the mineral potential of the country.

I'm speaking today on my own behalf, as a professional geologist with more than 30 years of professional experience, with graduate degrees in both geology and economics. I've worked in more than 80 countries over that time span, so I guess I've seen a pretty broad spectrum of various qualities of life, lifestyles, and mineral deposits as well.

I'm currently the executive vice-president for Hunter Dickinson Inc., which is a mining and exploration and development corporation based here in Vancouver. We've been around for more than 25 years, with operations on four separate continents and more than 6,000 employees around the world. Our largest operation in Canada is the Gibraltar mine in British Columbia, which is the second largest copper mine in Canada. We take great pride in achieving large returns in value to our shareholders.

I'm also here as the director of the Prospectors and Developers Association of Canada, or the PDAC. The PDAC is a national organization comprising more than 7,000 members representing a range of companies and individuals in the mineral exploration and development industry. Our members include prospectors, geoscientists, environmental consultants, mining executives, students, people working in the drilling industry, financial and legal institutions, as well as the various other support industries that go along with mining.

The association's corporate members include junior mining and exploration corporations, major production companies, and organizations providing services to the industry. Our annual convention, which is coming up shortly, is the largest in the world, annually attracting about 25,000 people from all continents to Toronto.

I'd just like to give you a little bit of background on my perceptions of mining in Afghanistan and going forward from there to the mineral potential and so on.

Afghanistan, as you're well aware, has been a crossroads for trade and commerce over centuries, while in my perspective it was also a traffic jam or perhaps even a train wreck for geology. Virtually every continent bumped into that little country over the eras of geologic time, so that it's virtually a totally mountainous country that represents each mountain collision and continental collision over those ions.

We were there as Hunter Dickinson, as part of a tender process to evaluate and make an offer to develop the Aynak copper project, which is a world-class copper project in Logar province, about 40 kilometres to the southeast of Kabul. We were one of 13 companies from 13 countries that participated in this tender process, and we were the only Canadian entrant in this activity.

The approach we took was a fully integrated approach that brought together technical, environmental, and socio-economic programs. I personally built alliances with the EDC, the IMF, BCIT, Caterpillar, and the Aga Khan Foundation, among many others, in trying to put together a fully integrated package that would be beneficial not just to the mining project but to Logar province and ultimately to the entire country of Afghanistan.

Support was provided through the Canadian embassy—and was very much appreciated—as well as by receiving letters of support from Prime Minister Harper and a number of ministers to their counterparts in the ministry in Kabul.

One of the highlights was the facilitated meetings held with local community leaders—I guess you could say, if you go to the news media, they would be called warlords, but we call them community leaders—to inform them and increase their capacity for understanding what a mining operation might be in their region. When I went to them—and I met with 25 individual community leaders—they did not even have an idea that there was potentially a world-class mining opportunity being developed in their region, and they were very much surprised and were very appreciative of the fact that I laid out the entire program for them so they could have some comment.

On the mineral potential of Afghanistan, as I mentioned, it's the crossroads of geology as well as commerce.

● (1620)

In 2010 the U.S. Geological Survey put out a report, which you're certainly well aware of, that identified vast mineral wealth in the country. Those were broad estimates, in my perception. They would not conform in any way to a legal definition of mineral resources or reserves. They're meant to be guidelines for governments and public sector companies that might be interested in exploring developed mineral resources in the country, but by no means could they be used

to develop a technical report that would be useful for corporate finance and that sort of thing.

Challenges to working in Afghanistan were manifold. Logistics would be right at the top of the list. In fact, when I asked the community leaders how they would rank their most needed and desired components to a program that our company might implement in the area, it actually surprised me initially, but when I thought about it in retrospect, logistics was their top priority. They were looking for bridges and roads, so that they could better access their countryside and better access trade for and among their villages. Naturally, other things were improvements in farm capability, employment, and so on.

Other challenges for working in Afghanistan include cultural differences. Yes, a western culture is quite different from a central Asian culture, but again, it's cultures within cultures in Afghanistan, because of the normal tribal behaviour the people live under. We were looking at improving dramatically the skills and capacities of the people.

That's why I brought in groups like BCIT, who are ready to establish, essentially, a branch campus in the vicinity of the Aynak copper mine in order to train not just people for exploration and geology but also normal things like pipe fitting, electricians, mechanics, and so on. These are things that we believe not only could be useful at the mine but then could have impacts that would spread across the country as an amoeba might.

