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• (1550)

[*Translation*]

The Chair (Mr. Sven Spengemann (Mississauga—Lakeshore, Lib.)): Honourable members, welcome to the 32nd meeting of the Standing Committee on Foreign Affairs and International Development.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Thursday, October 29, 2020, the committee is continuing its study of the granting of arms export permits, with a particular focus on permits granted for exports to Turkey.

[*English*]

As always, I would encourage you to remain on mute when you're not speaking. When you have 30 seconds remaining in your questioning or testimony time, I will signal you with this yellow piece of paper.

Interpretation as always is available through the globe icon at the bottom of your screens.

I would like to now welcome our witnesses for the first panel. We have with us the Honourable Gar Knutson, P.C., chair of the Canadian Turkish Business Council; Christyn Cianfarani, president and chief executive officer of the Canadian Association of Defence and Security Industries; and Mike Mueller, interim president and chief executive officer, Aerospace Industries Association of Canada.

Mr. Knutson, the floor is yours to lead us off with introductory remarks for five minutes, please.

Hon. Gar Knutson (Chair, Canadian Turkish Business Council): Thank you, Mr. Chair and esteemed members of the committee. Also, if Dr. Fry is on the call, I wish her a personal hello as a former colleague.

On behalf of the Canada Turkish Business Council, or CTBC, I will begin by thanking the committee for the invitation to appear as part of your deliberations on the issue of export permits for Canadian defence products to Turkey.

As some of you know, I am a former member of Parliament who served as Minister of State for Central and Eastern Europe and the Middle East, and Secretary of State for International Trade.

I am here today in my role as chair of the Canada Turkish Business Council.

The CTBC is a chartered, not-for-profit organization formed in 2001. We carry out a variety of activities to serve our members and

enhance commercial relations between the two countries, including coordinating two-way trade missions, conducting outreach in Canada and Turkey, and advising members on how to facilitate commercial opportunities.

Specific initiatives we have supported include the negotiation of a double taxation agreement between Canada and Turkey and the establishment in 2019 of a bilateral joint economic and trade committee, or JETCO, headed by the respective Canadian and Turkish trade ministers.

The members of the CTBC are part of a broader business community that exports annually approximately \$1.2 billion of goods to Turkey, the largest sector being aerospace, followed by agriculture particularly from Saskatchewan.

Our members see Turkey as having huge potential for their individual businesses and more generally increasing imports from Canada. Our hope is that the issue of cancellation of these export permits and the process of re-establishing confidence in the end-use assurances will not unduly hurt the relationship so as to put exports outside a specific segment within defence at risk. We hope that in the immediate term the government continues to actively support an expansion of Canadian non-military exports to Turkey, or qualifying military exports, thereby helping facilitate the continuation and growth in Canadian jobs.

At the risk of stating the obvious, our members share Canadian values that underpin the robust export control system.

Having provided you views that originate with our members outside the defence industry, I would be remiss if I did not pass on concerns of our members that export group 2 controlled goods regarding the current process.

From my work as a lawyer and a consultant, I am aware that the process of approving or denying an export permit is too often non-transparent, particularly if concerns are raised during the internal consultations, and most importantly, too often takes too long to provide an answer.

To be clear, I've had many interactions over the past year with the export control desk at Global Affairs and they've been nothing but professional. It is not Global Affairs personnel who are the challenge to permit issuance, but the process itself, which at times seems to be designed without consideration for the implications for businesses, small, medium, large and very large, that are trying to sustain jobs and industrial capability in Canada.

In short, businesses require transparency, predictability and accountability when they apply for permits. Service standards that are not met are a poor guide for suppliers and customers and lead to reputational damage for all parties. If companies know that permits will take longer and are told up front a realistic time frame, it is easier for them to plan accordingly and give customers an accurate sense of delivery expectations.

Global Affairs staff should be able to set some time limits on consultee responses such that if there is no response within a certain time, there is a presumption of no concern. Only by having some measure of accountability from the consultees can Global Affairs hope to keep to their service standards. Similarly, companies would appreciate an opportunity to engage with consultees who raise questions or objections. Often technical or confidential commercial information can add clarity to a permit request that a non-technical evaluator might not immediately grasp. Such engagement adds to the sense of transparency since companies are often left feeling that the process is arbitrary, capricious and unpredictable.

I know of at least two companies at present that are considering relocating their manufacturing outside Canada because the export permit issue has made doing business as a Canadian firm impractical. Those two companies alone would represent the loss of approximately 300 direct jobs and affect several hundred indirect jobs.

We should be focused on understanding what is in Canada's interests. Supporting a company that is going to export a product through Turkey to a country with which we are on good terms seems to make perfect sense but is now impossible. Supporting such a company during hard times also makes sense. Supporting companies that are equipping UN missions or working with the U.S. to supply humanitarian supply missions also makes sense.

● (1555)

Finally, there should be no need to go through the entire permit review process any time a piece of equipment that has been bought and paid for, and is now wholly owned by another country, is sent back to Canada for repair as part of the initial permit terms. Having a separate stream for such repair and maintenance permits would seem to be an obvious correction that could be implemented fairly quickly.

I hope I haven't run over time. On a personal note, I want to say hello to Dr. Hedy Fry.

Thank you.

The Chair: Thank you very much, Mr. Knutson, for your testimony and your greetings.

We'll turn the floor over now to Ms. Cianfarani for five minutes, please.

Ms. Christyn Cianfarani (President and Chief Executive Officer, Canadian Association of Defence and Security Industries): Thank you very much for inviting me to share our views on Canada's export control system.

We presently represent over 400 Canadian firms—over the last five years, we have represented, at times, nearly 1,000 firms—that produce technologies and services for the Canadian Armed Forces and authorized foreign customers.

First off, CADSI does not advocate on behalf of individual companies, their defence procurements or their export permits, and we are not privy to the details of company-specific business pursuits. I am not able to comment on any specific transactions. I'm here to give you an industry-wide view on Canada's export control system.

Accounting for over 50% of industry revenues, exports are critical to our industry. The Canadian market is too small to sustain it, and our firms produce products that are sought around the world. For these reasons, our companies need a timely, efficient, consistent and predictable export control system with clear rules.

Unfortunately, in recent years, Canada's export control system has not met these considerations. It's now a competitive disadvantage for an industry selling into a fiercely competitive and export-intensive global market.

We believe that it is possible to have a timely, efficient, consistent and predictable export control system that also keeps Canadian-made defence products out of the hands of adversaries or regimes that use these exports to abuse human rights. We used to have such a system, and we need to get it back on track.

The export permit is the last step in a long business process. The government needs to provide companies with more information and transparency upfront as to the countries and end-users it considers high risk. We need to know where there's a low probability of export permit approval.

I shared this very message when I spoke before this committee in 2017, to express industry's support for Bill C-47 and Canada's accession to the United Nations Arms Trade Treaty. Unfortunately, according to the annual report to Parliament on military exports, Global Affairs' record in meeting its own service standards for permit approvals has steadily declined since then.

In 2017, GAC met its standard for reviewing permits of group 2 items to Canada's closest partners 96% of the time. In 2019, this fell to just over 70%. GAC's own performance target is to meet the standard of 10 days for Canada's closest partners and 40 days for other destinations 90% of the time. There are examples of export permit applications that have languished in the department for more than 500 days without a decision.

We estimate that these delays and uncertainties have cost our members hundreds of millions of dollars in lost contracts and business opportunities. Furthermore, industry's inability to tell its customers, typically other nation states, when they will receive their goods is damaging Canada's reputation as a reliable trading and security partner.

The inability to meet service standards is not attributable to Canada's accession to the UN ATT. The trend predates that. In addition, the new obligations of the UN ATT only apply to conventional weapons systems, of which Canada produces very few, nor has there been an increase in the number of defence export permit applications that could account for this problem. In fact, GAC received \$13 million in budget 2017 to help implement the UN ATT.

This committee is looking at defence exports to Turkey. The 2019 temporary suspension of new export permits to this country is an example of the government's lack of transparency and poor communications with industry. The industry has been exporting to Turkey, a NATO ally, for decades. We learned of this suspension through the media, with no further information provided by the government until April 2020—six months later.

In addition, we were not told whether the suspension applied to all or some of the seven groups of controlled goods. We were not told whether it applied to all Turkish end-users or only those that posed a substantial risk, which is the legal test under the Export and Import Permits Act. Issuing a suspension is the government's prerogative, but there should also be an onus on government, the regulator, to explain exactly what those changes mean.

It's hard for companies to follow the rules when they're not told what the rules are or when the criteria are applied and not explained. I cannot emphasize how important government clarity and predictability are in this regard.

● (1600)

The last thing companies want is to be in violation of laws, regulations and export policies. It would be devastating to their reputations and their businesses. We need to return to a timely, efficient, consistent and predictable export control system with clear rules. Our industry depends upon it.

Thank you.

● (1605)

The Chair: Thank you very much, Ms. Cianfarani.

Just to give you a quick heads up, the interpreters are saying that the sound from you is marginal; it's a bit low. Somebody from our technical team will give you a call just to see if there's any way that we can elevate the quality of transmission.

Thank you very much for your opening remarks.

We will now turn the floor over to Mr. Mueller, please, for five minutes.

Mr. Mike Mueller (Interim President and Chief Executive Officer, Aerospace Industries Association of Canada): Thank you, Mr. Chair.

Good afternoon, everyone.

Mr. Chair, I'll still keep my remarks to five minutes even though there's some time there.

It's a pleasure to be here on behalf of the Aerospace Industries Association of Canada. As always, we appreciate your interest in our industry and your willingness to work with us on the challenges we are facing.

