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Chair

Mr. Dean Allison

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• (1530)

[English]

The Chair (Mr. Dean Allison (Niagara West—Glanbrook, CPC)): Pursuant to Standing Order 108(2), our study on the role of the private sector in achieving Canada's international development interests will commence.

I want to thank all of our witnesses for being here today.

We have with us Ben Chalmers, vice-president for sustainable development, and Pierre Gratton, president and chief executive officer, from the Mining Association of Canada. I want to thank you gentlemen for being here.

We also have with us Lucien Royer, national director, and Ken Georgetti, president, from the Canadian Labour Congress. Welcome, gentlemen. Thank you very much.

We also have with us Karin Lissakers, who is with the Revenue Watch Institute.

I thank all of you for being here today.

We will get all of your opening statements, and then we'll follow up with some questions over the next couple of hours. Thank you.

Why don't we start with the Mining Association of Canada? I will turn the floor over to Mr. Gratton.

Mr. Pierre Gratton (President and Chief Executive Officer, Mining Association of Canada): Thank you very much.

It's a pleasure to be here. Thank you to the committee for inviting us to speak to you today.

I am here with my colleague, Ben Chalmers, vice-president of sustainability, who is also responsible for MAC's new international social responsibility committee.

I just want to apologize at the outset. I have to leave about 15 minutes before the end to go to Rideau Hall. Some of our members are getting an NSERC award today, and I'm expected to be there, but Ben will stay through to the duration for any questions you may have.

The Mining Association of Canada represents the majority of major mining producers in Canada. We mine a diversity of minerals and metals, including base metals, gold and precious metals, steel-making coal, diamonds, iron ore, uranium, and oil from the oil sands.

All of our members subscribe to MAC's award-winning corporate responsibility initiative called "Towards Sustainable Mining", or

TSM. TSM is a condition of membership for Canadian operations, and includes annual public reporting against a range of comprehensive performance metrics, subject to external verification at the mine-site level. It is the only system of its kind in the world in our sector and has been recognized as best in class by groups such as Canadian Business for Social Responsibility.

TSM is applied to the international operations of several of our member companies on a voluntary basis. As well, I would like to share with you a table—I believe it's been circulated—that we now publish that shows the level of MAC member company application of 19 different international standards and programs.

As you know, rising commodity prices, driven by China and other emerging economies, are creating opportunities not seen in decades for the mining sector. We have estimated that there is as much as \$140 billion in new private sector investment to be spent across Canada in the next decade or less. At the same time, this global commodities boom will spur increasing investments by Canadian companies overseas.

Canada's mining sector is one of the country's most significant outside investors, responsible for about 10% of Canadian direct investment abroad, while the total value of Canadian mining assets abroad is valued at \$109 billion. Two-thirds of these assets are in the western hemisphere, just under 50% of which is in just three countries: Mexico, Chile, and the United States.

It's important to underscore that Canadian mining firms investing abroad bring direct returns to Canada and Canadians. As the Conference Board of Canada showed in a 2011 report, Canadian direct investment abroad translates into overall long-term benefits for Canada and its regions by improving productivity, jobs, trade, investment, tax revenues, and worker skill levels. This report also noted that Canada's mining sector is a leader in this regard.

Canada has the second-most top 100 mining companies in the world, trailing only China, which may raise a number of questions for you as well.

All of these statistics I'm mentioning underscore the important role Canadian mining can play in assisting development outcomes in the developing world.

As you may have read in *Embassy*, MAC strongly supports the decision CIDA took to invest in three mining NGO partnerships in Africa and Latin America. All three partnerships will help address the most fundamental obstacle to ensuring that benefits from large-scale private sector investment in the developing world are optimized, that obstacle being lack of capacity.

The World Vision and Barrick project in Peru will help local economies diversify, building supply chains to service the mining sector and other parts of the domestic economy, not unlike what we have created and achieved here with many aboriginal communities across the country.

In Burkina Faso, the project between Plan Canada and IAMGOLD will help youth receive skills training that matches labour market needs in a variety of sectors.

In Ghana, the WUSC and Rio Tinto project will support the capacity of local government to implement development plans and diversify the economy.

Canada is late to the idea of public-private partnerships in the field of international aid. The U.S., Britain, Germany, the Netherlands, and many other countries have been doing this for years. By aligning ourselves with the private sector, CIDA is tying itself to the market economy, and therefore to far more likelihood of enduring success.

Some have labelled CIDA's contribution as a subsidy, but this is not correct. As I and others have pointed out, including Carlo Dade, senior fellow at the School of International Development and Global Studies at the University of Ottawa and the former executive director of the Foundation for the Americas,

Co-funding has never meant subsidizing; it means both sides investing money or other resources in win-win projects that benefit the public. Given the resources that the private sector brings to these projects, this is almost always a better deal for taxpayers.

• (1535)

What this means, in my view, is that we should be encouraging more projects like the three pilots I mentioned. We should be encouraging our sector to think beyond the mine gate and to work with NGO partners to optimize outcomes in host communities. We certainly should not be criticizing firms that show leadership by doing the right thing, in the right way, with the right partners.

In our brief we also rebut some erroneous statements made to this committee by MiningWatch back in November. I won't belabour these, but would just like to draw your attention to how Ms. Coumans misrepresented the findings and purposes of the work of Dan Haglund, whose work was commissioned by the International Council on Mining and Metals. The ICMM, with Dan Haglund, have undertaken important policy work precisely to help the mining industry ensure its investments avoid the potential risks of the so-called "resource curse" and instead optimize the potentially enormous benefits from multi-billion-dollar capital investments.

Thank you very much.

The Chair: Thank you very much.

We'll now move to the Canadian Labour Congress.

Mr. Kenneth V. Georgetti (President, Canadian Labour Congress): Thank you very much.

By way of opening comment, let me say that the Canadian Labour Congress has a long history of working with trade unions and non-governmental organizations throughout the world. We've managed projects in over 30 countries, many of which were funded by CIDA, the Canadian International Development Agency.

The CLC does not agree with the government that partnering with the private sector to fund foreign-aid projects is the best way to improve the lives of the world's poor. It's unconscionable that our government wants to achieve this by making Canadian profit-driven extractive, agriculture, manufacturing, tourism, and other companies collaborators to foreign aid.

Already some \$531 million in 2009 and \$336 million in 2010 were spent by CIDA on NGOs and others doing so-called private sector development to support the likes of micro-credit, credit union capacity-building, value-chain developments, and support for small and medium-sized businesses. We have concerns about the facts that these often exceed expenditures of many of CIDA's other categories. In 2010, spending on education, health, environment, and governance were all declining relative to 2009, while private sector development increased. We don't know about 2011 because last year the government stopped reporting its spending on this.

Now CIDA is funding NGOs to implement corporate social responsibility projects—CSR—projects with contributing companies such as Rio Tinto Alcan, IAMGOLD, and Barrick Gold, whose clear mandate is to maximize profits for their shareholders—that's what they do. CIDA is poised to continue along this vein.

Please understand, we don't object to Canadian investments abroad for the purposes of making profit; that's what they do. However, trade unions from throughout the world are involved with multinational companies, and we know how their self-interest can conflict with the public interest. This is what we're worried about. Regrettably, NGOs with good reputation and credibility are being drawn into collaborating, no matter how laudable the results of their work might be. The approach will certainly ease Canadian investors' access to local resources and soothe the waters with communities that have already suffered or would oppose mining and other operations. The whole approach will also invariably reduce their costs of doing business. But a point of contention is about enabling companies to protect their profits back in Canada, companies that are already reaping tremendous benefits from tax breaks right here at home.

We worry about the impacts of Canadian companies competing among themselves and others within a developing country context. Yet Canadian taxpayers have been led to believe that funding these corporate social responsibility projects in connection to large corporations will somehow yield some form of company accountability or corporate responsibility. We don't believe that. We think it's nonsense, frankly. The CSR projects do not in any way implement company accountability principles as understood by the international community dealing with these issues. We're worried that these projects will serve instead to gloss over local conflicts that have already emerged or will arise as a result of any investment project.

The government is well aware of the degree of opposition to Canadian company projects in quite a number of countries. In 2005 this awareness led to a ground-breaking parliamentary report calling for strong norms to deal with corporate misbehaviour, such as environment and human rights violations, which are now on the rise. Instead, the government created a weak-kneed extractive sector CSR counsellor, who's already proved to be ineffective in handling a number of recent complaints, leaving a total vacuum for available tools to ensure company accountability.

The CIDA corporate social responsibility projects cannot be a substitute for corporate accountability. Moreover, it's very misleading to suggest that these CSR projects will do much, if anything, to reduce poverty.