Energy would be a tremendous challenge in that country. Virtually all the energy is coal-fired or through diesel power plants on a relatively small scale. We were looking at having to probably build a coal mine in addition to a coal-fired power plant in order to make a mine like Aynak work.

Transportation, as I mentioned, was the top priority for the local people. Security goes without saying.

One of the things I was intending to provide right from the beginning was an employment program that would utilize the current skill levels of the people on site. If you're familiar, most everything is built on an adobe basis. I was intending to essentially create a compound encircled by an adobe wall, not so much to keep people out but in order to provide several thousand people with jobs for a couple of years. People would therefore see immediate impact by our presence in the country.

Then there was the need to just build mutual trust with the people. That's a challenge in its own right. I thought by going to the people the way we did—and we were the only company that went out into the countryside to meet with their community leaders—we could start building those hands across borders with them.

Mining is a contributor to the future of Afghanistan. My true belief is...comparing mining in Afghanistan, you might compare it to developing the infrastructure and economies of the territories and Yukon. Basically, there is not a lot of alternative economy out there. Yes, small-scale farming is available, but it's subsistence farming.

Similarly, the only way to bring in high-level skills, high-level technology, is through natural resource development. Bringing it in and bringing the people to the level that would be required for them to be the participants and leaders in that area were keys.

We had in mind, by year 10 of a mining operation at Aynak, that there would perhaps be less than five expatriates in Afghanistan running that mine. Everybody else would be brought up by the bootstraps and have increased capacity and education such that they would be running the mines.

• (1625)

How would I place the Canadian mining industry and government in developing Afghanistan's future economy? I'd look at it from a personal and future financial security basis. Establish security in the area and mining companies will come to Afghanistan. Without that, the risk to not only personnel but also to investment is just too high. Our exploration funds and our development funds are too few and precious to be able to gamble them in a fashion where there's not security of tenure and security of life.

It would be helpful to have political risk insurance should mining companies enter the country. Other incentives that I'm certain governments can come up with that are beyond my capability to suggest would also be things we would consider.

In summary, I'd like to say Hunter Dickinson viewed Aynak and the Aynak copper project as more than a technical and economic activity. We viewed our efforts there as the beginning of a country-building effort. A well-run mining operation in Afghanistan could form the foundation stone from which the first non-conflict, non-drug-related economy could be based in that country, and it could grow and spread across the country for many decades to come.

I thank you for your time.

• (1630)

**The Chair:** Thank you very much. You obviously are very knowledgeable about the situation there, and we appreciate that report.

The usual practice at this committee is to give each political party seven minutes to make some comments and ask you questions. Without further ado, we'll go to the Liberal Party, the official opposition.

Mr. Wilfert, please go ahead.

**Hon. Bryon Wilfert:** Thank you, Mr. Chairman.

Welcome, Mr. Schafer. I'm sharing my time with Mr. Oliphant.

I have one question, through you, Mr. Chairman. You talked about security and about political risk insurance. The issue I'd like to raise is the issue of a regulatory regime, with regard to royalties and taxes. There isn't one presently. That is an issue that I cited with the early witnesses, regarding Mongolia, where without a foreign investment protection act or something of that nature in place, there is clearly uncertainty for companies that invest.

I want to know your comments with regard to that type of regime, which would be obviously necessary to encourage companies to invest in Afghanistan. Then I'll turn it over to Mr. Oliphant.

**The Chair:** Go ahead.

**Mr. Robert Schafer:** Thank you.

I'd be happy to speak to the idea of royalties or sharing of the proceeds from mining with the country and its inhabitants. I think that is key to any successful business activity in virtually any country in the world, and not just with regard to mining.

Royalties are a direct way of sharing the bounty of the operation without having the country or its local people sharing in the cost risk, if you will. As there is the need to establish a regime in that regard, it needs to be quite responsibly thought out and not—how should I say?—looked upon with greed, if you will. One of the things that is often forgotten by governments when they're establishing a royalty regime is that there is a lot of risk money that goes in at the front end, a lot of investment money that goes into the construction side, and that there is a need for the investors who put up the risk money to receive a fair return on that, just as the citizens expect to receive a return on the bounty that's derived from their own country. Bring that in together with the vagaries of business cycles and the way metal prices move up and down and across the board. Rather than having floating-level percentage royalties, a fixed royalty that then on a gross basis—I call it a gross smelter basis—is something that could be considered. And in a case when metal prices are higher than might be historically typical, a profits tax or a profits royalty could be put upon it.