With respect to the export permit process, there's a lot of frustration within the aerospace and defence industry. We've been raising these frustrations to government for many years now. Unfortunately, the situation is not improving. Let me just state at the outset that, given the current economic situation, this isn't simply about businesses being frustrated. There are real economic opportunities being missed, opportunities that could yield significant financial dividends here in Canada.

As most of you will know, aerospace is an industry that is highly export intensive. The inability to get product out of Canada has severe economic impacts, impacts that ripple across the supply chain.

I should preface my remarks by saying that our industry is also concerned about ensuring that Canadian values are respected in all of our dealings, and we support an effective export permitting process, but why do we have concerns and what exactly are the challenges we're facing?

Hundreds of millions of dollars of work have been lost, and hundreds of millions more are still at stake, all supporting good-paying Canadian jobs. There are four main issues from our perspective, and they involve clarity, timing, transparency and process.

On clarity, companies are looking for some assurances of where they can and cannot export. Right now we don't have that, and while industry is sensitive to the fact that government needs to be keep certain aspects of its diplomatic work pertaining to security confidential, surely there's a way for government and industry to work in better alignment to ensure significant time and resources aren't wasted on ventures that will never move ahead because permits will never be issued. Companies are spending a lot of time and capital to tee up new business and, in many cases, years of work. Significant costs are incurred. Significant energy is expended, only to be told, "Sorry, better luck next time". Clarity is needed.

We're asking the government to work with us to strengthen the process. It's not in anyone's interest to waste time and resources, and this is currently the case on all sides.

On timing, when it comes to timing, the service standards for permits are all over the map. We have issues that have taken months and, in certain cases, even longer. Businesses need assurances that, if they are exporting from Canada, the timing to secure the permit is not going to jeopardize the sale. We've raised this issue several times. We know that officials at Global Affairs Canada oftentimes are hampered by the time other stakeholders take to review the application, but delays are delays, and the result is lost business opportunities.

That brings us to transparency. It would be extremely helpful for businesses to have the ability to find out where their applications are within the system. Currently, once the application is submitted, businesses are in the dark. It doesn't have to be this way. Our friends and allies like the United States have a system that offers businesses more detailed information in terms of the progression of the application. We've shared this with officials, and it's something that deserves to be explored.

Finally, on the overall process, it is our firm belief that an overall review is needed to ensure that the process doesn't inhibit the ability of business to export from Canada. As part of the review, we believe the concept of a triage system should be explored. This is just one of the potential ways to streamline things to better improve timelines. For example, if an application is submitted that is part of previous application already approved by the department, there should be a mechanism to fast-track the process. Why repeat cumbersome duplications when they're not needed?

Improving clarity, timing, transparency and the overall process is long overdue. Work packages and, more importantly, the good-paying jobs and capability we have here in Canada have the potential to leave the country, and I don't think anyone here wants to see that.

We were encouraged to see funding in Budget 2021 to strengthen the administration of Canada's trade control regime. This is a good first step, but more resources are required specific to the export permitting process, so we ask for your support on this and on the need for an overall review of Canada's export permit process. A signal has to be sent from the political level to ensure that this is deemed a priority.

Please help us ensure that our businesses are able to responsibly export their product without undue delay and compete in the global marketplace.

Thank you, Mr. Chair.

• (1610)

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

We'll now go to round one of questions from members with six minute segments.

Leading us off this afternoon will be Mr. Morantz.

Mr. Marty Morantz (Charleswood—St. James—Assiniboia—Headingley, CPC): Thank you, Mr. Chair.

Mr. Knutson, I'll start with you.

The testimony has been very interesting so far. The reason we're here and having this study is really that a piece of Canadian defence

technology wound up on the ground in a conflict for which it was not intended.

The Turkish government transferred this technology to Azerbaijan and, as we now know, it wound up in the Nagorno-Karabakh conflict. That's the reason for the cancellation of permits.

I recognize—and it's very interesting to hear the testimony—that this also highlights problems with the permitting process. Before we get into that, I want to stick to this particular question with Turkey. I'm asking you because of your experience as an MP, and I think you did some lobbying a number of years ago for the Turkish embassy.

Is there any diplomatic work being done with the Turkish government to try to mend fences and to provide assurances to the Canadian government that would allow for future export permits to Turkey?

Hon. Gar Knutson: Well, I can't comment on what's going on inside Global Affairs, but just on what's been said publicly. The minister was clear when he cancelled the permits that he would work with his Turkish counterparts to come to a better understanding so that the assurances regarding the end use of the technology would be upheld.

In a real world sense, though, you can send a product to a country, and in good faith, that country will say that the product will only be used for certain circumstances, and then five years later the situation changes, or you get a change in leadership of the country, and you find that Canadian technology is being used in a war that no one would have anticipated.

It's a difficult task, but to your question specifically, from what I understand publicly and from Mr. Christie's testimony to your committee, work is being done. Certainly, the diplomats at the ground level are working hard to make sure that this issue doesn't completely cause the whole Canada-Turkey relationship to go off the rails.

Mr. Marty Morantz: Thank you.

Ms. Cianfarani, to that point, no matter what export control regime is in place, no matter how many safeguards are in place, I have a great deal of sympathy for industry here. The expertise, the investment and the technology that go into creating these systems is huge, and the frustration in the industry is clear from your testimony and Mr. Mueller.

Is it not a risk of doing business in this industry that something might happen, an event might happen, such as happened with Turkey, after the transference of this technology?

Ms. Christyn Cianfarani: It is indeed always a possibility that something [*Technical difficulty—Editor*]

Mr. Marty Morantz: I'm sorry, I hear the translator.

Ms. Christyn Cianfarani: Yes, so do I.

It is always possible that goods will arrive in the hands of people who do not follow the rules that are set, or the end-user assurances that are given. It is a risk of doing business in this particular industry. Yes, it is.

Mr. Marty Morantz: I hear the frustrations of Mr. Mueller and Mr. Knutson about the industry. I think Mr. Knutson touched on this. He didn't use these words, but in my mind the words "brain drain" came to mind.

If these problems are ongoing with the export control regime, are we losing talented engineers, scientists and technicians to other jurisdictions that may have an easier time exporting their technology?

• (1615)

Ms. Christyn Cianfarani: I believe, yes, we absolutely will. Large multinationals with foreign head offices and footprints elsewhere will look to moving their technology, which means essentially moving their lines of business outside of Canada. It actually creates a huge effect for the supply chain. In Canada, 90% of the supply chain consists of small to medium-sized enterprises. When you get one of these large firms, they create a clustering effect around them, so if the line moves outside of Canada, it's not just the multinational that is affected, but the entire supply chain. Why would you do business with a Canadian company if you're now located in a different country, right?

The trickle-down effect is vast, and in some cases some of these large multinationals have 400, 500, 600 companies in their supply chains, so the toppling effect could be devastating.

Mr. Marty Morantz: Do you have a sense of how many people are employed in the defence export industry in Canada?

Ms. Christyn Cianfarani: There are approximately 62,000 of them and over 50% of our revenues come from the export business, so we are not sustainable in the Canadian market alone.

The Chair: Thank you very much, Mr. Morantz. We'll have to leave it there in the interest of time.

We'll go to our next round now, with Ms. Saks.

Ms. Ya'ara Saks (York Centre, Lib.): Thank you, Mr. Chair, and thank you to all of our witnesses today. We've had some technical ups and downs, but we made it.

Ms. Cianfarani, I'm going to start by piggybacking on your opening statement. On November 7, 2017, you appeared before this committee during its study of Bill C-47 on Canada's accession to the Arms Trade Treaty, the ATT. In your opening remarks then, you said:

Canada's accession to the UN ATT will further enhance our very strong defence export regime and raise the bar globally for other countries whose defence export control processes are not up to Canada's very high standards. The treaty places additional burdens on countries that export small arms and military equipment, to ensure the weapons are not diverted to third parties or misused by the actual recipients. It will also regulate the practice of brokering, where weapons are exported from one third country to another. This is in part why CADSI called on the government last year to accede to the UN ATT.

Now that we're today, after Canada's official accession to the UN ATT, which placed human rights considerations at the centre of our export control regime, can you update this committee on your organization's positions towards Canada now that we're officially part of the ATT?

Ms. Christyn Cianfarani: Yes, of course. We have absolutely no issue with being a part of the UN ATT. I would echo my remarks in 2017, which is that under this regime, in particular with

the exports to Turkey, you have seen an instance of diversion and permits were indeed cancelled, so the regime is working.

The challenge is that at the time there was no expectation that the export permit system writ large would be slowed down or affected by the UN ATT. What we are effectively seeing is not necessarily related to the UN ATT, but related to additional criteria, potentially political criteria, being overlaid on top of UN ATT, with a lack of clarity, lack of transparency, and lack of predictability being introduced into the system. As I said, I do not believe that is directly correlated with our accession to the UN ATT. I believe we are seeing a systemic problem in the export permitting process.

Ms. Ya'ara Saks: Okay, I understand.

Just going back to that same appearance in 2017, you also said:

Bill C-47 has been recently amended to place the criteria used to review exports into the legislation itself, rather than into regulation as originally proposed. That means that Canada is going above and beyond what is required in the UN ATT.

Could you explain what that meant for the industry when Canada decided to go beyond what was required by the ATT? How has the industry adapted to this legislation since its implementation?

I hear about delays, but let's talk about the overall impact on the industry when we are trying to go above and beyond what's expected because we place human rights at the centre of that.