Business leaders have already appeared before this committee, but their testimony raises a number of questions. They may be justified in saying that specific projects would benefit training, work experience, or could result in economic effects for jobs and improved incomes. It's what they're not saying that we think is a problem. Their statements have to be measured against a more complete picture of costs and benefits, both positive and negative. They have to be seen in light of social and environmental costs beyond the lifetime of those projects compared to other scenarios that could yield better scenarios.

Evidence submitted by MiningWatch to this committee convinces me that company operations do far more in the long term to exacerbate income gaps than to reduce poverty. The committee cannot turn a blind eye to these realities. At the core of any analysis about poverty is the question of jobs.

• (1540)

I remind this committee that Canada joined the G-20 and other countries last year to support a decent work agenda put forward by the International Labour Organization. So where's the analysis to show the impacts of company operations on full-time and part-time jobs that will be created or lost, and what is the quality of those jobs, and what are the conditions of the work environment and the human rights in the workplace? What about the livelihood issues for community well-being? What other scenarios for investment or for CIDA expenditures would create more jobs than the paltry few that have been talked about here? I repeat, where is the analysis on all of this?

Witnesses have also argued that company operations contribute to the tax base and thus strengthen the autonomy of local and national governments. There is strong evidence to show that company

activities do quite the opposite, and we've provided that to the committee in our formal brief.

In many countries, the very presence of extractive companies in rural areas also jeopardizes the integrity of indigenous communities. I would like to suggest that the committee follow up by encouraging our government to perform an analysis of both the negative and positive impacts of these company operations before venturing further on CSR exercises that blindly support or justify them. The government should also report annually to Parliament detailing the full picture of all aspects of private sector funding.

You should follow through with the commitments to implement the 2011 Busan high-level forum, which emphasizes the importance of ensuring strong country ownership of development, accountability, and of course transparency through a new global partnership for effective development.

You should establish a Canadian legal framework for private sector accountability based on internationally agreed ILO standards, the Organisation for Economic Cooperation and Development guidelines on multinational enterprises, and the United Nations guiding principles on business and human rights.

The government should be guided by the outcomes of the Canadian Westray mining disaster in instituting criminal penalties for egregious activities abroad.

These corporate accountability measurements are important for stemming any drive to lower the occupational and other standards due to competition.

Lastly, we'd like to say that you should promote the G-20 commitments to implement the ILO decent work agenda as a direct means for eradicating poverty in the world.

Thank you.

• (1545)

The Chair: Thank you, Mr. Georgetti.

We're going to move over to Revenue Watch Institute. Ms. Lissakers, welcome.

Ms. Karin Lissakers (Director, Revenue Watch Institute): Thank you very much.

I'm Karin Lissakers. I'm the director of the Revenue Watch Institute. We're a non-profit organization that works in resource-rich, mineral-rich countries around the world. Our focus is on seeing that the mineral wealth of developing countries is transformed into social and economic benefits for the countries producing those minerals.

I think we're the only organization devoted specifically to the oil, gas, and mining sectors and development. We focus on these sectors because if you look at the numbers and the investment flows, you can see that these mineral resources have the potential to transform positively the many poor countries that have a lot of wealth in the ground.

Sub-Saharan Africa in 2009 exported some \$250 billion worth of minerals. Aid inflows to sub-Saharan Africa was about \$45 billion. You can see that the numbers would argue that these countries should in fact be able to finance their own development, but they have not. As the previous testimony suggested, in many cases minerals have actually been adverse to economic development and social and economic equity.

While companies are often blamed, we think a partnership and an agreed governance structure that addresses the underlying institutional weaknesses in the resource-rich countries can change the trajectory for the better in a way that benefits both the investors and the resource-producing countries.

If you look at the pathology of the so-called resource curse, you could see a number of underlying issues. One is that you have very weak institutions, overall, in the management of these countries.

Second, you have often a lot of corruption focused on the resource capturing so that individuals can capture a share of the mineral windfall, the money windfall that these industries generate. You get a battle for control over the government, over the state, which can then capture a piece of the revenue not for the public benefit but for the individual gain.

Third, as part of this pathology, many countries have entered into bad deals. They get very little revenue out of their minerals. Cameroon gets maybe 12 cents on the dollar per barrel of oil it produces. Norway, by comparison, gets 78 cents on the dollar. Tanzania, where there are large Canadian mining interests, produces about a billion dollars worth of gold each year but only gets roughly \$100 million of tax revenue out of it.

A rebalancing is critical. It is good for the investors, to attract investors, because it's the investors who have the technology and the capital to develop these resources, and it also generates a fair share of the economic grants for the governments. That means these governments must have the technical capacity to negotiate effectively, to oversee the concessions, and to manage the revenues.

However, many governments have been very happy with the kinds of deals they've gotten because individuals have been able to enrich themselves. Transparent and accountable government is the other major component that is going to transform these resources into development. Here, I think that it's not just industries, but governments outside the resource-rich countries that have to contribute, by creating a strong international global standard for transparency, especially concerning money, because that's where the battles and the flaws emerge.

●(1550)

Having strong transparency rules around payment streams, contracting, and social and environmental practices is absolutely critical. If you have a global standard, then countries not meeting that standard will have a very hard time attracting investment. Their

own people, who are in the end the enforcers of good policies, their own citizens, will have enough information in hand and the international support to press their own governments and demand proper governance, not only of the investment path itself but also of what the governments do with the money, and of whether the revenues that are generated are actually used for the public good to finance development and positive social outcomes.

There are several international initiatives that are beginning to create such a global standard. One is the extractive industries transparency initiative, EITI, which Canada has recently begun to support, which has governments, companies, and civil society together setting a reporting regime for company payments and government revenues from oil, gas, and mining resources. A second initiative is disclosure by companies of the payments they make to governments. We are strong supporters of both, first, because EITI gives civil society a seat at the table, and that strengthens the accountability mechanisms internally in developing countries, and second, because EITI is a vehicle for governments to disclose their revenues.

We are also strongly in favour of mandatory disclosure of company payments. The U.S. passed such a law in 2010. The Securities Exchange Commission is just completing its rule-making. Under this law in the U.S., all listed companies—and that includes a lot of Canadian companies—will have to disclose their payments to governments country by country and project by project, as well as according to the type of payment. That will shine a light. It will provide information to every affected country on exactly what payment streams are actually coming in to their own government's hands. They are then in a better position to ask what's happening to the money.

The EU is moving ahead to replicate this type of legislation. The commission has just issued draft directives, an accounting directive and a transparency directive, which will be debated in the European Parliament in the next few months. There's strong government and commission support for going ahead. So the EU and the U.S. will have these mandatory disclosure requirements.

As noted, many Canadian companies will already be covered. Many other Canadian oil and mining companies will probably not be covered unless Canada also moves ahead to adopt similar reporting requirements.

As a matter of levelling the playing field for companies, we think it's important that major jurisdictions like Canada adopt similar legislation or regulatory requirements through their provincial regulators. We think Australia should also follow suit. We would like to see Brazil and South Africa do so as well. But Canada is particularly important, because, as you know, more than half the world's mining companies list in Canada. Canada, a major mining and oil country itself, should lead by example. We hope your government will support such legislative requirements.

We're very happy to see that CIDA, in its technical assistance and development policies, is focusing more on extractive resources because of their potential to fund development. I think corporate social responsibility projects are good. The problem is that they have very limited impact. They don't really get at the systemic problems. We think that CIDA, like Norway and Australia, could do more on the broad capacity-building, and that the Canadian government could do more to support a broad transparency and accountability agenda around extractives. Then you would have a package whereby you would really greatly increase the chances that these resource-rich countries would become self-sustaining, self-funding, successful economies.

Thank you.

• (1555)

The Chair: Thank you, Ms. Lissakers.

We're going to start with Ms. Sims for seven minutes, please.

Ms. Jinny Jogindera Sims (Newton—North Delta, NDP): Thank you.

I want to thank all of you for coming to present to us. It's really nice to see good friends sitting across the table.

I want to start off by acknowledging the amazing work I think the Canadian Labour Congress and its affiliates do in the way of international development. Not only do you commit to building social justice here at home, but you also carry that mandate out internationally.

One of the things that concerns us is the increasing politicization of our aid over the last number of years. One of the high-profile cases was the cutting that occurred to Kairos's funding because they believed the organization was critical of the Conservative foreign policy. There are other cases, maybe not as high-profile, maybe not involving as large a company, that are coming to light as well. We've seen lots of news stories in the media recently about CIDA's shifting its focus to partnerships between NGOs and private firms, many of them from the extractive industries.

We hear reports from the NGO community that they feel uncomfortable with these partnerships. They feel that they are not being awarded the projects under this new competitive bidding process. Some of them are feeling under pressure to seek some of these partnerships. I know that the CLC has had a good working relationship with CIDA over the years. I've been party to many of the reports you've made. CIDA continues to fund some good projects in partnership with the CLC.

Do you share the overall concern with this new direction, and what will be the impact on labour organizations if this shift in focus continues?