But don't undercut the base line of revenues that go into the investment that ultimately makes the mine happen, because mines take not just a one-time investment; they're an ongoing investment.

**The Chair:** Thank you.

The next question is for Mr. Oliphant on the Liberal side.

**Mr. Robert Oliphant (Don Valley West, Lib.):** Thank you for coming.

It's always hard—I'm not a regular on this committee and I feel like I've dropped into a conversation. It feels a bit like I've dropped into an alternative universe. I have about 4,000 Afghans living in my riding. I've never met one who is a geologist. I've never met one who is a geophysicist. I've never met one who is a miner. I've never met one who has worked in a mine or knows anything about mining. I've talked to all of them. So either all the miners, geologists, and geophysicists have stayed in Afghanistan and are busily working or the industry really doesn't exist in any meaningful way.

Are there geologists there? Are there geophysicists? Does this geological survey compare to the Geological Survey of Canada in its expertise and what it can do? I worked as an accountant in a steel company responsible for an iron ore mine. I know something about what it takes to run a mine. It not only took having iron ore in the ground, it took a railway to get the iron ore out of there to a steel plant, which means it took a steel plant too. It took trucks to move finished product out of the steel plant, which took roads. It took a regime with a governance system that made the roads safe to travel on. It took labour-management relations. It took a capital market. It took a market for the steel. This is a huge thing.

I feel like I'm Alice in Wonderland dropped into this conversation that makes absolutely no sense to me. We have a dozen parliamentarians sitting around here talking in la-la land, and we have professionals taking their time to try to inform the committee. Help me. Is this realistic in the foreseeable future?

• (1635)

**Mr. Robert Schafer:** You've asked me two questions. I'll try to answer the second one first, because in effect you're asking me about the multiplier effect of a mining activity in a remote region. Yes, the multiplier effect of a mine in a developed area, say in Ontario or Quebec, is probably in the order of 8 to 10, whatever the annual revenues and the initial investment were in that project. Take it to a remote area and you can probably bring that up to 12, 13 times the investment.

**Mr. Robert Oliphant:** Really?

**Mr. Robert Schafer:** You're going to be creating big industries and micro-industries to support the mining activity.

Now I'll go to your question about the professionals available in Afghanistan. Their geological survey is viable. They have engineers. They have geophysicists, geologists. They largely trained in the Soviet Union during Soviet times. I would not say they are quite at the level of the Canadian or provincial geological surveys, but they certainly understand what goes into making a mine or exploring for mineral deposits. They would probably be good at the senior project manager stage but not at running large operations.

Early in my career, I met a gentleman who was a senior exploration manager for a company called Homestake Mining. He was an Afghan national, believe it or not. He was a manager of exploration for Homestake Mining in the eastern part of North America, and he was actually the man I turned to when I planned this strategy for going forward in Afghanistan. He's now in his mid-70s and is still quite active.

When I brought him to Afghanistan, he not only acted as a technical adviser but also as a friend and interpreter. But the last and probably the most important thing was, he had formerly been the head of the Afghanistan Geological Survey. I did not realize that when I hired him, but as time went on he revealed more and more about himself.

So yes, there are people there who understand. They will need coaching to be brought to the level of capability needed to run a world-class operation, but it's a good start.

**The Chair:** Thank you.

Monsieur Dorion.

[*Translation*]

**Mr. Jean Dorion (Longueuil—Pierre-Boucher, BQ):** Can you hear me, Mr. Schafer? Are you getting the translation?

[*English*]

**Mr. Robert Schafer:** I can hear you. Thank you for the interpretation.

[*Translation*]

**Mr. Jean Dorion:** My colleagues have stressed the lack of infrastructure. You mentioned it yourself, the lack of infrastructure

for transporting minerals, for example. There are few railways, few bridges, few tunnels, and so on.

They also have relatively little training. You mentioned geologists trained in the Soviet Union during the occupation. I imagine there are very few people like that in the local population, so a company setting up there would seem foreign to the people, because there are very few local senior managers.

You also mentioned the lack of sources of energy and the need to develop them. You mentioned security problems, like taking two years to build a wall to protect a site. You mentioned cultural difficulties. We know that Afghan society is driven in general by considerations that are not economic; they are completely different in nature.