Ms. Christyn Cianfarani: What I would say is that Canada has gone above and beyond by putting it into legislation, as opposed to regulation. That nuance is simply that most countries would put it into regulation, which would allow them to be slightly more flexible over time in how they transform or modify, if need be, their standards, specifically their legal terms and their understanding of the application of the UN ATT.

That said, we have waited for quite some time to find ourselves in possession of documents—and I would say that it is this committee that has caused the release of these documents—that have crystallized what the terms are and what uses the government will apply to terms such as "substantial risk" and "mitigating measures". These criteria need to be defined and then applied by each government entity.

During the period 2017 to 2021—where we are now—the definitions of what the government would look at in terms of "substantial risk" were opaque to us. I would argue, in fact, that as each instance of an export control issue gets raised, these definitions seem either to get clearer or get murkier, depending on what has occurred within the country.

• (1620)

Ms. Ya'ara Saks: I understand.

Okay, I have one last question. Let's move there.

Have there been any collaborative initiatives between industry and Global Affairs Canada to address these issues of mutual concern? What avenues do you see for addressing export permit problems faced by the industry?

We're talking about the problems, but how have we worked with you to try to solve them?

Ms. Christyn Cianfarani: There have been multiple attempts, first and foremost at the political level, to talk to the Minister of Foreign Affairs, going back to 2017. We have sent multiple letters requesting conversations. Only recently—that is, within the last three weeks—have we had a conversation with a minister of foreign affairs on this file. There has been no direction by a minister of foreign affairs to the department to actively work with industry.

That said, we are in contact with the department regularly with regard to this file and have made numerous attempts to have working groups with that department to get clarity on permits, to get clarity on definitions for permits, and to find ways to expedite permits for countries that are not risk areas.

As I think some of the other panellists mentioned, our challenges are not necessarily coming from the willingness of the department itself, but from our ability to have conversations with those at the political level on this particular file.

[Translation]

The Chair: Thank you, Ms. Cianfarani.

Thank you, Ms. Saks. You are out of time.

We will now start the next round.

Mr. Bergeron, you may go ahead. You have six minutes.

Mr. Stéphane Bergeron (Montarville, BQ): Thank you, Mr. Chair.

I was having some technical issues when the meeting started, so I hope my sound quality is good now. I hope that my fellow members can hear the interpreters clearly and that the interpreters can hear me well.

I would like to thank the witnesses for being with us this afternoon. Their input is extremely insightful and very appreciated.

I think the committee can do some good in terms of improving the process for issuing arms export permits. The idea is not just to raise concerns about Turkey's questionable—to say the least—use of the equipment it was sold by Canada, but also, and more importantly, to propose ways the government can improve the process.

I'd like to say a special hello to Mr. Knutson. I did not take umbrage earlier when he acknowledged only Ms. Fry. He mustn't have known that I was on the committee. I have fond memories of our trade mission to Kuwait and Saudi Arabia.

Needless to say, I'm very pleased to see you again, Mr. Knutson. As you can see, I came back to federal politics.

[English]

Hon. Gar Knutson: Ditto.

My apologies.

Mr. Stéphane Bergeron: No problem.

[Translation]

There was no way you could have known. All the same, I'm very glad to see you again.

You pointed out—and probably rightly so—that the Canadian government's decision to suspend exports of a wide range of equipment to Turkey has put a chill on Canada-Turkey relations. That is understandable.

However, do you not think Turkey also did things that had a chilling effect on the relationship between the two countries? In addressing the criteria to obtain the sensor equipment provided by Canada, Turkey did not make clear that the equipment would be used outside its borders in regional conflicts to extend its influence in Libya, Syria and Nagorno-Karabakh.

Don't you think Turkey should look in the mirror before criticizing Canada?

• (1625)

[English]

Hon. Gar Knutson: Thank you, Stéphane, and hello.

Yes, you're right. The membership of the CTBC would accept the minister's statement that there was credible evidence that the equipment in question was not used in compliance with the assurances on end uses. I have no doubt—and our members would have no doubt—that this decision was arrived at after a serious examination of the facts, so absolutely....

Notwithstanding that, we have issues with many countries in the world. Some of them are difficult and behave in ways that don't quite conform to how Canada feels they should behave, but we still need to maintain relationships with them and maintain progress towards what we would call “liberal democracies” and respect for human rights and for gender rights.

I'm not talking about Turkey specifically, but it's a process that occurs over many years. Canada works with countries, and they don't always do what we would like them to do or say what we would like them to say. Some of them are functioning democracies, and some of them aren't.

[Translation]

Mr. Stéphane Bergeron: I hear what you're saying and I agree completely.

Nevertheless, I think one of the problems we are dealing with changes things in Turkey's case, specifically. When we sell arms to any country that isn't necessarily our ally, should the burden of proof not be higher for the end use of those arms?

When dealing with allies, such as the United Kingdom, Belgium, Luxembourg and Turkey, we take for granted that the equipment we are selling them will be used for defence purposes. That is especially concerning when, in relation to the requirements that have to be met to acquire the equipment, they do not indicate that it will be used for offensive purposes in regional theatres to extend their political reach, on a geostrategic level.

I think that is the difference between the situation with Turkey and the situation with any other country that is not an ally of Canada's.

[*English*]

Hon. Gar Knutson: Your point is well made. In terms of the rules under the current export regime, the criteria for allowing arms to be sold or shipped to Turkey are well understood. They can't be used to batter human rights, for gender-based violence or for support for organized crime. There's a list of criteria.

With some countries, it becomes a more difficult process, for a multitude of reasons, to determine whether it's safe to [*Technical difficulty—Editor*] ship arms. As I indicated in my earlier comments, countries change over time.

When I was first elected to Parliament in 1994, we were selling nuclear reactors to China. We were selling them CANDU technology, and the situation which [*Technical difficulty—Editor*] China was at the top of everyone's "let's be friends" list—not today. Countries change, situations change and the context changes, which makes it extremely challenging for Global Affairs to know when to issue a permit and when not to—

• (1630)

The Chair: Mr. Knutson, I apologize, but we'll have to leave it there.

[*Translation*]

Thank you, Mr. Bergeron.

[*English*]

The final six-minute round goes to Mr. Harris.

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

Thank you to the three witnesses.

Mr. Knutson, of course you represent your organization, not just military enterprises engaging with Turkey, but civilian ones as well. When you say that the relationship was difficult after the decision was made in October 2019 by the Canadian government to...

Essentially, they said they were cancelling all new permits, but were leaving existing permits in place, so anything that was already permitted could continue to have deliveries, or even replacements of parts that had to be returned to Canada. Here I'm thinking, of course, of the Wescam sensors, as this is the topic of our discussion.

But some months later, on March 3, 2020, your organization wrote to François-Philippe Champagne, the then-minister, that the policy lacked transparency and was impacting hundreds of millions of dollars in contract sales. Can you say in what respect there was lack of transparency? The reason given was the military activities in northern Syria. It was pretty clear why they were temporarily

cancelling new permits for control groups—albeit existing permits remained in place. In what respect did you think it lacked transparency?

Hon. Gar Knutson: It's a good question, Mr. Harris.

Typically, when I use the words "the system lacks transparency", it means that we're not provided with enough details. To deny a permit with one or two sentences given in response doesn't do justice to the complexity of the decision or the details that undermine it. Companies often face negative decision from the department, and it's maybe a paragraph. You can look at the paragraph and say there's your reason, but it doesn't provide enough detail. It doesn't provide enough context or the circumstances or concerns.

For example, we'll often have a discussion with officials in the department, and they'll say that concerns are being raised in their consultation process. They won't tell us what the concerns are. They won't tell the company if there is any way to address the concerns. So while you look at it—and legitimately, you would look at sentences in a letter and say there's your answer; it explains why the permits were denied or delayed or suspended or cancelled—I would say there's not enough detail to provide genuine transparency.

Mr. Jack Harris: Of course, your people who are dealing with weaponry and systems are obviously aware that decisions made by countries with respect to exports have to do with relationships with other countries. The people who are dealing with the Wescam group are well aware of what's going on in Turkey. They're well aware of where the equipment is going and what it's being put on and where the military activities of Turkey are taking place. So it's not as if they're in the dark. They're not naive about the purpose for which they're selling this equipment. Why would it come as a surprise? What detail would you need to know other than the fact that a government was making a decision based on what could be political considerations or international considerations, or whatever? That comes with the territory, as it were, if you're dealing with this kind of equipment, does it not?

• (1635)

Hon. Gar Knutson: No, I think your comments are fair. I'd make two points.

Certainly, in the conflict between Azerbaijan and Armenia, it was clear what the circumstances were. But from a Canadian perspective, there was no way to anticipate that conflict unless you had tremendous spies. Countries don't make it public and announce their intention to go to war at some point in the future. But to your point, after the fact for that specific case, the public information did provide the details as to why those 25 permits should be cancelled. So you're right.

Mr. Jack Harris: I will switch to our witness, Ms. Cianfarani, from the Canadian Association of Defence Security Industries.

Ms. Cianfarani, I guess your organization acted a little bit more quickly than waiting until March to write about this, at least in terms of your activity with Global Affairs. Either you or representatives of your organization had a series of meetings starting in December 2019 with the policy adviser for international trade, Nadia Mohamed and Marta Morgan on December 20, 2019. There was another meeting on February 21 with Paul Halucha, the assistant secretary to the cabinet in the PCO and international trade. Another meeting—

The Chair: Mr. Harris, I'm sorry to interrupt you, but you are over your time.

If you just want to ask a very quick question, we'll have time for that and then we may have time for a follow up.

Mr. Jack Harris: I will.