Mr. Kenneth V. Georgetti: We are nervous about the direction. In fact, we think that things are going in the wrong direction. We continue to make promises in the international community, the G-8, the United Nations, that we're going to meet our 0.7% obligation, but we think we need to honour those promises through actions.

I'm going to ask Lucien to answer your question, because he does the direct negotiations with CIDA.

Mr. Lucien Royer (National Director, Canadian Labour Congress): What you're pointing to is a change of rules at CIDA, and the change of rules means two things. On the one hand, it is positive that CIDA requires projects to offer concrete evidence that they are doing something for the poor. On the other hand, the same rules become so stringent that many positive projects for the poor are filtered out. And those that tend to be filtered out are the ones that promote education, the ones that promote capacity-building, the ones that have a long-term vision for promoting the participation of the citizenry in the development of their own country, especially with respect to their governments. It's important that those not be filtered out, primarily because they are the basis of development for the future. They provide the possibility for change in the future, by allowing people to participate in decision-making.

The trade unions are capable of participating in that process through workplace action in concert with their employers. Changing attitudes and awareness in the workplace is a springboard for making changes in the communities. These new rules make it virtually impossible for us, as trade unions and NGOs, to focus on some of these aspects of development.

• (1600)

Ms. Jinny Jogindera Sims: And I think you brought to light one of the key aspects of international development cooperation. That is, the need for long-term systemic change, and that only comes with long-term commitments and engaging in the kind of work that doesn't produce immediate results, that takes time to show results, as, for example, in education. And you're tracking some of those issues.

Ken, I'm really glad that you mentioned the 0.7% commitment. At the same time, we do have NGOs we've connected with who are saying that in order to get at least some projects approved they have been looking to work with private industry, because they're really feeling the pressure, because they want to carry on the work that they see as so critical. They're also telling us that the current freeze on our international aid money is really beginning to have an impact. As you know, everything goes up but our aid has been frozen and we haven't even got to our 0.7% target yet at all. There is a feeling that we are going in the wrong direction. The NDP has called for the aid freeze to be lifted for Canada and for us to commit to a practical timetable to reach our goal of 0.7%. This was a promise we made and a promise made should be a promise kept.

Can you give the perspective of the Canadian Labour Congress and the labour movement more generally on this issue? Should Canada lift the freeze on its aid budget? What might a reasonable timetable to meet our international commitments look like?

Mr. Kenneth V. Georgetti: Canada is a world leader in saying we need to promote more export and trade. Yet cutting back on overseas development agencies is like shooting ourselves in the foot, undermining the very foundations for economic growth to take place in reducing the capacity in the long term for workers abroad to consume and produce products, thereby contributing to the economic development.

More important, though, is the question of human justice and dignity. It's not only about economic development, and that's our argument. Millions upon millions of people suffer and die under the most horrible living conditions and neither Canada nor any other industrial nation can stand by and watch that happen. We see it ourselves in some of the work we do. Canadians historically have prided themselves in presenting a human face to the world by promoting equality and justice, and cutting back on ODA is putting forth a real ugly mask, we think.

The Chair: Thank you very much.

We're now going to move over to the right side of the table and Ms. Brown, for seven minutes, please.

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

Thank you very much for being here today with us. This has been a most interesting study for us, one of the most engaging I've been involved with on the foreign affairs committee.

I was on the foreign affairs committee when we reviewed what was then Bill C-300, which was the CSR bill brought forward by one of our Liberal members. We also had some very interesting representations on that one.

Mr. Gratton, I wonder if I can address a couple of questions to you.

Mr. Royer just talked about workplace action, and I think this is a quote. He talked about "changing people's attitudes" toward the workplace. I've had the opportunity to spend some time in Africa. I've now visited nine countries. I have seen many of our CIDA projects, and I have had the opportunity to meet with the extractive industry in every country we've been in.

I want to particularly focus on two projects. One is the IAMGOLD project in Burkina Faso, in Essakane, and the other is the project that has developed around the De Beers facility in Botswana.

Now, Botswana has been very intentional in turning its economy around through understanding what the mineral resources can do for it. De Beers has built a phenomenal facility there that does all of the grading of the diamonds, but there are seven facilities outside of this De Beers facility that are businesses where the people who are Botswanian citizens have real jobs doing all the cutting and the polishing of the diamonds. Botswana has been able to lift itself to become what's now a middle-income country, through tax revenues that are being paid by the individuals who are employed in these facilities.

In the Essakane project that IAMGOLD is investing in, we saw a hospital facility, a primary school, a secondary school, and a skills

development school that is giving the people of Burkina Faso real jobs, real opportunity to make a change for their families.

I wonder if you have any other examples, or if you would like to comment a little bit on projects you've seen where these same kinds of initiatives are taking place, where we see that the extractive industry has taken responsibility to help provide the countries with real income.

• (1605)

Mr. Pierre Gratton: There are many different things to say here, so I'll try to stay focused.

First, I'll just mention that the person heading up De Beers in Botswana is a Canadian, Jim Gowans, our former chair.

Botswana is, unfortunately, an exception within Africa: it's one of the most successful countries there. You're right: it's an example of where the resource curse hasn't happened at all. It has been a very successful country, but there are other examples of mineral-rich countries.... Chile is now part of the OECD, and it's largely because of its mineral resources that it has lifted itself up now, post-Pinochet, to become a really successful emerging economy.

So minerals do not.... I think the point was made earlier by Karin. There's tremendous wealth under the ground. Used right and implemented right, with good governance, it can help countries achieve lasting prosperity and build the kinds of governance systems and educational systems and so on that will allow this to continue in the long term and not just be something that's passing.

What I found really interesting about this whole debate over CIDA's funding on what is.... I mean, it's a shift, but let's put it into perspective. In the history of CIDA, there are three projects, I think, that have involved the private sector, or certainly the mining sector. But what this reminded me of is the programs we have here that involve aboriginal communities and job training. There are many across the country that involve our sector. On these mine training associations, there's one in B.C. that I'm very familiar with, and one in Yellowknife. There has been one associated with Voisey's Bay.

These are projects where mining companies, governments, educational institutions, and first nations communities come together around the table and design initiatives to help make first nations people job-ready. Often it includes getting them their grade 12 and providing them with the skill sets to be able to get jobs, and then providing them with a guaranteed job and getting them working.

They've been hugely successful here, and I see what IAMGOLD is doing in Burkina Faso, and I'm saying it's the same model, more or less, of what's going on here. You have partners bringing their own skill sets and their own expertise and collaborating to create opportunities for the local people in the area, who may end up going to work directly for the mines or for businesses that support the mines or that support businesses that support the businesses that support the mines. From there on, it just generates.

If you look at the Northwest Territories now, you'll see aboriginal-owned businesses there that have done well over a billion dollars in business with the diamond mines in the north. They are now servicing mines well beyond their borders and in some cases are starting to get international contracts. That is really enduring and lasting economic development. I see these projects as very much fitting in with that model.

• (1610)

Ms. Lois Brown: So if I come back to changing people's attitudes toward the workplace, we really only can do that when people have a workplace to go to.

Mr. Pierre Gratton: Yes, I think that's right.

Ms. Lois Brown: Thank you.

The Chair: Thank you.

Mr. LeBlanc, sir, you have seven minutes.

Hon. Dominic LeBlanc (Beauséjour, Lib.): Thank you, Mr. Chairman.

Thank you to our witnesses for joining us and for what I thought were three interesting presentations.

In the time I have, Ms. Lissakers, I'd like to ask you to expand on or to explain the 2010 American law requiring the disclosure of payments to foreign governments. I find that as a basis for some transparency, and requiring that of companies.... There's a jurisdictional issue in Canada, of course, where securities commissions are a provincial jurisdiction, as opposed to a national one like the SEC in the United States.

Leaving aside the constitutional problems for a minute, I find that as a policy and as an objective it's very compelling, and I'm hoping you could answer what I thought.... I was trying to imagine what would be the objection from the extractive industries to that kind of provision. One would be, presumably, added costs or contracts they may have either with other governments or other private sector partners, or some competitive disadvantage. I'm wondering if you could enlighten us a bit on the debate that might have taken place in the United States.

Then, I'm hoping that Monsieur Gratton would in fact answer, on behalf of the Mining Association, as to whether he thinks that kind of measure might meet with some support among his membership in Canada. I was interested to hear that up to 50% of these companies are listed on a Canadian exchange. To me, that's a good start in bringing in some transparency, and some reassurance to the shareholders of those businesses that they're not participating in a circumstance that in the medium term or long term can lead to some considerable chaos.

Ms. Karin Lissakers: There has been considerable debate about this law. Companies have certainly moved a long way in their attitudes toward transparency, in that most of the major industry participants in this debate have said they are all in favour of disclosing their payments, country by country, to governments, except when the government objects.

Hon. Dominic LeBlanc: You mean the foreign government?