All in all, would a prospecting and development operation in Afghanistan not be something completely artificial and foreign to the country, and seen as such by the local population, hence the security threats? To be viable and safe, would such an operation not need measures beyond the ability of the country to pay? So it would be the west that would be paying to protect the operation. Aren't we dreaming when we talk about an operation like that?

If you had all the protection and infrastructures you need, maybe your shareholders would get large returns, as you said at the start of your remarks. It might pay off for your shareholders, but it would be extremely expensive for foreign countries, including Canada, who would, indefinitely, have to make sure the operation could function properly.

• (1640)

[*English*]

**The Chair:** Go ahead, sir.

**Mr. Robert Schafer:** I would agree with you very substantially, particularly in the early years. I believe that the country itself would prosper from mine development with time. As I say, we had a 10-year timeline to essentially indigenize a world-class mining operation in Afghanistan and put it into the hands of Afghans. My belief is that, yes, with the existing engineering and geological expertise in the country, there's a basis or a foundation upon which to build. But it would take an exchange program to create more expertise and to bring them to the current levels needed to run the most efficient mine and the most efficient exploration activity.

In terms of logistics, access is probably on the same order of magnitude as access to explore in Nunavut or the Territories. Although it's very mountainous, the weather is not as harsh. At the same time, there's not a real road infrastructure. Therefore, a lot of helicopter use would be demanded and a lot of fly-in, fly-out airstrips as well.

In terms of gaining, I think I tried to emphasize the need to build mutual trust. Once a mine is developing and the people of the country realize that benefits are accruing to the local population and are starting to spread across the country, I believe that the exploration geologist will become a welcome visitor in many parts of the country. The Afghan people, by their custom, when a person knocks on their doors, are bound to protect them from any sort of danger. Therefore, yes, in the early years it could be very challenging, and there would probably be a need for military escorts to accompany small contingents of exploration geologists as they're exploring for new gold, copper, and iron mines, and so on. But again, with time, maybe a decade or a decade and a half, we're looking at a change in the way things would be approached.

I would compare it, in my mind, and I'm not trying to be funny, to the turn of the 19th to the 20th century, with the activities in western Canada or the western United States, with all the exploration for copper and gold and the dealing with the indigenous peoples there. There were lots of forts and lots of cavalry protecting the people who were living at the frontier. It would be very much the same now as it was then.

• (1645)

**The Chair:** Thank you. There's about one minute left.

Monsieur Bachand, do you have a brief question?

[Translation]

**Mr. Claude Bachand:** Yes, very quickly.

Mr. Schafer, in your organization, I see that you have an international affairs committee that is intended to raise your profile. In the conference that was held in Kabul last year, I saw that there was a discussion on mining and mineral wealth in Afghanistan.

Were you there for that, or do you know whether the matter was discussed at last summer's summit in Kabul?

[English]

**Mr. Robert Schafer:** I'm afraid I did not attend the conference myself. I would suspect that Hunter Dickinson was the only Canadian company at the time that would have shown such interest. I am aware that there were a couple of smaller American junior explorers who attended, and they largely talked about gold mining, because gold mining is perhaps the easiest type of mining to initiate in frontier regions.

**The Chair:** Thank you very much.

We're now going to go over to the government side. We'll go to Mr. Dechert, please, for seven minutes.

**Mr. Bob Dechert (Mississauga—Erindale, CPC):** Thank you, Mr. Chair, and thank you, Mr. Schafer, for sharing this very interesting information with us this afternoon.

As a commercial lawyer in private practice in Toronto for many years, I was very familiar with the Prospectors and Developers Association of Canada. I note that you're a member of that organization. I have attended the conference in Toronto on a number of occasions, and I know the great work that organization does in bringing together expertise, really, from around the world, especially Canadian expertise, and showcasing it to the world.

One of the areas of expertise I was familiar with, coming from the Toronto area, was the Canadian expertise in mining and resource company financing. I wonder if you could just comment on how that Canadian expertise could be of assistance in developing the resource industry in Afghanistan.