We had this series of meetings and I'm just wondering whether or not these meetings were relating to the issues of drone technology for Baykar from Wescam. Was that part of these meetings? What was the purpose of these meetings?

Ms. Christyn Cianfarani: No. As I mentioned at the onset of my remarks, we do not advocate for individual companies.

The conversations we had during that period of time were about the system writ large. During the period of September 2019 to December 2019, the minister of foreign affairs at the time, Minister Freeland, did not expedite or approve any permits during the writ period, which put the system into an almost three-month backlog. There were hundreds of permits for the industry in general waiting in the queue, for which there was zero transparency. Those were the meetings.

The Chair: We'll have to leave it there. I apologize.

Thank you, Mr. Harris.

Colleagues, we're at the end of round one. We lost a bunch of time because of having to vote. We also have a second panel, but with only two witnesses. If the committee agrees, perhaps there may be some interest in asking brief follow-up questions of this panel. If we wanted to distribute that evenly and give each party a chance to ask a question for two minutes, we would still have time then to go to a substantive discussion with our second panel in the second hour, which is basically upon us now.

Does that work for the committee? We have marginal room to extend past 5:30 if we need to, but we should be able to get in a quick follow-up question by each party, if that's desired, and then a fulsome discussion with our second panel.

If that's the case, then I would ask Mr. Genuis to lead us off with the first follow-up question.

Mr. Garnett Genuis (Sherwood Park—Fort Saskatchewan, CPC): Thank you, Mr. Chair.

Some of this testimony really shocks me.

Mr. Knutson, you sort of implied that nobody could have anticipated a war between Armenia and Azerbaijan in which the Turkish government would support the Azeri side. Where have you been for the last 10 years?

The question I want to ask you is about your comment that your members support Canadian values while, at the same time, you've acted as a registered lobbyist for the Turkish government. That is something that I don't think you disclosed in your opening statement. When you were a member of Parliament, you were one of a small number of MPs to vote against recognizing the Armenian genocide. You gave a speech at the time in which you repeatedly referred to it as a calamity, as if it were a natural disaster. Subsequent to leaving politics, you were hired by a third party group to lobby against genocide recognition—that is, to lobby for the reversal of Canada's recognition of the Armenian genocide.

It is clear to me that the Turkish state sees denial of the Armenian genocide as consistent with its interests, but how is genocide denial consistent with human rights and Canadian values? Have you revisited your position on the Armenian genocide? Shouldn't the continuing denial by the Turkish state of past genocide create legitimate fear that the state won't appropriately respond to human rights violations in the present?

• (1640)

Hon. Gar Knutson: Thank you very much.

I'm not sure time allows for a full and proper discussion on what happened with the collapse of the Ottoman Empire as a genocide.

I'll tell you pointedly that my position hasn't changed because, to declare it a genocide, you have to look for intent and you have to find intent. When an activity crosses the line between gross violations of human rights, crimes against humanity and all sorts of horrible activities—which did occur—you need to be able to look in the mind of the actors and ask if they had the mind to cross the line into genocide. I'm not prepared to say they are—

Mr. Garnett Genuis: Are you prepared to say that about the Holocaust or about the Uighurs?

How do you look into someone's mind in any case?

The Chair: Give just a brief answer.

We'll have to leave it there, Mr. Genuis.

Hon. Gar Knutson: No.

The Chair: Thank you so much.

We have Mr. Oliphant, please, for a follow-up question.

Mr. Robert Oliphant (Don Valley West, Lib.): Thank you very much, Mr. Chair.

I would begin by thanking Mr. Knutson for his public service. It's good to see you again. Thank you for that.

I want to go to Ms. Cianfarani, and maybe Mr. Mueller.

Without having a crystal ball, the government makes decisions on export permits to the best of its ability based on the facts it has at play. We are really discussing a moment in time with respect to export permits that were given to a company to sell to Turkey, which were then used inappropriately and were stopped. There was a suspension and then a cancellation. This shows that the system, by and large, works—imperfectly, but by and large it does.

When we talk about the delays in the system, there is a concept of substantial risk. If it were a matter of absolutely no risk, or a hint of a risk, that system would be easy, but with substantial risk, it takes some effort to determine that. I think we are working that out with industry. I know that industry has had the chance to meet with Minister Garneau. I believe you know that he has asked the officials to improve the efficiency of the system. Do you have suggestions for improving the efficiency of the system while maintaining human rights at the core and the concept of substantial risk? That's the kind of dilemma we're in.

Ms. Christyn Cianfarani: I think if it were simply that the permits required consultation, we would have a bit more understanding of the dilemma that sometimes the government and the department itself are under, but we're not talking here simply about the permits that are at risk and require consultation. Over 50% of permits fall in that category. We are talking about permits to open countries, where typically it would take 10 days to receive a permit, for example, an ally like Australia, that are now taking up to four times as long. This is really the crux of the matter for us, which is that even open countries now have been paralyzed, I would say, by what is going on with this system writ large—substantive risk aside.

Mr. Robert Oliphant: Thank you.

The Chair: Thanks very much, Mr. Oliphant.

[*Translation*]

Mr. Bergeron, you may ask a quick question.

Mr. Stéphane Bergeron: I'll be quick.

Ms. Cianfarani said in her opening statement that decisions were hard to apply because of the lack of details. Mr. Mueller talked about a lack of clear communication, and Mr. Knutson criticized the lack of transparency.

Ms. Cianfarani, can you tell us quickly what you would like the government to put in place so the industry can play a positive role in the process?

[*English*]

Ms. Christyn Cianfarani: There should almost be a constant conversation between the political level, first and foremost, when something goes into a hot zone, and the industry to advise it in advance that there is an increased risk that its permit will not potentially come out the other end, so to speak. That would be the first thing, I would say.

Then there's a constant dialogue between industry and the department as to where that permit is within the permitting process, so that we can answer to our customers that it will be coming out within 10 days, 15 days, 20 days. There is absolutely no way right now we can tell another nation state that it will receive its goods or products on time.

Those are two things that I would say. The process should look like that a little bit.

• (1645)

[*Translation*]

The Chair: Thank you, Mr. Bergeron.

[*English*]

Finally, we have Mr. Harris for a brief follow-up question.

Mr. Jack Harris: Thank you, Chair.

On April 9, 2020, then ministers Champagne and Morneau announced the creation of an arm's-length advisory panel of experts to review best practices in arms exports to ensure that the controls of Canada under the ATT were “as robust as possible”. They seem to love that word “robust”. My question is this. We're told that that panel was supposed to be responsible for evaluating permits. Have either of you, Mr. Mueller or Ms. Cianfarani, been consulted on the creation of the panel? Do you support it, and why or why not?

Ms. Christyn Cianfarani: I can go first.

We have not been consulted on a panel. We don't really know, because it hasn't been fully described, what such an agency or a panel would mean in this context. If an expert panel is simply to assess the vigour or robustness of our permitting system, then we are fine with that. If it's being set up to advise on specific permits, we would strongly oppose that, given the sluggishness already within the system.

On top of it, as I understand it, even individuals who are pro-panel and have made representations to you have acknowledged that no such panel exists in other nations upon which to base a model. That tells us that goods and services of this nature are instruments of foreign policy and fall under the consideration of governments themselves. The government cannot shift its legal responsibility for permit approvals to some external body.

The Chair: We have very little time.

Mr. Mueller, do you want to take 15 or 20 seconds to comment before we have to transition to our next panel?

Mr. Mike Mueller: To add to that, I would say it's incredibly important that industry and government sit down together to figure out that process. Just to reiterate, we need that the clarity, timing and transparency and that overall process.

I must say that the officials at Global Affairs have been great to deal with when we have these issues, but overall, we need that process, because business is suffering.

Our competitive advantage, as mentioned before, is the workers that we have, and those are who we really need to protect.

The Chair: Thank you very much.

Colleagues, on our collective behalf, I'd like to thank our witnesses from the first panel for being with us for their testimony this afternoon.

Madam Clerk, we will suspend briefly to allow them to depart and to sound-check our witnesses for panel two, and then we'll resume.

Thank you so much for being with us.

• (1645) _____ (Pause) _____

• (1645)

[*Translation*]

The Chair: Honourable members, we are now resuming the 32nd meeting of the committee.

I would ask everyone participating in the meeting to put their microphones on mute when they are not speaking. When you have 30 seconds left, I will let you know by raising a piece of paper. As usual, interpretation services are available; simply click the globe icon at the bottom of your screen.

• (1650)

[*English*]

I would now like to welcome our witnesses for the second panel. We have with us Mark Agnew, vice-president, policy and international at the Canadian Chamber of Commerce. We also have Yan Cimon, professor of strategy at Université Laval.

Mr. Agnew, I will ask you to lead off with your opening remarks for five minutes, please.

Mr. Mark Agnew (Vice-President, Policy and International, Canadian Chamber of Commerce): Mr. Chair and members of the committee, thank you for the invitation to appear today as part of your study on the granting of export permits.

As you will know from the chambers of commerce in your communities, we have in our membership companies of all sectors, including both large corporations as well as small and medium-sized enterprises.

I'd like to thank the members of this committee for taking up this study and exploring the issues around the export permitting system. Although the system is quite complex and, admittedly, this is a difficult topic, it is important for parliamentarians to hear from a wide range of stakeholders.

I readily acknowledge the media coverage over the last number of years of export permits for certain markets. There are indeed challenging geographic areas where, given the intersection of foreign policy, commercial and human rights considerations, it can make for fairly fraught discussion. However, I will focus my remarks on the export permits on a macro level, since I am not well-placed to comment on specific companies or permit applications.