Ms. Karin Lissakers: Yes. The U.S. law covers payments to the U.S. government as well.

A major point of the intent of the law is to make information available to the citizens of countries where the government would prefer to withhold that information from the citizens. So in our view it's certainly not in the interest of the citizens of the countries where governments deny that information. We think it's in the long-term interest of the industry, of the investors, that countries be well governed, and transparency contributes to that.

Companies have said there's a cost issue. Companies have to keep books and records about their tax payments, so they have the information. We know it's a question of whether they're willing to disclose it. There certainly will be some cost in creating the software to meet the Securities and Exchange Commission's final determination of how that information should be reported. But in the view of the SEC and others that assess the cost, it's a one-off and not significant relative to the profitability and returns to these companies.

On the competitiveness argument that we're intruding on sovereignty, standard confidentiality clauses the governments and companies sign typically allow an out for regulatory home country requirements, so they're not violating contractual terms. The biggest fight recently has been over project by project. That's why we have suggested the SEC define a project that has a lease or concession, because that's the basis on which taxes, other payments, tax holidays, and cost recoveries are determined. Companies have to keep the books that way, so that's the lowest-cost option for requiring the disclosure.

• (1615)

Hon. Dominic LeBlanc: Thank you.

[*Translation*]

Mr. Gratton, would you have any comments on this subject?

[*English*]

Mr. Pierre Gratton: There are a few things to say.

The International Council on Mining and Metals, which is the largest international group representing the mining industry, represents the world's biggest companies. It's a condition of membership to be part of the extractive industry's transparency initiative. So to your point, the bigger companies have bought into this conceptually. I know one of the members sits on the board of the EITI from Freeport-McMoran.

Our members are all companies that are dual-listed on the New York Stock Exchange, so they all fully expect to have to comply with Dodd-Frank and aren't squawking about it. They're just waiting for the rules. I think by and large it's not only seen as the right thing to do, but it's starting to be seen as actually good business to have these payments to government published.

Hon. Dominic LeBlanc: Particularly if the EU is also moving in that direction, if you have major countries or regions of the world where your mining companies or colleague mining companies are located, it sort of levels the playing field.

Mr. Pierre Gratton: That's right. We want a consistent set of rules and a consistent set of reporting requirements in the EU, the United States, and Canada, for example, so we don't have to take the numbers and report them in three or more different ways. That's no good for civil society either. They then have to try to parse through that and figure out what it means. So we want a common set of rules.

On the other issue in terms of Canada's mining industry, we represent the large companies in this country that are dual-listed. There are many other companies listed on the Toronto Stock Exchange, and some are very small exploration companies. They could have four to five employees. So these rules could be more of a burden for them. It will depend on how one goes about defining them for smaller companies, and what they will have to report and how.

Over the last few months we have been talking to Revenue Watch and Publish What You Pay about working together—if I can disclose this—to see what we can come up with on a collaborative basis to move this forward within Canada—something that makes sense.

The Chair: Thank you, Mr. LeBlanc.

We're now going to start our second round of five minutes with Mr. Williamson.

Mr. John Williamson (New Brunswick Southwest, CPC): Thank you.

Mr. Georgetti, I see you're aware that the committee is investigating how we can involve the private sector in international development to achieve this country's development objectives. The government feels that the private sector is essential to the reduction of poverty in developing nations. This committee has heard from institutions, joint private projects, professors, as well as think tanks on this matter. From my point of view, the narrative is encouraging, and it seems to reinforce the fact that the private sector is essential—or at the very least does play, or can play, and should play a role in the reduction of poverty in developing nations.

We've even heard support from the opposition regarding the various projects that Canada's respected businesses and NGOs have presented. In fact, our NDP critic for international cooperation, the honourable member for Newton—Delta North, said on December 13:

...we do recognize that the private sector does play and can play a very effective complementary role to the work done by CIDA and through CIDA.

But you do not share this member's opinion that there is a role for the private sector to play, working with CIDA—is that correct?

Mr. Kenneth V. Georgetti: No, it's not. We don't disagree with that, to an extent. But what is the analysis, and what are the checks and balances around that? It's not the only aspect; it's part of it, but you still need regulatory oversight and citizen oversight and participation in that. That's where we think it gets lost.

We want to caution everybody that we don't disagree with the way corporations run, we just understand them, and their motivation is to maximize the return for their shareholders. When they're in a conflicting position, they have to go to their mandate to maximize those profits and the returns for their shareholders, sometimes at the expense of other considerations. That's where we think we're offside. That's only where we're offside.

• (1620)

Mr. John Williamson: So it's really a question of off by degrees, as opposed to being a question of throwing out the policy?

Mr. Kenneth V. Georgetti: We think it has to be collaborative with other participants, other NGOs that do the work on the ground, as we said, with the workers and with the citizens, to give them the empowerment to understand their rights and obligations at work and in the community. We don't think the corporations can do that as well as do their work.

Mr. John Williamson: However, the issue wasn't addressed in your statement, but it is part of your brief, that some \$5 billion a year is spent on overseas development, of which \$530 million per year was spent on these 700 projects in 143 countries. You complained that this spending exceeded expenditures in any other of CIDA's other categories, with the exception of health. But you break down those numbers and you're talking 10% of the budget. That's hardly dwarfing all the other work that CIDA is doing.

Would you not concede that there is a complementary aspect, that some of the money—10% of the budget—is going to some of these projects, but the 90% needs to be in traditional foreign aid?

Mr. Kenneth V. Georgetti: I'll have to give it to my expert.

Mr. Lucien Royer: Well, the fact is we don't know because CIDA has not reported it. In 2008 CIDA reported the figure that you mentioned, in terms of investments. Last year to Parliament that figure was reduced, but the actual amount invested in private initiatives was actually cut out of it. In 2011 there was no report at all.

That is the whole problem here. There are contentions and assumptions that are made without evidence. Ken has asked where the analysis is. Where is the analysis, and where are the data? There is no evidence. We haven't seen it because CIDA has not reported it to Parliament.

Mr. John Williamson: Am I correct in concluding, based on reading your brief, that you seem to take a dim view of things like micro-credits, the development of credit unions, and things like that? My understanding is that there really is no debate about these projects among the development agencies. The UN itself is an institution that I often think is wrong most of the time. On the focus of credit unions, there seems to be an almost across-the-board agreement that it is one important way to help countries develop, yet your brief seems to suggest that you're kind of suggesting that's not the case.

And you asked about evidence. There's a Nobel laureate who in fact won the prize because of his work on micro-credit and the positive impact it has on development and pulling people out of poverty.

Mr. Lucien Royer: The point is that what is missing here is the total picture. What we see here is \$535 million that was invested in 2008. That kind of establishes a ground level of investment. Then, in addition, now there's a new program to fund CSR, which is on top of that. Therefore, you see a trend here that is increasing. No matter how small it was in 2008-09 and in 2011, which we don't know about, there is a trend. The new trend actually funds projects that multinationals should be investing in themselves.

In the \$535 million that you mentioned, there are CIDA-funded projects that are not in partnership with companies. This is a different story. There again, you have a tendency that is not being analyzed. You have a total picture that is not properly understood, mostly because you've articulated the benefits and advantages without really looking at the costs and the losses over time. When I talk about over time, it's also in excess of the closure of the project, and beyond.

• (1625)

The Chair: That's all the time we have. We'll catch that conversation in a later round.

We're going to move over to the NDP and Madame Laverdière for five minutes, please.

[Translation]

Ms. Hélène Laverdière (Laurier—Sainte-Marie, NDP): Thank you, Mr. Chairman. I would like to thank all our witnesses for their interesting presentations. I thought that several aspects overlapped.

I was surprised to hear Ms. Lissakers speak of institutional weaknesses. It is true that the resources in some resource-rich countries have been known to hinder development. At times, they have led not only to corruption, but also to conflicts causing unbelievable numbers of death. All of this is very often caused by institutional weaknesses within the country. This is a recurring theme, as you may have noticed. In fact, it may be the case with respect to the sharing of land if the institutions that define land ownership, or define what a residence is, and so on, are not strong enough. A country's institutional structure is a determining factor in its development. I will come back to Ms. Lissakers a little later.

People say that education is extremely important, but people are realizing, if I understand you correctly, that CIDA funding for education projects is diminishing.

For a country to have strong institutional structures, it of course needs workers who are trained to work in a specific industry, but it also needs civil servants, school teachers, lawyers and so on. It requires an educated population. However, at the same time, CIDA is investing less and less in education.

You don't know me, but my colleagues know that is quite rare for me to speak at such length. From what I understand, educational funding is being reduced because concrete results have not been seen. But educational projects cannot produce concrete effects. However, at the same time, it seems to me that there is plenty of research and data that tell us that education is a key factor in development.

I would like Mr. Royer or Mr. Georgetti to share their comments on this topic.