**Mr. Robert Schafer:** Without a doubt, the Canadian mining finance industry leads the world in bringing technical expertise into frontier areas. The mining industry and the mining finance industry are always looking for new frontiers in which to invest. When you go to a frontier area, discoveries are the easiest. In terms of trying to continuously reinvent discoveries in traditional mining terrains, like the Timmins camp, like the Val-d'Or area, and so on, it's always harder to find the second- and third-generation mines. Those first ones jump out of the ground at you, and I believe that in very short order, with appropriate incentives and security measures, you could see parts of Afghanistan blossom in terms of industrial development, the same way that northern Quebec, northern Ontario, northern Saskatchewan, and northern Manitoba did in the mid-twentieth century.

**Mr. Bob Dechert:** It sounds like there could be a net benefit to both Canada and Afghanistan in the Canadian industry playing a role in Afghanistan.

**Mr. Robert Schafer:** Very much so.

**Mr. Bob Dechert:** You mentioned in your comments also an interesting reference to community leaders who you've met with in Afghanistan. Although those community leaders might not be considered ideal business partners in Canada, I wonder if you could comment on whether or not you really have much of a choice in dealing with those kinds of community leaders when you're trying to develop the natural resource sector in Afghanistan.

**Mr. Robert Schafer:** I think dealing with community leaders in any corner of the world is critical to the success of a natural resource development. The people I met with, when they realized what I was proposing to them or describing to them, were very sincere in believing that they could bring benefit to their small communities, their villages, such that they would improve the quality of life for their people, not just because of mining but because, by its very nature, you would improve the quality of agriculture—the seed stock, the livestock, the breed stock, and so on. Those were all part and parcel of this kind of concept. Dealing with the local people and local leaders, once you establish mutual trust, it becomes just second nature to the success of business.

• (1650)

**Mr. Bob Dechert:** Some of those community leaders might possibly be able to assist with the protection of people involved in the resource industry in the early days of the development of that industry in Afghanistan.

**Mr. Robert Schafer:** I made that personal inquiry directly to several of them, and the words that came back to me were almost identical for each one. They said, if you deliver upon the things you say you're going to do, if we see strangers in our valley, they will not get close to you.

**Mr. Bob Dechert:** Interesting.

**Mr. Robert Schafer:** Basically, they control their own populations, and they were going to keep away anybody who would deter benefits deriving to them.

**Mr. Bob Dechert:** It sounds like they could be valuable business partners then, in many respects.

What is your view of the level of corporate social responsibility amongst Canadian resource companies, and how would you say Canadian companies could assist the people of Afghanistan in developing their resources in a responsible way?

**Mr. Robert Schafer:** Corporate social responsibility is a science and a social activity that is still developing, I'll say. In the past 25 years, this has become a true and budgetable component of not only a business such as mine, but any business going to any part of the world. We're all still learning from that. Having said that, through the interaction and coordination of the PDAC, we've put together guidebooks and guidelines to help companies going into these frontier areas so that they will not create faux pas and have problems; they'll know how to address issues that are related to corporate social responsibility, not just with indigenous people locally, but obviously it applies here in Canada as well.

**Mr. Bob Dechert:** Would you rate them?

**Mr. Robert Schafer:** Yes. We're still learning, but it's something that's coming on very strongly, and I think Canada is leading the way.

**Mr. Bob Dechert:** That's interesting.

How can the Canadian government support your company and companies like yours in helping the people of Afghanistan to develop their resources?

**Mr. Robert Schafer:** Really, stronger assurance of personal security is what is required at this point in time. At the time the copper project tender process was going on, the full extent of the conflict in Afghanistan was much lower than it is now.

There has been an order of magnitude increase in the level of violence in the country since I was there in 2006-07. As a result, now is not the time that companies are going to be entering into Afghanistan. I think a ceasefire of some sort has to be established in some fashion before companies are going to be willing to risk their personnel.

**Mr. Bob Dechert:** Thank you.

Thank you, Mr. Chair.

**The Chair:** Thank you very much.

Last, but not least, we'll go over to the NDP, with Mr. Harris, please, for seven minutes.

**Mr. Jack Harris:** Thank you, Chair.

Thank you, Mr. Schafer, for sharing your experience with us. Obviously, you've been on the ground in Afghanistan and can see the level of development.

There was something that struck me. In answer to one of Mr. Dion's questions, you talked about the wild west and the role of the cavalry when you were discussing the state of development in Afghanistan.

My question is, what is the role of the military in all of this? We've seen the estimated value of mineral resources reported as being potentially \$222 trillion. This comes from some work by the

Geological Survey in the United States, but, interestingly enough, it was actually released by the Department of Defense, and the Pentagon was very involved in providing this. General Petraeus, who is now in charge in Afghanistan, was part of that release.