It is important to note also that the export permits are used by a wide range of sectors and the challenges with the system are not just for those who are exporting offensive weapons system platforms.

As you heard from Global Affairs Canada officials at their earlier testimony to this committee, industry has had ongoing contact with the department on the need to improve the processing of export permits across the board.

I would like to go on the record and recognize the efforts of departmental officials to seek to understand the concerns of industry. We also welcome the announcement in Budget 2021 of increased funding for the trade controls work of Global Affairs Canada, which includes the export permitting system among other things. However, there is still a need for improvement in the system, and I would like to offer a number of areas that we hope the committee will reflect in its recommendations.

First is to increase information sharing in the export permit application process. Companies invest significant money and years of business development to secure foreign contracts. The export permit is usually the last step in the process after a contract is signed and products and/or services are ready for delivery. Communicating earlier regarding a particular export and destination country would be very beneficial and allow companies to focus on the contracts that are most likely to have government support. Additionally, written guidance would aid companies in evaluating potential bids, including not only understanding how rules are applied on a country basis but also how assessment criteria are being applied during the evaluation process so that companies can know what considerations they need to proactively address.

Industry acknowledges that there are broader foreign policy implications to publishing written guidance. However, we feel that it is important to strike a suitable balance between managing bilateral relations, predictability for companies and not undermining the government's need to respond to changing conditions.

Second, it is critical to ensure consistency in the messaging that companies receive from government officials. Companies with a low level of awareness of how the wheels of government grind may not be as sensitive to the division of responsibilities within or between departments. This is particularly the case in trying to differentiate between the parts of government that regulate export permits versus those that have mandates to promote industry and exports.

While companies acknowledge that the rigour required for export permitting by necessity requires independence for evidence-based decisions, businesses do feel caught between different parts of government when expectations are not met. Therefore, enhancing messaging consistency from government would help businesses manage their expectations.

Third, we think there is a benefit to having an explicit triage system and expedited service standards for existing permits. Given the length of contracts, companies will sometimes need to resubmit an application for an export permit. Although there can be circumstances where the context changes for an application, it can also remain the same. The introduction of a triage system and expedited service standards for reapplications with no context changes would aid companies and enable departmental resources to focus on more complex applications.

Fourth, and finally, and at the risk of saying the obvious, we need a whole-of-government approach where the departments that have a role to play are all properly resourced to enable the attainment of service standards. This is particularly the case, given that changes from the ATT and the new nature of interdepartmental approaches.

Getting the aforementioned areas right is not optional if we want Canada to have a reputation as a reliable business partner. This includes supporting not only Canadian companies acting as prime contractors, but also Canadian businesses that are supply chain participants feeding into OEMs, such as those in the United States perhaps, where we have deep supply chain integration, and that need reliable input sources.

In closing, I would like to emphasize that we do not operate in a risk-free world. This is especially the case for the products that require export permits. I hope to leave the message that the system needs to be regulated thoughtfully, and this means ensuring that we are supporting foreign policy and human rights goals, and also recognizing the important role that exporters play in the economy.

Thank you for your attention. I look forward to your questions.

• (1655)

[*Translation*]

The Chair: Thank you, Mr. Agnew.

Mr. Cimon, the floor is yours. You have five minutes. Please go ahead.

Mr. Yan Cimon (Professor of Strategy, Université Laval, As an Individual): Thank you.

Mr. Chair, vice-chairs and members of the committee, thank you for inviting me to appear before you today.

The granting of export permits is important not only to the industry, but also to Canada as a whole. Like the previous witness, I want to recognize the very important work that industry and government have done on this issue so far. The matter is certainly complex.

Over the past two decades, I have had the opportunity to conduct research and give presentations on the industry, which is strategically important to the country.

My remarks will focus on the industry side. I would like to give you some food for thought in three areas.

First, the government needs to consider the temporary suspension of controlled equipment exports, because robust controls are necessary for the use and re-export of military goods and related intellectual property.

Second, the government should introduce a predictable and efficient review framework for the export of military goods to other countries, one that includes pooling and risk-sharing mechanisms vis-à-vis industry.

Third, Canada should advance a systemic approach alongside its allies and partners to establish an oversight mechanism for possible violations by consignees of military goods.

Why am I making these three recommendations?

A look at global competition in the defence industry reveals a tremendous amount of nationalism, industrial policies that strongly favour national interests. It also reveals a large number of emerging players, in particular, India and China; Russia, too, still has a very significant presence. Moreover, Turkey has become a major exporter in recent years, signalling a geostrategic shift in defence. Through their companies, these emerging exporter countries of military goods are significantly increasing their domestic capacity.

That said, defence equipment supply chains are increasingly globalized, in terms of both inputs, subsystems and systems—a fairly globalized layer of the chain—as well as more complex platforms, an area that is becoming increasingly globalized. A trend is emerging: the use of commercial off-the-shelf inputs and end products.

Canada's defence industry exports the bulk of its products. Exports account for roughly 60% of industry sales, and even Canada's defence policy recognizes the importance of co-operation with the defence industry and export opportunities. Why? Because the Canadian market is too small to sustain the industry.

Consequently, the defence industry has to carve out a place for itself in global value chains, so that Canada can preserve extensive strategic industrial capability, while remaining a leader in defining platforms for the future and the technologies on which they are built.

The industry's prosperity is at stake, as Canada tries to secure its place as a leading supplier of lethal and non-lethal defence products, services and technologies. What sets the industry apart from other sectors is its very high value-added contribution to the Canadian economy, not to mention the extremely high-tech jobs it generates.

When it comes to Turkey and the issue before the committee, it is clear that Turkey is not only an advanced country, but also a NATO ally. It also exports drone platforms, mainly the Bayraktar drone, which is also sold to the Ukraine. At issue are electro-optical imaging sensor systems, an important part of the added value in this type of platform. Another important consideration, however, is the global market for these types of devices and platforms, a market with a significant civilian component and clear strategic value.

Although Turkey recently indicated that it no longer needed Canadian equipment, that is not necessarily true. As far as the platform technology is concerned, Turkey's domestic capacity is not yet sufficiently advanced for its desired use of the platform.

In addition, a very important question needs to be considered. What impact does the current suspension of military exports have? Suspending export permits does not mean that other providers will be able to step in to fill the void created by Canada.

All of that informs the thought process around Canada's defence and aerospace industry. If the government does not approach the export restrictions carefully, it could increase the cost of doing business and undermine the sector's competitiveness. It could also lead to supply chain diversions, in other words, the substitution of Canadian inputs with those of foreign competitors.

• (1700)

That could speed up the pace at which foreign competitors—both friendly and not so friendly—copy Canadian technologies. According to sources who have examined the situation in the United States, export restrictions intended to strengthen national security can sometimes have a negative impact on national security and competitiveness.

Increasingly, states are circumventing dual-use export permits and restrictions, going through civilian channels when similar technologies already exist. That means dual-use high-tech goods are being exported to countries through other means. India and others have taken advantage of that option through their space programs. This problem has given rise to input substitutions in industry supply chains.

In conclusion, for the sake of its own security, Canada should preserve a strong industrial base with the capacity to safeguard its interests. The corollary is that the defence sector must continue to grow its exports, or substantially and quickly increase sector-allotted resources to keep its technological edge. By doing nothing, Canada risks losing market share and the base of cutting-edge technology it currently enjoys.

There are ways for Canada to ensure that export consignees behave in a manner that is consistent with the letter and spirit of relevant agreements, while upholding Canadian values. That is crucial.

Canada has a number of options. At an industry level, Canada could more efficiently and effectively monitor, or oversee, the critical components of the value chain, including the technology links, to help Canadian companies become an essential part of users' business models. That would give Canada more sway over how end users behave.

Another way to solidify the essential role of Canadian companies and limit the likelihood of Canadian expertise being copied is to develop a service- and equipment-based business model. Likewise, this would prevent copied products and technologies based on Canadian expertise from entering the value chain.

On a government level, it is obviously important to adopt a system-based approach alongside allies, because unilateral actions to stop exports vis-à-vis a platform do not necessarily prevent that platform from being used. Internationally, multiple types of suppliers have the capacity to produce electro-optical modules, among other technologies.

Furthermore—

The Chair: Sorry, Mr. Cimon, but I have to stop you there. We don't have much time, so if you don't mind, we are going to move into the question-and-answer portion of the meeting.

As you answer members' questions, you may have a chance to cover what you didn't get to.

[English]

The first six-minute round of questions will go to Mr. Diotte, please.

Mr. Kerry Diotte (Edmonton Griesbach, CPC): Thanks to both witnesses for being here. It's an interesting topic, obviously, and I'd like to start with something fairly broad that's maybe obvious to the experts.

Maybe you could explain in layperson's terms how important Canada's defence industry is, especially for different regions across the country. I would particularly like to know if there's a great deal of importance for my home province of Alberta. Maybe you can quantify it.

Maybe we'll start with Mr. Agnew. Then Professor Cimon could weigh in.

Mr. Mark Agnew: I don't have particular regional breakdowns. The numbers you heard from the previous panel are aligned with what we have internally, with about a little over 60,000 people who are in the defence and security industry, and with over half of this being exported.

In some ways, it's quite hard to measure as it pertains to export permits, though, because there are many other applications beyond just how defence and security is narrowly defined. For example, a number of IT systems are included within the scope of a "controlled good". It's quite hard to give you a firm number, but we can take that back. I'd be happy to send to the clerk whatever we are able to find.

Mr. Kerry Diotte: Sure.

Go ahead, Professor.