[English]

Mr. Lucien Royer: It's very clear: the historical documentation will show that the more you educate people, the more you develop their capacity to actually participate in decision-making, not only in their workplaces, at home, and in their community, but at the national level and abroad. Anything that diminishes education actually diminishes the quality and nature of development in that country.

To address your first concern more directly, which is asking for evidence for the impact of this particular investment in development, there is evidence, and we have outlined it in our brief. It's reflected in documentation that you will find at footnote number seven. That basically analyzes this type of development and concludes that this very often dramatically and deliberately reduces the capacity of the state to govern.

This is related to contentions that this type of development improves the taxation base of local communities, when in fact the evidence goes to the contrary. Reducing the capacity of the state to govern is far more serious than eliminating or reducing the possibility of instituting educational mechanisms, or equally as serious.

Those two factors in concert should really pose questions, raise flags that there is a negative impact here that is not being discussed. And again, where is the analysis?

The Chair: Thank you very much.

We're going to move back over to Mr. Van Kesteren, for five minutes.

• (1630)

Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC): Thank you, Chair.

Thank you all for coming here.

Very quickly, Mr. Royer, I don't want to get into this with you, but I think you're trying to have it both ways. In your introduction and background, you say the CLC does not agree with the government's contention that partnering with private companies to fund foreign aid projects is the best way to improve the lives of the world's poor. I haven't got enough time to let you respond, and maybe I will if we come right back to it, but I think it's a basic conflict of world views. Adam Smith said it's not for the benefit of the butcher that the baker gets up at five o'clock in the morning. I think this study is trying then to advance the cause of commerce and the spin-off. I think you believe that as well, but when you make a statement like that.... It's hard to have it both ways.

You may get a chance to come back with that; I just want to go to the mining group first.

CIDA has recently piloted three projects with NGOs: World Vision, Plan Canada, and WUSC—we had them here a few weeks ago—and the Canadian extracting business. The object was to develop capacity and experience. The government feels then that the private sector has much to offer in technical assistance and perspective.

I have three questions for you. Number one, what in your opinion can your association and the broader extractive sector as a whole offer to help reduce poverty in developing nations? Number two, what, if anything, is holding private companies back from playing a larger role in international development? Number three, how can developing natural resources in a sustainable manner contribute to poverty alleviation?

If you get those done, maybe we'll give Mr. Royer a chance to retort.

Mr. Pierre Gratton: I'd like to go to the middle question: what is holding us back?

We have seen examples of significant resource investment in extraction. We've seen places where the results of this investment have not been shared across the population base, where there are examples of corruption, and where we haven't seen the development we thought this investment would bring. Canada, for example, and many other countries have benefited enormously from mineral wealth.

Over the last number of years, largely through ICMM, the International Council on Mining and Metals, we have been looking closely at this issue, the so-called "resource curse". We have tried to identify ways in which we can ensure that this does not happen. It's by no means certain that the resource curse is going to happen. It's not certain that investing in Africa in a mining project is going to make the country worse off. It can make it better off. You gave the example of Botswana. There are other examples in Africa too.

The question then becomes: how do you do development right? How do you do it in a way that ensures the likelihood of lasting economic benefits? That's where I see these CIDA partnerships as pointing a way forward. Companies work with others who know international development and the benefits of aid better than the mining industry does. By partnering with them, you enable more creative approaches to ensuring that the value and jobs associated with the extractive industries flow more broadly to the communities in and around the mine and beyond.

I think that the issue of transparency of payments is part of that. It's part of the answer when citizens have a better understanding of where the money flows. A lack of knowledge of how to do this right has held us back in the past. We've been doing a lot of work around the world to learn where mining investments have generated the kind of lasting development we'd like to see. We have looked at what we can take from that. I think that's part of the answer.

Mr. Dave Van Kesteren: You talked about transparency. Is there any action demanded on the part of foreign companies from China, for example, to have that same transparency?

Mr. Pierre Gratton: China's an interesting question.

• (1635)

The Chair: That's all the time we have, but I'll let him answer the question.

You're out of time, Mr. Van Kesteren.

Mr. Pierre Gratton: China is changing the playing field quite a bit. These are typically state-owned companies that go in with a lot of resources and do a lot of development work in some cases. The

Chinese state bringing a lot of their resources to bear is creating some challenging circumstances for the private sector in parts of Africa.

The Chair: Thank you very much.

Mrs. Grewal.

Mrs. Nina Grewal (Fleetwood—Port Kells, CPC): Thank you, Mr. Chair.

Thank you all for your time and presentations.

It has been established by many experts that a large part of the economic growth in developing countries will come from the agricultural sector and extractive industries. It has also been observed that the youth population in those countries is growing and will one day represent the majority of the world's population. In developing countries, the majority of the youth is unemployed. This is attracting them to illegal activities, and in some countries to militant groups.

How important is it to provide training and education to prepare the youth to learn demand-driven skills? How important do you believe it is to give them the skills and training for the future? Do you feel that the government should be engaging the extractive sector in delivering this kind of aid? Please answer all these questions if you would.

Mr. Pierre Gratton: I'll back up again and refer to these three projects by way of examples.

They are pilots. This is new for Canada, although, as I mentioned in my statement, many other countries have been doing this kind of work for years.

The debate that's taken place here in recent weeks around this has given these three projects more notoriety than they deserve, in the sense that these projects very much developed bottom-up. This was not a question of companies going to CIDA and lobbying for money and then finding a partner. These were projects that were identified by the NGOs in question on the ground in these countries. They were looking for partners. The companies identified themselves as potential partners. The NGOs did a lot of their due diligence on the companies. I think it probably worked both ways.

Once they developed a project, CIDA expressed an interest in it. It saw them as worthwhile projects, because they showed the potential of leading to lasting outcomes, such as providing technical skills and skills training for workers. The one in Burkina Faso is a really good example. They're training electricians. They're training plumbers. There's a whole range of skills that are going to lead to jobs within the industry or outside the industry. There are many different types of skills.

As we all know, employment supports families. When they come from an educated family, kids want to be educated. From then on, it generates a lot of longer-term social benefits.

Another important point is that these have been characterized as subsidies, but it's important to point out that.... In the case of Rio Tinto Alcan in Ghana, it doesn't operate there. It did at one time, but this is a project it's doing with WUSC several years after it stopped operating in the country. I don't know how one could characterize that as a subsidy.

In the case of Burkina Faso and IAMGOLD, a lot of the beneficiaries of this investment are hundreds of kilometres away, and they may or may not work in the mines. Most of them probably won't. They're going to work elsewhere. I see this not as CIDA subsidizing mining. I see it as mining subsidizing CIDA and helping extend CIDA's reach and the reach of these NGOs to do development assistance in these countries.

• (1640)

Mrs. Nina Grewal: Mr. Chair, how much time to I have left?

The Chair: You have about 30 seconds.

Mrs. Nina Grewal: What is your opinion of the new measures CIDA has undertaken to create more transparency and accountability to Canadian taxpayers, such as our open data portal and project browser?

Mr. Pierre Gratton: Is that for me or for...?

Mrs. Nina Grewal: It's for anyone who feels comfortable answering.

Mr. Pierre Gratton: I'll leave you with that. You're better placed than I.

Mr. Lucien Royer: The fact is the CSR projects aren't a corporate accountability mechanism. They have no capacity to monitor accountability or to report on it. They may serve a specific function, but they won't solve the problem and they won't promote employment for youth in the way that you want.

The best way you can promote employment for youth with these projects is to do a better analysis according to the ILO decent work agenda, which Canada supported at the G-20. That would mean also looking at alternative ways of promoting employment, compared to what is being proposed now, and actually instituting mechanisms that are far more long term.

The international community that is really focused on corporate accountability would argue, and especially at the OECD, that reporting finances and monitoring mechanisms don't change misbehaviour. They don't correct misbehaviour. If you don't have a mechanism to actually correct misbehaviour, you can't speak about accountability. That's why the OECD guidelines, the guidelines for multinational enterprises, would be a far stronger mechanism to institute than this loosey-goosey corporate social responsibility. It's not that the CSR projects in and of themselves don't serve a function, but they don't serve that function.

The Chair: Thank you.

We're going to move over to the NDP. Ms. Sims, you have five minutes.

Ms. Jinny Jogindera Sims: Thank you very much.

First of all, I want to start off by clarifying that at a previous session I said that I did see a role for the private sector, but within certain guidelines. With regard to the role of the private sector, I did

not see a partnership in many ways with a lot of the funding that comes out of CIDA. The private sector can play a very active role in international work by itself, for example, in social and corporate responsibility and where that comes in—all of those.

For me, what we're seeing is that more and more of our aid, which is very limited, as we know, because it has been artificially frozen.... It's already much less than it was two years ago. It's so limited that I don't think it needs to be going to corporations that already make very healthy profits. That should be part of their responsibility back to the country they are extracting ore from. That should be their way of paying back, through education and establishing long-term, systemic education programs in the area, and not just looking at the short term.