I'm really wondering how all this ties in with what's going on in Afghanistan. You say the area is unstable, and you need to have protection to be able to do mineral development. What is the role of the military, and what state of play does there need to be for the kind of development you're talking about?

• (1655)

**Mr. Robert Schafer:** Again, I'll call on personal experience.

Over the past couple of years, I have been contacted not only by the Government of Canada, but also by the U.S. government on a periodic basis—both the State Department and the Department of Defense. Most recently, probably about six months ago, the Department of Defense sent three gentlemen to meet with me in Vancouver, who represented what the Department of Defense calls—and I'm not sure if I'll get the name correct—the economic development corporation, which is a part of the Department of Defense. It is trying to develop business within Afghanistan in areas it feels it has secured.

They were talking specifically about development of exploration mining with me through this economic development corporation.

**Mr. Jack Harris:** Is that the Canadian or the U.S. defence department?

**Mr. Robert Schafer:** That was the U.S. Department of Defense.

**Mr. Jack Harris:** It was the U.S. Department of Defense.

**Mr. Robert Schafer:** Yes. So they've essentially established a pseudo state corporation to assist private industry to develop natural resources, and perhaps other types of industries as well, such as cellular telephone distribution and other communications and that sort of thing.

My true belief is that the Department of Defense released this U.S. Geological Survey report in order to provide some good news against the background of the war in Afghanistan, to suggest that it's not just a place that is destitute of wealth but a place where opportunity will exist once the country realizes a peaceful environment at some point in time, and to suggest that the U.S. Department of Defense at least is willing to provide some level of security to help companies establish a base to do so.

**Mr. Jack Harris:** It seems, however, Mr. Schafer, and you said this yourself just now, that this is not an immediate project. There are some long-term requirements. The World Bank identified the need for the Afghan government to develop effective revenue management and benefit-sharing policies. We've had the deputy minister or the ADM for the natural resources department here talking about requests for pretty basic assistance from the Canadian government in terms of analytic equipment, mining and exploration equipment, training, scholarship support. You yourself talked about an exchange program. Is that the level of activity that the Canadian government could promote in terms of assisting Afghanistan right now, by giving them some basic support in terms of helping the government to develop some of the skill levels?

I liked your idea of the exchange program. We talked about that a little while ago. It doesn't seem that we're at the level yet of developing mines without a proper regime in place. Would you support our urging the Government of Canada to give some assistance in developing expertise and equipment? Also, would you describe for me what you see as an exchange program that might be viable?

**Mr. Robert Schafer:** Thank you very much for asking that question.

I think that's precisely the level at which the Canadian government could be very supportive at this point in time, the reason being it's low risk from a human life perspective. Establishing a training program, as I had suggested, with the British Columbia Institute of Technology, in which they would train geological technicians, mechanics, as I said, pipefitters, welders, electricians, and all those sorts of things is a relatively low investment from an infrastructural cost perspective. All of those things become part of the infrastructure and then the fabric of the country. The cost of carrying out that sort of activity and creating an exchange program in which, then, the best and brightest are coming from the technical level of training to the academic level of training is the next step forward thereafter. So a program like that would be a low-risk, very high-reward type of activity that the Canadian government could certainly, I believe, participate in.

● (1700)

**Mr. Jack Harris:** Thank you. I happen to agree with you that there's a lot of work to be done at the level of skills training that would give some expertise and put it in the hands of individuals. Perhaps your geologist friend would help us with some advice. Obviously, it was much help to you having had the experience in Afghanistan, and of course also being presumably very fluent in the local language.

I don't think there's much more time left. If I asked you a question, you'd be told to answer it in five seconds, so I think I'll leave it there.

I want to thank you for coming and joining us today with your hands-on, on-the-ground experience in Afghanistan and your experience in the industry to bring to our committee.

**Mr. Robert Schafer:** It was my honour to participate today.

**The Chair:** Yes, and as chair of the committee, I want to give you a special thank you for your expertise and for taking the time to share with us. This has been very, very helpful, and the information will be used in the report that we're going to make later on. Thank you.

**Mr. Robert Schafer:** Thank you very kindly for inviting me. I appreciate it.

**The Chair:** Okay. We're going to suspend now for a moment. We're going to go in camera, so we'll have to clear the room and deal with our report.

*[Proceedings continue in camera]*

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