[Translation]

Mr. Yan Cimon: I would agree with Mr. Agnew. The industry can certainly be broken down regionally across the country, but not necessarily in relation to exports. The breakdown tends to be by sector.

Eastern Canada, including Quebec and Ontario, has really strong players in electro-optical and infrared modules, as well as in software, system and subsystem design. A lot of maintenance, repair and overhaul is performed out east and out west. Ontario is home to combat vehicle manufacturers. It's important to keep in mind the other military activities that are based on both sides of the border.

Many defence companies have operations or sell products and services that can be deemed dual-use. Those goods can be subject to permits and very strict export requirements, as Mr. Agnew pointed out with respect to IT systems.

• (1705)

[English]

Mr. Kerry Diotte: Thank you.

As we've heard, there's been a significant drop over the last few years in the government's meeting deadlines for handling export permits. A recent Globe and Mail article said that its meeting of deadlines has dropped from 94% in 2017 to less than 72% in 2019.

First of all, what effect does this failure to meet deadlines have on Canadian companies?

Mr. Agnew, could you start on that?

Mr. Mark Agnew: Given that the export permit is the last stage in the process, typically that means the company would already have a contract in place with its buyer. The contract, as contracts will, specifies a deadline and a time for when the goods and services will be delivered. Simply put, if the permit is late, because it's been written into the contract on the assumption of a service standard, then the company will be missing that deadline. That could mean either penalties it has to pay and less money going to it, or on a future go-round, when the OEM is looking for a renewal, it may decide to switch to a supplier it thinks is more likely to meet its deadline, because that OEM, of course, has another buyer it is trying to send products to.

Mr. Kerry Diotte: Professor, do you have anything to add on that?

Mr. Yan Cimon: I would add that indeed there is a competitiveness issue, because of what Mr. Agnew just underlined, but there's also the fact that if you meet your deadlines, this also has significant implications, in terms of financing, the cash flow calendar and how the proceeds are exchanged for the sale. There may also be the fact that it's a sustainability issue for these firms, because don't forget that 90% of the industry is made up of small businesses.

Mr. Kerry Diotte: That's especially important right now, when everybody seems to be struggling with COVID and so forth.

That article in the Globe talked about, as I mentioned, a big slowdown in deadlines and so forth.

Was there anything that stood out to either one of you gentlemen for why that happened? Was there a change in attitude? Was there a

change in minister? Was there something that happened that suddenly, bang, we're not getting these permits; they're just not being filled as quickly as they were in a previous time?

Mr. Mark Agnew: I'm not sitting in the minister's office, so I can't claim to speak for them.

The sense we have, as outside observers, is that what happened with Saudi Arabia several years ago was one factor, in terms of increasing an added element of caution into the system, and caution means a bit of a slower move on getting permits turned around. That's then overlaid, of course, with the ATT and the uncertainty about how that is applied as well.

It's probably those two factors that were contributing to it would be my reading of the situation.

Mr. Kerry Diotte: Thank you.

Professor, do you have anything to add there?

Mr. Yan Cimon: I would add that social acceptability of the defence industry and defence product is also undergoing a lot of swings in public opinion. That also would have an effect, oftentimes because the misunderstanding of the types of systems that Canada sells abroad for military and defence applications.

Mr. Kerry Diotte: Thank you.

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

Dr. Fry, you have six minutes, please.

Hon. Hedy Fry (Vancouver Centre, Lib.): Thank you very much, Chair.

Thank you, everyone, for coming and helping to explain to us a very complex process and issue.

We heard from a lot of people in the industry who said there were two things they wanted most specifically: predictability and transparency. Also, we heard that they have not been able to have any kind of relationship or conversation easily with GAC.

What do you think can improve the conversation with GAC in a reasonable manner? What do you think can improve that ability for you to talk to the department about things you are concerned about, and about your concerns about predictability and transparency?

Mr. Agnew.

• (1710)

Mr. Mark Agnew: There are two suggestions that I would have. One is, informally, we would encourage departmental officials to be able to engage with companies. There can be sufficient caveats in place that no one is going to be bound by anything said in one phone call. I think things could be couched appropriately, as this is an informal, non-binding opinion or review of the department.

The other piece I would say is providing some kind of written guidance. I'm not looking to have some kind of naughty list of countries that are bad and countries that are good; it's more complicated than that. However, given that we are able to manage bilateral relations with travel advice—the EDC also publishes country risk guidance—there should be a suitable path forward that would allow companies to have something written to be able to look at.

Hon. Hedy Fry: I have another question. You and others talked about a triage system.

What would that look like?

Mr. Mark Agnew: There are a lot of details that would have to be worked out.

Essentially, if a triage system were introduced, it would focus on companies that are reapplying for an existing permit, where there are no changes in context around that application. Hopefully, that would have an expedited service scanner attached to it.

Hon. Hedy Fry: That would be the only criterion for companies that have an existing relationship, and have been doing good work, etc.

Is there nothing else? Isn't there any other level within your triage that you would think about?

Mr. Mark Agnew: That would be the main criterion. There might be others once we get into it.

We do want to be reasonable about this. If there is a change in context, we would say that it would probably not fit that triage circumstance. We want to be fair and recognize that there are a number of competing issues that need to be balanced, whether it's foreign policy, human rights, or commercial considerations.

Hon. Hedy Fry: Everyone has talked about balancing the government's decision, and also the need for industry to function, and the jobs it creates. Again, I go back to the terms “predictability and transparency”.

What do you think is the industry's responsibility in terms of being predictable and transparent? In other words, industries are talking to countries about providing arms and other defence technologies.

Should they also be able to say to the government, “Look, we've been doing this for this country for x years. There is a change in regime, and we're beginning to think this is not good to be used, in keeping with human rights and other values that Canada has placed on arms control.”

Do you do that? Do you do this due diligence? Do companies do due diligence on their part?

I'm saying that it's not just the government that needs to do due diligence.

Mr. Mark Agnew: Companies will have a diligence process, yes, of some kind. This is where, again, providing more specific criteria would help companies with that due diligence process. For example, when we talk about the substantial risk of gender-based violence, what is the government looking for in that evaluation, so that companies can make sure the application is addressing all of those points adequately?

Hon. Hedy Fry: That's one example of being values-based.

What about a country with a strange regime that is now unpredictable? What if, at the beginning, the industry that was selling drones to Turkey had known that Turkey was going to get involved in the Nagorno-Karabakh conflict? Should industry walk away from that if there is an unethical use? Should it speak up about it? Should it warn, in terms of transparency, government that something is going wrong on the ground?

We talk a lot about the government's response and responsibility. Is there a responsibility on the part of industry to also do some things that will flag this, especially when some countries do not believe in international rules-based order or are no democracies?

Mr. Mark Agnew: I would encourage people, as a general matter, to never put their heads in the sand on these issues. What that looks like in specific circumstances, I think, will vary.

As for what went on in Turkey, I've not made a comment on L3Harris Wescam's approach there.

• (1715)

Hon. Hedy Fry: I'm not asking you to be specific. I'm just asking, is there a duty on the part of industry to be transparent and upfront about what it considers to possibly be a change in the government, or a change in the relationship with the country that it's dealing with, and the way it sees an unethical use of the arms happening?

I'm wondering about that.

Mr. Mark Agnew: Yes, absolutely.

Companies should be transparent and accurate to the fullest extent in their applications and engagements with government regulators across the board.

[Translation]

Mr. Yan Cimon: I would add that these companies' lenders and financing institutions also have mechanisms in place. They impose fairly robust compliance measures when it comes to exposure to political risk and product diversion.

One option is to look at what's happening in the insurance sector. Assurances are given in relation to these transactions, so that is another tool. Nevertheless, you are right that the industry has a duty to be more transparent and accountable.

Again, I would say it's important to distinguish between the actions of industry and those of government in respect of product diversions, especially when the sale is complete and does not include a service component. I mentioned this in my opening statement: the preferred business model is one where the sale ties an intellectual property or service requirement to the use of the module or platform. It would then be possible to more effectively monitor how the item was being used, and services could be withdrawn if problems arose.

[English]

Hon. Hedy Fry: Thank you very much. My time is up, I think.

[Translation]

The Chair: Thank you very much, Professor Cimon.

[English]

Thank you, Dr. Fry. Thank you very much.

Hon. Hedy Fry: Thank you very much for your answer. That's an interesting response, and I wouldn't mind seeing some of those tools that you are proposing. Thank you.

The chair is giving me an eye here that says that my time is well over.

Thank you very much, Mr. Chair.

The Chair: Thank you very much, Dr. Fry.

[Translation]

Mr. Bergeron, the floor is yours for six minutes.

Mr. Stéphane Bergeron: Thank you, Mr. Chair.

My thanks to our witnesses for their comments, which are most helpful for our work.

Professor Cimon, would you say that there is a difference between selling arms to countries in Asia, Africa or Latin America, and selling arms to countries that are part of the Western bloc, such as the countries of NATO, or Australia, New Zealand and Japan?

Do you see a difference between the countries in those categories, in terms of arms sales?

Mr. Yan Cimon: There is a de facto difference, in that member countries of NATO are generally considered a lower risk by our government and are not necessarily governed by the same framework. However, you will notice that Turkey is not on that list of low-risk countries. In fact, Turkey's status is that it is not on any list. We can add the fact that Turkey and other countries are on the Export Development Canada list, but they are designated as countries "open on restricted basis", precisely because of those issues.

Generally, it is easier to sell systems for military use or for dual use to countries that are part of an alliance like NATO, which already has mechanisms that work well, or to allies like the countries in the Five Eyes, for example, with whom we have excellent relations.