Absolutely, cleaning up the environment around the mining areas should be an absolute given, as well as the training of its own workers. Absolutely. I've never seen the role of education, generally, as just to train workers for one company. The role of education is far more. It builds capacity to give people a kind of role they can play in participating in their democracy, and also in building well for themselves as time goes by.

Also, I know that the CLC shares some of these concerns with us around some of the mining companies and the issues around labour rights. But we'll leave that for another day.

Can you tell us a bit about the record of some of these companies that are now receiving CIDA funding through these partnerships? What is the record of protecting the rights of some of the world's most vulnerable workers of companies like Rio Tinto Alcan, IAMGOLD, and Barrick Gold Corporation? I can tell you, I've visited some mining areas in South America, and what I saw was quite horrific.

• (1645)

Mr. Kenneth V. Georgetti: MiningWatch and others have documented some of this in detail, as the history of Canadian mining companies in the third world has, regrettably, a long and tragic litany of trampling on the human rights of indigenous peoples and environmental devastation. Most recently, five people were fatally shot at Barrick Gold Corporation's North Mara Mine in Tanzania. Allegations have surfaced regarding sexual abuse at this operation. Barrick Gold Corporation actually reports finding "credible evidence" that its security guards and Tanzanian police sexually assaulted local women.

Back home in Canada, the threat of legal action from Barrick Gold Corporation has forced Vancouver-based Talonbooks to postpone the publication of a book about the Canadian mining industry. The book, *Imperial Canada Inc.: Legal Haven of Choice for the World's Mining Industries*, was to be published in the spring of 2010. But in February the publisher and everyone else involved with the book got a threatening letter from Barrick Gold Corporation, and didn't publish that book.

I think Canadian mining companies, frankly, enjoy impunity virtually everywhere they go and operate overseas. Many governments are unable or unwilling to effectively regulate these transnational companies. Frankly, they have the power even in our own country. If you want to look around at Vale Inco, who just got slapped very hard by the Ontario Labour Relations Board for their behaviour in Sudbury, and Rio Tinto, who locked out workers in Montreal and will soon probably lock out workers in British Columbia, they now have more power than nation-states. They are huge multinational corporations. If they don't like the rules or anything the government says to them, they just pack up and leave to go somewhere else. We would argue—and we've argued for a long time—that we recognize that corporations have neither the heart to bleed, nor the bottom to kick. That's the job of governments and politicians like you.

Ms. Jinny Jogindera Sims: Thank you.

The Chair: That's all the time we have.

We're going to move back over. I just have one question for Ms. Lissakers before we go back over to Ms. Brown.

You talked about governance. You talked about transparency. It seems to me that one of the large issues of getting a country's right to the minerals is really the governance of the country and it not being strong enough. How do they get that kind of governance? How do they get the expertise? Where does that come from? If a country is weak, where does that fall in between the company trying to step up and other countries...? I appreciate the transparency. That makes sense, because then their citizens have a chance to have a look at them. But what would you suggest? You mentioned governance as one of the issues that holds these countries behind.

Ms. Karin Lissakers: You're the development committee, and you know this is a complex business. There is no single solution. You need to address a number of core issues simultaneously to have any sustained beneficial impact.

One thing is having strong transparency rules, because that's a critical tool for accountability, but at the same time working with citizens and with parliaments, because in the end, parliaments should have the oversight responsibility for their own governments' actions.

We've been very encouraged by the work we've been doing in Tanzania, for example. We're running basic workshops for the Tanzanian Parliament, particularly for the members of the energy and mining committees and their staff, who have begun to take an independent role, which was never true before—it was a rubber-stamp Parliament—in asking the government, the executive branch, to explain why they're conducting the mining policies they're doing, what they are collecting. The Parliament sent back a mining bill because they deemed the royalty structure to be strongly unfavourable for Tanzania. This affected Barrick. They also felt there weren't strong enough oversight mechanisms embedded in the law. Thus the law was changed because Parliament asserted itself.

Tanzania is going to be a very substantial gas producer, and the Tanzanian Parliament has now asked the government to present the master plan for the long-term development of the gas sectors. That is a systemic game changer, to have Parliament in public ways, through public hearings and public discussions, demand accountability and

explanations and descriptions of policies. You need to have that going on while you also try to address the retail poverty issues.

I'm all in favour.... I think companies can make a big contribution in sharing skills, training workers, and developing supplier companies that can supply services and goods to the industries, building dual-use infrastructure, railroads that don't just carry ore, but also carry agricultural products, fertilizer and so on. Companies are beginning to think of that.

Some of the smaller local corporate social responsibility projects are really going to have very limited impact if they're not embedded in a larger governance change in the country. That means working with the oversight institutions, the media, the Parliament, civil society, having an international transparency standard, as I said.

Governments should be building the schools and providing the health clinics—not mining companies; it's not their business. I think it's a service to the communities where they work, and better than nothing, but it takes the load off the governments. The responsibility and the action should come from the national and the local governments. I think a sustained policy from the G-20 or the G-8, where Canada is a significant player through the development policies and through the international community generally, can really begin to change the trajectory.

I agree that you need to bring the Chinese and Indian investors on board. It's very interesting to see. Chinese companies have developed a very negative reputation in many parts of Africa and Latin America, and they're beginning to recognize it and the government is clearly concerned. You see more and more Chinese companies entering into joint ventures with respected Australian, Canadian, and U.S. companies. Partly, it's a matter of their wanting to begin to do better. They know they have to do better just in the quality of their performance in environmental and labour standards.

I think they look to these partnerships to help them do that. They will come along. I don't think the solution is for the U.S., Europe, and Canada to say that the Chinese are competing by playing dirty and therefore they have to as well.

● (1650)

The Chair: Thank you very much.

Ms. Brown, five minutes.

Ms. Lois Brown: Thank you very much, Mr. Chair.

I think it's interesting to note for the record the incredible collaboration that's gone on between our NDP colleagues and the questions they've asked our witnesses—obviously prepared.

My question goes to both Mr. Gratton and Ms. Lissakers, if you don't mind.

I had the opportunity to meet with members of the extractive industry, not just from Canada, but a multitude of actors who are in Zambia. Zambia is known for its gemstones, particularly emeralds and garnets, and there have been people there for quite some time in the extractive industry. Twenty years ago Zambia was under a socialist regime and there was an expectation on the part of the government that these companies would contribute to education particularly, but also to health care facilities. Now that the government is a different style of government, many of these companies are still providing these kinds of resources to the country and the country has had tremendous benefit in education and health care.

Could you comment on the whole aid transparency initiative that's being undertaken, whether or not these companies, who are contributing in these mechanisms...? We talk about the money that goes back into the country, so would these companies not welcome these kinds of initiatives? Because they are contributing, but it's not really being recognized for the good that they are doing in the countries.

Could you comment on that, Ms. Lissakers? And then, Mr. Gratton, maybe you could comment from the extractive industry's perspective.

Ms. Karin Lissakers: I think many companies would like to have greater recognition of the contributions they make, the tax payments and the social payments they make. Sadly, in some cases the companies actually pay very little in tax for the very lucrative mining and oil and gas ventures that they have, and those are the companies that have been most resistant to the transparency regimes.

We have pushed to have social payments, social contributions, corporate social responsibility projects included in the EITI reports, for example, and we've been surprised to find that some of the companies that deliver these projects actually don't want them included. It leads, I think, to a not-surprising suspicion that maybe the money they're paying isn't actually benefiting the communities, but is benefiting individual political leaders or community local leaders. I think that's probably an exception rather than a rule. I think most companies that do these projects really want them to benefit the communities. But it is a very mixed picture.

If you take Zambia, for example, Zambia's big mineral wealth is not gemstones, it's copper. They have one of the biggest copper deposits in the world. They get about 9.5% of their tax revenue from copper, even though it is their single-biggest industry. They have negotiated very bad deals, and now the new government in Zambia is looking to renegotiate the terms of these deals, and surely should succeed, because it is really so imbalanced. Then they can afford to pay for their own schools and health clinics.

• (1655)

The Chair: Mr. Gratton, you have one minute.

Mr. Pierre Gratton: Well, there are two parts. I said earlier that there's an increasing recognition that transparency is good for business. There is an issue between mining versus oil and gas and transparency of royalty payments. Oil and gas royalties tend to dwarf ours. There are some fundamental reasons for that. Once you've drilled a well, you don't have a lot of workers, and there's not as much capital infrastructure that goes into it.

What our industry has often, through these tables, tended to argue is that you have to look at the whole picture. At a mine site there could be a \$2 billion to \$5 billion capital investment behind it. There could be several hundred permanent workers. There's a lot of spending that goes to support that entire operation, with a lot of spinoffs that flow from that. If you just look at the royalty picture, you won't get a proper, full picture of the contributions the mining industry makes when you compare it to oil and gas.

I don't know if that has come up in your discussions, and you're far more immersed in these international discussions than we at MAC are, but that is certainly one of the concerns I've heard raised. What would be fairer for us is a more complete presentation of the total economic contribution from a mine, not just the royalty payments.

The Chair: We're over time.

Finish with one comment, please, Ms. Lissakers.

Ms. Karin Lissakers: Certainly there are other contributions from the industry. To take the Zambia example, most of the taxes that the copper mining industry in Zambia contributes are basically the pension contributions of workers that the companies collect on behalf of the government. So it's really the employer's own taxes, not revenues that the company is paying to Zambia.

It's true that obviously the industry structure is different among oil, gas, and mining. But we've been working in Guinea, as I think I mentioned, and we estimate that as a result of changes in Guinea's iron ore royalty structure—which moves it into the range of the broad international standards and not the high end—it's probably going to generate \$3 billion a year more for Guinea by 2017. That's just for iron ore. That's a lot of revenue that Guinea didn't have before. That can make an enormous difference in that government's ability to provide social services, but to make sure the money actually goes for that.... At least it has the first element, which is a revenue stream, and that comes from, as I say, a rebalancing of the terms of the transactions between them and the mining companies.

The Chair: Thank you.

We're going to start our fourth round. I've got Ms. Sims, Mr. Dechert, and then Mr. McKay. Of course if there are other people, we may still have some more time for another round, but that will complete all the questions.

Ms. Sims, you have five minutes.

• (1700)

Ms. Jinny Jogindera Sims: Thank you.

For the record, there's been very little time to collaborate between Mr. Georgetti and me. I would say we share similar concerns, so we do have some similar questions, but he was not party to the questions I was going to ask, at all, before today.

I want to carry on this conversation a little bit about the role of mining companies in international development. I want to pick up on the point that it's not the job of mining companies to go into other countries to build a school, build a well, build a hospital, and then they've done their bit. Their job is absolutely to help to build the capacity so that the governments there can run hospitals, can run schools, and can develop their infrastructure. That can be assisted by corporations, and this is where I do see a role for mining companies in international development in paying a fair share of taxation and royalties, internationally and nationally, because that's what provides the infrastructure to support our civil society.

At the same time as doing that, I'm also hearing a lot about—I heard through Mr. Gratton here—the role CIDA could play in partnership, because CIDA has skill sets and some experience in international development. If the mining companies need some sessions, some workshops on how to do that, I think that would be a great role for CIDA to play, to put on workshops and to train personnel on how to do long-term systemic change-building and how to make for a strong civil society overseas.

I really want to get back to what we know or what I read about or what I have seen happening overseas with some of our mining companies and also the kind of role they do play there. So I am going to go back to Mr. Georgetti again to ask him this.

Do you have any recent examples of very egregious reports from some of the developing countries about the role of the mining companies there, whether it comes to the environment or whether it comes to labour practices or whether it just comes to supporting civil society?

Mr. Kenneth V. Georgetti: We don't have anything right now that we could give you. We could provide you with data. If the committee wants it, we can provide you with that data and—

Ms. Jinny Jogindera Sims: I would like to see that data, yes.

Also, I believe that you've had Emmanuel Rosenthal come out to the Canadian Labour Congress from South America, and he spoke at one of your events. He told me he did.

Mr. Lucien Royer: It could be.

Ms. Jinny Jogindera Sims: I was talking to him recently. I would really recommend to the whole committee that they go to the website and look at some of the work he has done in this area. It's quite amazing reporting on what is happening in South America.

I want to shift a little bit to Africa right now. Believe it or not, this study started out as a study on Africa and it has morphed into the role of the private sector. There is a feeling among some people—not myself—that so much money has been spent in Africa but it makes very little or no difference. I've even heard it being referred to as a “black hole”—which I was quite taken aback by, so I'm saying that in quotation marks—where money goes in from donors like Canada but nothing much comes out of it. When I look at what is recently happening in Africa, the drought and the lack of food for the very near future, it really makes me think.

Do you have any concrete examples of how aid money from CIDA is helping to improve the lives of people living in some of the poorest countries on earth, including Africa?

●(1705)

The Chair: Go ahead and answer the question. You're out of time, but we'll allow an answer.

Mr. Lucien Royer: As Ken indicated before, we manage projects in 23 different countries, and some of them are in Africa. Some projects are funded by CIDA and some projects are not. The projects that are funded in Africa tend to be focused on capacity-building, training and education, and changing the livelihood of people through that training and education—through improving their participation not only at the workplace level but within their communities. So this translates into the term that CIDA doesn't like any more, which is advocacy. That means they engage in actions with their governments to actually improve the situation and work with their governments. We have very specific projects. We have projects that promote gender equality where women are actually improving their livelihood in their communities by improving their employability and their access to certain services they didn't have before, hence changing what is going on in their communities.

To give you another concrete example, we have a partnership with the trade unions in Africa over HIV/AIDS. That project is really aimed at improving prevention programs at the workplace level and educating people more about HIV/AIDS at the workplace but also in the communities. In fact, if you look at the impact that has had, you will see that it coincides with a diminishment of HIV/AIDS in Africa in general, and a reduction of the peak that was reported last year.

The Chair: Thank you very much.

We're going to move to Mr. Dechert for five minutes.

Mr. Bob Dechert (Mississauga—Erindale, CPC): Thank you, Mr. Chair.

Thank you to each of our guests for being here today and sharing your views with us.

We've heard comments about some issues that have arisen with Canadian mining companies around the world. I've heard a little bit about what the Chinese do and the competitive markets that exist in various countries around the world, but I haven't heard a comparison between Canadian mining companies and how they perform with respect to transparency, corruption, workers' health and safety issues, and environmental issues, compared to Chinese or Russian or Australian or other countries' mining companies.

Mr. Georgetti, could you help us out with that, and provide some comparisons? Where do you think Canadian companies stack up in the world in terms of those issues?

Mr. Kenneth V. Georgetti: We don't have access to that data on the other countries.

Mr. Bob Dechert: Do you correspond with similar labour organizations from other countries?

Mr. Kenneth V. Georgetti: Well, in fact we have been asked by the All-China Federation of Trade Unions to go over, to have a visit with them and help them with mine safety, particularly as it pertains to coal mining.

Mr. Bob Dechert: You must have views on manufacturing conditions in China, for example, and how they compare with manufacturing conditions here. What's the general view of the Canadian Labour Congress?

Mr. Kenneth V. Georgetti: We help run a clinic in Shenzhen, China, to help young workers who are injured on the job with compensation and to teach them health and safety.

Mr. Bob Dechert: That's good. You're helping there, and I appreciate that. Would it be your opinion that the labour standards—worker health and safety standards, environmental standards—in places like China are generally lower than they are in Canada?

Mr. Kenneth V. Georgetti: Yes, they are.

Mr. Bob Dechert: Okay.

Mr. Kenneth V. Georgetti: In most of the developing world they are, and that's our competitive disadvantage. We keep getting told at the bargaining table that we need to lower our standards to those countries, because if we don't, they will do as Caterpillar and other companies did and shut down and move.

Mr. Bob Dechert: Let's hope not.

Mr. Kenneth V. Georgetti: But they are.

Mr. Bob Dechert: I think what you and I both agree on is that it's better to have Canadian standards rather than those that exist in places like China today and potentially in other countries. Our standards can always be better, but they generally meet a better standard than a lot of workers in the world face on a day-to-day basis, especially in places like Africa.

Doesn't it make sense that we make sure Canadian companies carry forward their similar standards to the places where they do business outside of Canada? Generally speaking, wouldn't you say it would be better for a worker in Africa to work for a Canadian mining company versus a Chinese mining company, especially if the Canadian company is not competing there?

• (1710)

Mr. Kenneth V. Georgetti: Let me put it this way to you. I would know your reaction, but I'll just put it out. It would be like sending me over to Africa to teach African corporations how to bargain with their workers. You wouldn't want me to do that because you would say I have a bias, and I would be giving them wrong....

We don't get funded from CIDA for teaching African workers how to advocate for themselves so that they can go to work in a safe environment and ensure that their lungs are checked for silicosis, and that they have safety glasses, and that they have the proper protection they need. Unfortunately, when we go and watch those operations—regardless of who the operator is—generally the standards are lower because they can be. It's that simple. Unless there's advocacy and people insisting on better standards, we have to go all the way back to what we had to learn five decades ago, in terms of health and safety, and teach African workers or Indonesian workers or any other workers how to advocate for themselves and advocate to their government for standards that will protect them.

Mr. Bob Dechert: I hear you.

What if the Canadian companies weren't there but the Chinese companies were the only ones doing business there? What do you think the standards would be?