Mr. Stéphane Bergeron: Has the status of Turkey on that list not changed quite recently?

Mr. Yan Cimon: Yes, you are right to point that out. Some allied countries exhibit behaviours that the alliance is not necessarily in favour of. Those countries, of which Turkey is one, have suffered consequences from their allies in their trade relations. Think about what happened in Canada with the drone affair. We can also think about Turkey's acquisition of the S-700 missile system, which cost the country a major part, if not all, of its participation in the joint strike fighter program, or JSF. So there are mechanisms that can sanction behaviours that do not serve the alliance's interests.

Mr. Stéphane Bergeron: I believe that the Government of Canada should have been alert to the fact that Turkey was using remote detection equipment in its drones in operational theatres outside its borders. A United Nations report in fact referred to the use of those drones in Libya.

If Turkey had clearly indicated to Canada that it intended to provide drones to Azerbaijan, do you believe that Canada would have proceeded with the sale?

● (1720)

Mr. Yan Cimon: That all depends on what Azerbaijan might have used them for. We have to highlight that problem of the re-export or loan of military equipment to third parties, because that could be a discussion in the context of defence relationships with other countries, like Ukraine. We know that that country wants to obtain the drone system in question, but we do not know officially whether the electro-optical equipment will be Canadian.

Mr. Stéphane Bergeron: You raise an interesting point, in that unilateral measures do not amount to much, because, if you leave a market, other countries will often become involved and try to occupy the space left vacant. In that situation, I assume that we must look at more multilateral mechanisms.

Could we foresee the establishment of mechanisms like that with the countries of NATO, for example?

Mr. Yan Cimon: We can certainly foresee that. NATO's structure is quite decentralized, but the structure has committees that operate across disciplines and across agencies. It allows that kind of mechanism to be put into place.

A mechanism of that kind can also be put into place voluntarily by a group of countries wishing to use it to ensure that sales of military equipment live up to the values of the countries selling that equipment. Of course, we are never sure of the use to which it will be put. But, in a group of friendly countries whose behaviour is demonstrably ethical, we can have a relatively high degree of confidence that the equipment will not be used inappropriately or re-exported to dubious destinations.

Mr. Stéphane Bergeron: We can be all but assured of that with friendly countries whose sense of responsibility and of ethics is relatively high. Can we expect the same degree of responsibility and of ethics when the time comes to sell the arms that have been sold to them?

Countries like Switzerland or Germany have a verification process not only before the arms are sold, but also afterwards. That is not the case for most western countries. There are really no mechanisms to verify arms, either before or after the fact.

Can we expect all countries in an alliance like NATO to show the same degree of responsibility and ethics when the time comes to suspend arms sales, thereby penalizing themselves financially and in the knowledge that countries like Russia or China will quickly want to move in?

Mr. Yan Cimon: Most liberal democracies have that kind of mechanism and that kind of concern.

You are right to say that it is important to be part of the countries' supply chains to ensure that you have control over the equipment that can or cannot be sold. As soon as a rival, or potentially rival, power takes a share of the market, we no longer have any control over problems of that kind.

The Chair: Thank you, Mr. Bergeron and Mr. Cimon.

[English]

The final round goes to Mr. Harris or Ms. McPherson. We have both on screen.

Mr. Harris, will you lead off?

Mr. Jack Harris: Thank you very much, Chair. I'll look after this. Ms. McPherson has just arrived, so I have the advantage.

Professor Cimon, I'm interested in the question of the responsibility that the exporters themselves have with respect to end use and what happens to their equipment once it has been exported. In this case, we're talking about Turkey, and we're talking about a very substantial-sized company here with operations, of the parent company certainly, in 100 countries with \$18 billion in revenues. They're supplying very high-end equipment and they typically know where its going.

GAC suggests in a question and answer document that was prepared that exporters and brokers must conduct "post-shipment verification as part of their due diligence", and also that they are required to inform GAC if it comes to their attention that the originally stated end use has not been respected.

Can you say what kind of expectation or what kind of responsibility a company such as L3Harris Wescam would have in respect to these sensors ending up being gone to a third party, or I think "diverted" is the word used in the trade?

Mr. Yan Cimon: There could be an audit system set up. Companies are very familiar with technological and other types of audits, so that could be one way of doing it, but you have to realize that it's really complicated for a company to go beyond the other company's boundaries. For example, in the case we're talking about, going to the Turkish company and then doing an audit there, a supplier audit or a final client audit would be doable.

However, once the product is in the hands of government agencies, it becomes harder to do that unless you have a service contract or a provision where you give the right to check the material from time to time and do periodic maintenance or activate or deactivate features, depending on what the contract says and the uses that the material is intended for.

• (1725)

Mr. Jack Harris: In this case, Professor, it was well known that Azerbaijan was being armed and was building up arms, and everyone knew about their previous conflict. However, it was announced by Turkey that they were selling drones or providing drones to Azerbaijan as well, and Wescam would have had to know that. The Government of Canada didn't seem to know.

Should Wescam not have a responsibility of telling Canada that something is going on?

Mr. Yan Cimon: One thing is....

[Translation]

You are quite right to mention that concern; it is important in this issue. Companies certainly have the moral responsibility to raise flags if ever there is a problem with the use of their equipment. However, beyond that, if there is no contract between a defence

company and a state, Azerbaijan in this case, it is very difficult to ask that company to take, or not take, any action.

Unfortunately, in this case, the action the company could take stops with its Turkish customer, a Turkish company. The grey area—and this is why we are having this conversation today—is when a government makes decisions for a company in its country and decides to sell or lend arms. The area then gets very grey and does not allow companies to have sufficient control over the use.

At that point, a multilateral framework governing that kind of situation could become very useful.

[English]

Mr. Jack Harris: Thank you, Professor.

It's been raised on a number of occasions in this panel, as well as previously, that the permit process is the last of a big long trail of activities, and this is the last step. Yet, why is that not happening? Is there no possibility of pre-approval? Why do you wait until your contract is signed and you have 10 days to deliver a piece of equipment? Is there a possibility or any mechanism for pre-approval before you sign a contract and commit to a particular delivery date? Can that system be overlaid on our system here?

Mr. Yan Cimon: A system like that could certainly be put in place with the collaboration of industry, because it's in the interest of industry to streamline the process, as well as it is for the government that is bidding in the process, so it would be a win-win, and industry would know far faster whether the licence would be granted or not and would also be able to manage it financially. Such a system could be accompanied by financial incentives or risk-sharing mechanisms to account for temporary cash flow disruptions in the company's finances. That could also be done.

Mr. Jack Harris: I'm just curious, because everybody complains about it, why would it not have been done already?

Mr. Yan Cimon: One issue may be the fact that if you do that in advance, you also....

[Translation]

If you do it in advance, you increase the uncertainty throughout the process.

The problem you are pointing out would be solved if the criteria were much clearer, as we were saying at the outset, and if the prior approval process matched the final approval process. The process would be somewhat similar to a person asking a bank for a mortgage, for example.

[English]

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

Colleagues, that takes us to the end of round one. We have a bit of wiggle room this afternoon with House of Commons resources, so if you agree, I would propose that we try to at least partially get through a second round.

If that's the committee's wish, then I would ask Mr. Chong to continue with the next round, please.

• (1730)

Hon. Michael Chong (Wellington—Halton Hills, CPC): Thank you, Mr. Chair.

I'll cede the floor to Mr. Diotte. I think he has some more questions.

The Chair: Sure, very good.

Mr. Diotte, please.

Mr. Kerry Diotte: That will work.

None of us wants to see any bad systems ending up in countries that are using them against people, but we heard from a previous witness that even so-called open countries like Australia are waiting four times longer for delivery of anything. First of all, I'm wondering if Mr. Agnew has any.... What's happening I guess is the pointed question; why is that? Australia's not seemingly a threat to anyone.

Mr. Agnew, do you want to chime in on that?

Mr. Mark Agnew: I think to the point about transparency that you've heard from other witnesses, I can't give you a perfect answer as to what's going on, because we don't actually know what's going on. We can speculate that additional criteria have been applied through the ATT and that innate caution has been injected into the system, but I'm not entirely sure what precisely is going on, and I can't answer that question with any precision.

Mr. Kerry Diotte: Professor, do you have any comments on that?

Mr. Yan Cimon: I would only offer speculation, but one thing that you could say, though, is that in all liberal democracies, defence industries are under tremendous pressure regarding the social acceptability of their products and services.

Mr. Kerry Diotte: Another witness has indicated that our competitive advantage is in jeopardy from slow permitting.

Mr. Agnew, would you like to comment on that? Obviously, it is possible that Canadian companies could lose work and that there could be layoffs and loss of money. Can you give some observations on that?

Mr. Mark Agnew: I think the observations you listed are the right ones. It is a competitive landscape. Yes, there will be companies that offer unique products and services, but there will always be a degree of substitutability for a large number of things. At the end of the day, if the buyer can't get what they're looking for on time and on budget, then they are going to look elsewhere for other options and there are other companies and countries that are happy to step into that void. We live in a free market, and that's the reality that companies face.

Mr. Kerry Diotte: Go ahead, Professor.

Mr. Yan Cimon: If you examine the cost structure of companies, you see that there are a lot of costs for bridge financing while there's a delay. There are also the human resources-related costs of maintaining human resources that do not work on projects that bring in cash flows. You also have a lot of issues in dealing with the overhead that this necessitates, because you need to have buffer inventories of a lot of input. You have to think about how you're going to streamline your process and then interface with your clients.