Mr. Kenneth V. Georgetti: I don't think it makes much difference. It makes more difference in terms of the predisposition of the government in the jurisdiction where they are operating. If the government is weak, and the government is not insisting on certain standards for their citizens, then that will be the standard.

Mr. Bob Dechert: So your organization doesn't have any views on whether Canadian companies achieve a better standard on all these issues than the standards of companies from other countries.

Mr. Kenneth V. Georgetti: They would behave better than some, for sure.

Mr. Bob Dechert: You're aware that in Canada, the Government of Canada works in relation with industries to help train people. For example, we have apprenticeship training programs where the Canadian government provides funding to people who are in those programs. What do you think of those programs?

Mr. Kenneth V. Georgetti: They are excellent, and we need more of them. In fact, that's one area where we, the Canadian manufacturers, and the Canadian Chamber of Commerce are working together to try to find more opportunities to find how to credentialize skills and how to deliver skill sets for the emerging markets, wherever they are.

Mr. Bob Dechert: Would CIDA play a similar kind of role in sponsoring apprenticeship programs where employees work with Canadian companies in other countries? Would that be a similar kind of program and something you would support?

Mr. Kenneth V. Georgetti: Absolutely.

The Chair: Mr. McKay, welcome to the committee. You have five minutes.

Hon. John McKay (Scarborough—Guildwood, Lib.): Am I last?

The Chair: You have more time. There may be some other questions.

Hon. John McKay: Last, but hopefully not least.

The Chair: It depends on what you say. There may be more feedback if you say something that needs a response.

Hon. John McKay: I'm nervous already, Mr. Chair.

I apologize for not being here earlier, but I understand that you had a fairly fulsome discussion with respect to the Cardin-Lugar amendment to the Dodd-Frank Act and things of that nature.

I wanted to put it in the context of Libya. Ms. Lissakers, you provided a very excellent transparency snapshot with respect to Libya. Clearly, the men and women from Canada who participated in that conflict acquitted themselves brilliantly, but in winning the war we may well lose the peace, because reports keep coming out that not-so-great things are happening there. It may well be that we are going to be back to a situation where the corruption and the lack of transparency and the lack of accountability may actually be very similar to what they were under the Gadhafi regime. We hope not.

If in fact the international community gets together and proceeds with the Cardin-Lugar amendment or themes and variations thereon, how could you see that playing through in a country like Libya for both the mining sector and the oil and gas sector?

Ms. Karin Lissakers: The then acting energy minister in the transition government, after Gadhafi was overthrown, commented that Gadhafi and his family treated the country's oil income as their personal piggy bank. So Libya is a good example of the kinds of systemic issues we've been talking about with regard to having a strong international transparency standard.

We're working in Libya. We actually ran the first public workshop on oil governance issues in Tripoli in December with Global Witness. It was very well attended by transition government members and workers; there were myriad forms of Libyan participation, which was very encouraging. They're clearly trying to find their way, and as you say, it's quite chaotic. There are all sorts of power struggles unquestionably under way, which is why we think that in a country like Libya—and across the board in the Middle East—a strong concerted message and supportive policies for strong governance of the oil sector will make a difference.

The new folks in Libya do look to the international community for guidance and want to know what the standard is. If there is no standard, then there isn't much guidance for them to look to. I mentioned earlier that Canada is an important voice in the G-8 and the G-20, and it would be very valuable for the Canadian government to join other voices in those groupings to say that we need a global standard and we should push it. We should push it in our international policies, and we should push it in our bilateral development assistance and in other political ways.

•(1715)

Hon. John McKay: Before I bring Mr. Gratton into the conversation, Mr. Dechert was manoeuvring around an argument I hear frequently, which is that if we don't do it, the Chinese will do it or somebody else will do it. That seems to me a kind of “beggar your neighbour” approach.

Given that the desire is there to establish a global international standard, what is your reaction to those companies or countries that won't join in and that may actually try to take advantage?

Ms. Karin Lissakers: Well, if the EU, the U.S., Canada, and Australia, for example, all adopt the same disclosure requirements through their capital markets, you will begin to cover a large part of the world. The number of Chinese companies and the increasing number of developing country companies are listing somewhere—in London or Frankfurt or Toronto. We want to reduce the number of venues where they can escape those kinds of regulations.

Interestingly, Hong Kong requires new extractive companies that are listing for the first time to disclose payments to governments. We know that Shanghai and Hong Kong are talking about harmonizing their regulations. The Chinese want to meet the highest international standards. They don't want to be down at the bottom of the pile. They're coming along, albeit slowly.

Hon. John McKay: Let me bring Mr. Gratton into this conversation and just get your reaction to what Ms. Lissakers has just said.

Mr. Pierre Gratton: Reaction...?

Hon. John McKay: Do you agree with her entirely? I'll sign off here.

Mr. Pierre Gratton: I've found myself agreeing with her most of the afternoon.

For our members, certainly, our primary interest is that there be something that applies equally to all and is the same: that the reporting standards don't vary from jurisdiction to jurisdiction and that we can all have a global approach.

Hon. John McKay: An even playing field.

I think it was a very interesting comment. You say that effectively the Hong Kong Stock Exchange is bringing the Shanghai market into the international community. Is that a quick summary of what you just said?

Ms. Karin Lissakers: Yes. Some of our colleagues in the Publish What You Pay coalition have been talking to the Shanghai Stock Exchange and we know that there's a harmonization discussion. Shanghai is not yet an integrated international capital centre. They clearly aspire to that. Beijing clearly aspires to have that happen, and Shanghai certainly does. But the Hong Kong Exchange is a very successful international company, so they're looking to Hong Kong for its standards. Whether they'll emulate everything remains to be seen, but I think it's important that the others seem to take note.

•(1720)

Hon. John McKay: Thanks.

The Chair: Thanks.

We're all done our formal rounds here, so if Ms. Sims has a question or two, we'll wrap up after that.

You have one question as well?

Ms. Hélène Laverdière: I have one comment, Mr. Chair.

My apologies to everybody; I have to leave because I have another meeting in another building, for which I'm late already.

The Chair: Yes, thanks.

All right, Ms. Sims.

Ms. Jinny Jogindera Sims: Okay, thank you.

We would certainly be supporting global standards, and we believe that Canada does have a critical role to play. We were leaders in that area at one time globally, and I think it's time for us to be the same again.

I also want to get back to the advocacy comment that was made. I fundamentally believe that in order to support and build a socially just and democratic civil society, you have to engage the population in critical advocacy. Without that, it is not possible. I believe that the foreign aid, foreign development, and international development that we do, that CIDA does, if it does not have that critical advocacy role in there, then there's a huge area that's missing, where we're just going to people instead of getting them to think and to speak up for themselves and giving them the skills they need.

Can you specifically say what kind of advocacy it is that your organization does in this area, knowing that your international work is paid for by the public as well by workers? They first pay their taxes, so they support CIDA, then out of their dues to your federation, that money is then used for international development because working people are so committed to that international solidarity.

So just a comment from you....

Mr. Lucien Royer: First, to agree with you, reporting and monitoring are very important. What is needed are internationally recognized standards that create a baseline for everybody and where everybody is equal. One of those baselines is the ILO core labour standards, which also was referenced a number of times in the G-20 and the G-8, historically; that is, a basic, fundamental protection against child labour, fundamental protection to promote gender equality, and fundamental principles to protect the rights of workers in trade unions.

Without that you have inequality and you have the capacity for lowering the standards—here and even more in another country. Therefore, that creates the context in which things should happen. In fact, they don't happen that way, because no coherent labour standards have been adopted by all countries. Therefore, you need advocacy as an antidote for that deficiency; that antidote is important in communities that suffer from those inequalities, that suffer from

poverty. Trade unions, workers, and non-governmental organizations alike, and many other communities, actually are involved in basic education and training and support for awareness-raising in the communities and for getting them to become involved.

In terms of promoting the principles of education, it is fundamentally important for them to become involved and to engage their governments—mostly local governments—into actually behaving a certain way, but also engaging companies to actually behave a certain way. Without that, there is no capacity for actually improving the world for the poor. The trade unions actually are involved at the workplace level with the employer. We engage the employer to improve the workplace situation as well as the community situation. Without that as a core, you have a weakness throughout the whole community. The CSR funded by CIDA doesn't do that, doesn't even address that problem.

Ms. Jinny Jogindera Sims: Thank you.

The Chair: Thank you.

Mr. Chalmers or Ms. Lissakers, do you have any final comments before we close today?

Ms. Karin Lissakers: I thank you for your time and your excellent questions.

The Chair: Okay.

Mr. Chalmers.

Mr. Ben Chalmers (Vice-President, Sustainable Development, Mining Association of Canada): Thank you for asking us to be here today.

The Chair: Okay.

To our witnesses, thank you very much. You added greatly to the debate today and I want to thank you for taking the time to be here.

With that, the meeting is adjourned.

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