Keep in mind that, as was said earlier, there may be penalties attached to such contracts, so the longer it takes, the more penalties you may suffer. It's a slew of costs that are incurred by businesses because of that.

Mr. Kerry Diotte: I'm just wondering how Canada would stack up with other progressive countries in the world. We know that we have been a bit slow when it comes to permitting—for various reasons—so how would we stack up?

Mr. Mark Agnew: I don't have to hand the rankings of how we stack up. I would just say anecdotally that when our members are talking to us, we certainly hear vis-à-vis the United States that our system is less timely with the turnarounds, and that's the market that our companies would tend to benchmark against.

Certainly, if you're looking at where to place investments, the U.S. offers the closest substitutability for looking elsewhere to conduct your operations.

Mr. Kerry Diotte: Professor, do you have just a brief comment?

Mr. Yan Cimon: I concur that the U.S. is the benchmark, but compared with some European countries, Canada should not fare so badly. I do not have [*Technical difficulty—Editor*]

• (1735)

Mr. Kerry Diotte: Thank you.

The Chair: Mr. Diotte, thank you very much.

Ms. Sahota, the floor is yours.

Ms. Ruby Sahota (Brampton North, Lib.): How much time do I have, Mr. Chair?

The Chair: You have five minutes.

Ms. Ruby Sahota: Thank you.

I want to start off with some general thoughts. At the previous meeting on export permits, we heard from academics and civil society organizations. After listening to them, you really felt that Canada was willy-nilly providing export permits for almost every application. When you look at the numbers, you see that in 2019 there were 3,563 permit applications submitted to GAC and 3,201 of those were issued. One was denied, 35 were cancelled or suspended and 206 are still under review.

In large part, fewer than one per cent of cases annually are actually denied by GAC, but after listening to them, you felt that we didn't have stringent enough standards. After listening to people on the industry side, you're hearing that there's not enough transparency and that [*Technical difficulty—Editor*] permits are denied without industry really being aware of why, or they're caught off guard.

There was a recommendation made that we should have an arm's-length committee. I didn't hear a lot of advocates for that in the last panel. What would you think about having an arm's-length committee that would perhaps not address political considerations, which I know that Mr. Agnew also mentioned? There are always political considerations when perhaps making [*Technical difficulty—Editor*] or in consideration when it comes to these permits, but there's been a lot of desire for us to remove that political conflict, and that perhaps the test is also too stringent and any risk whatsoever should be enough reason to deny applications, so... I feel like we're going in circles with the arguments on two sides between civil society and between industry.

How do you square the circle? That question is going out to anyone who would like to attempt it.

Mr. Mark Agnew: In terms of the metrics, I know that in the previous panel there had been a discussion around the rejections. Where our head is at is a bit more on the processing times and the service standards, because even if you're late but still with a favourable decision, you still run into reputational risks and penalties. The metric we're looking at is a bit different from the one the member cited.

In terms of the role of an outside panel, I think we would want to see a bit more detail as to what that mandate would be. We fully agree with what's been said earlier, which is that such a panel should not become an outsourced body for decisions on individual applications, but certainly, if there's a willingness to bring folks together to talk about the system as a whole, then that could be something that is worth exploring, again [*Technical difficulty—Editor*] seeing the details.

Ms. Ruby Sahota: You think there should be an outside panel to review the processing of GAC applications, but not an actual outsourced body for reviewing the applications themselves?

Mr. Mark Agnew: Well, I would say it's qualified support for there being an external review of the system as a whole, but, again, the big qualification is that we'd want to see the terms of reference, the composition and the specific mandate of it. We're not in the market for a photo op or talking shop. We welcome substantive discussions.

Ms. Ruby Sahota: Is there anyone else?

[*Translation*]

Mr. Yan Cimon: I would say that adding committees to a process will not make it more effective. The whole process has to be reviewed, meaning the way in which questions are asked, which points are up for debate, the parameters used for that debate, and the way in which decisions are reached.

One objective is to come to a conclusion quickly, because the industry bears the costs. Another objective is to come to a conclusion that matches Canada's policy and Canadian values. That is a very difficult balance. As a result, simply adding a committee would reduce the efficiency of the process.

[*English*]

Ms. Ruby Sahota: It is indeed.

Your issue is with lengthy procedures. If there were more or quicker denials, instead of lengthy procedures, would that be a better outcome?

• (1740)

Mr. Yan Cimon: No, not necessarily. For quicker denials, yes, but for more denials, not necessarily.

Ms. Ruby Sahota: Okay.

The Chair: Thank you very much, Ms. Sahota.

[*Translation*]

Thank you, Professor Cimon.

[*English*]

We will now go to Monsieur Bergeron.

[*Translation*]

Mr. Bergeron, the floor is yours for two and a half minutes.

Mr. Stéphane Bergeron: Professor Cimon, I would like to continue our conversation where we left it a few moments ago.

My impression is that we are walking into a dead end. As the saying goes:

[*English*]

“Damned if you do, damned if you don't.”

[*Translation*]

If we apply our own principles, we may well find ourselves overtaken by our own allies and, if we are part of a multilateral policy with our allies, we may well be overtaken by less scrupulous states in terms of arms sales to countries that are equally unscrupulous.

Do we have a way out of that?

Mr. Yan Cimon: We have a way out if we take a measured and balanced approach. We were talking earlier about transparency. If we have criteria that are set, clear, easy for the industry to accommodate and for the general public and everyone involved to understand, we will have taken a great step forward. It would help the industry, the public and the decision-makers all at the same time. As a consequence, it could even help us to become a model, because Canada really likes showing that our industry and our way of working are based on ethics and human rights. This would be an additional way to prove it.

Mr. Stéphane Bergeron: If being a model means that we lose market share, what have we gained?

Mr. Yan Cimon: Becoming a model does not inevitably mean losing market share, quite the contrary. We can have processes and work multilaterally without automatically being outdone.

We just have to be very strategic in the way we help our companies position themselves in supply chains.

Mr. Stéphane Bergeron: You were telling us that, if we act unilaterally, we may well be outdone, not only by less scrupulous states, but even by our allies.

Do we have to go it alone or do we go with NATO? Even if we act together with NATO, what guarantees do we have that we will not be outdone by less scrupulous states?

Mr. Yan Cimon: That is an excellent question.

I would really like to have a precise answer, but I do not.

I can suggest a possible answer, however. Working multilaterally still allows us to limit the pitfalls and the possible losses for our companies.

That is not the case if we just work unilaterally.

The Chair: Thank you, Mr. Bergeron and Professor Cimon.

[*English*]

We'll now go to Ms. McPherson for our final round.

You have two and a half minutes.

Ms. Heather McPherson (Edmonton Strathcona, NDP): Thank you, Mr. Chair, and thank you to the witnesses for joining us today and sharing this information with us.

I hope I don't cover anything that's already been discussed today. I'm filling in for my colleague, who has an important role to play in the House of Commons today.

I'd like to start with a question for Mr. Cimon, if I could.

Mr. Cimon, former ambassador Peggy Mason has told the committee that "there is an obvious conflict of interest" in investigations of arms exports "because Global Affairs Canada is pursuing two contradictory policy objectives: enabling sales of weapons to foreign buyers on the one hand, and adhering to international and national obligations designed to protect human rights and international security that require strict limits on those sales on the other."

Do you agree with Peggy Mason that there ought to be an independent body making determinations on risk assessments and compliance with the ATT and Canadian legal obligations?

Mr. Yan Cimon: That could be one way of solving the dilemma. Another way would be to streamline the process but have two independent committees focus on the two aspects of the mission. They would then make their recommendation, and then we could have a body that would balance what is recommended in both cases, considering the trade-off between sales and adherence to Canadian values.

There's no perfect governance mechanism, there's no perfect way of arriving at an answer, but anything that helps to prevent a conflict of interest is a win for both industry and government.

Ms. Heather McPherson: Sorry, would the two independent arms be your preference? Would you see that way as being better or more effective?

Mr. Yan Cimon: Hopefully, it would be effective. When you talk about controlled exports, you will always have a political dimension. The eventual decision will always be at the prerogative of the minister or of the government, so we need to have a robust system to prevent cases in which there is an arbitrary determination.

● (1745)

Ms. Heather McPherson: Thank you.

My next question is for Mr. Agnew.

Mr. Agnew, welcome to the foreign affairs committee. I know we had an opportunity to study the CORE ombudsperson at the international human rights subcommittee. I didn't get an opportunity to ask you a question that day, so perhaps I could finish my time by asking you that question today. I hope it hasn't been asked already.

What role do our exporters have in ensuring that their products are not used in a situation that would undermine, or contribute to the undermining of, peace and security, or that they are not used to commit or facilitate a serious violation of international humanitarian law or human rights law?

The Chair: Just give a brief answer, please.

Ms. Heather McPherson: It's a very brief question.

Mr. Mark Agnew: I think the answer is, yes, that they should know the buyer as best they can. They should also ensure they are truthful in all of their applications to Global Affairs and are fully complying with the "aftercare" specifications, if I can call them that.

Ms. Heather McPherson: Thank you.

[*Translation*]

The Chair: Thank you very much, Ms. McPherson.

Mr. Agnew, Professor Cimon, on behalf of all members of the committee, let me thank you for joining us this afternoon. We are very grateful to you for your testimony and for sharing your expertise with us.

[*English*]

Colleagues, that takes us to the end of today's session. We're a bit extended because of the votes, but I appreciate your indulgence. It was a fulsome discussion.

Everybody, please keep safe.

We stand adjourned until our next meeting.

[*Translation*]

Thank you very much, and good evening to you.

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