



HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

44th PARLIAMENT, 1st SESSION

Standing Committee on International Trade

EVIDENCE

NUMBER 007

Wednesday, February 16, 2022

Chair: The Honourable Judy A. Sgro



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• (1600)

[English]

The Chair (Hon. Judy A. Sgro (Humber River—Black Creek, Lib.)): I call to order meeting number seven of the House of Commons Standing Committee on International Trade.

Welcome to all our witnesses.

We apologize for the delay. You know how these things are when you're dealing with Ottawa and the House of Commons.

Today's meeting is taking place in a hybrid format pursuant to the House order of November 24, 2021.

The Board of Internal Economy requires that committees adhere to the following health protocols. Anyone with symptoms should participate by Zoom and not attend in person. Masks must be worn by everyone in the committee room, except when members are at their place during parliamentary proceedings. However, it's strongly recommended that members wear their mask even when they are at their place during parliamentary proceedings. I remind staff to have their masks on for the two hours of this meeting, please. All those inside the committee room should follow best practices of maintaining a physical distance of at least two metres from others and maintaining proper hand hygiene.

As the chair, I will be responsible for enforcing those measures, so thank you for your co-operation.

I have to outline a few rules. You may speak in the official language of your choice. At the bottom of your screen, you have the choice of floor, English or French. If there's a problem with the interpretation, please let us know and we will halt the proceedings and correct it. The "raise hand" feature is on the main toolbar, should you wish to speak. When speaking, please speak slowly. When you are not speaking, your microphone should be on mute. I remind everyone that all comments should be addressed through the chair.

The committee clerk and I will be maintaining a speaking list.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Monday, January 31, the committee is resuming its study of the modernization of the Canada-Ukraine Free Trade Agreement.

With us today by video conference as individuals are Roman Waschuk, business ombudsman in Ukraine; and Michel Roche, professor, Université du Québec à Chicoutimi. From the Canada-Ukraine Chamber of Commerce is Zenon Potoczny, president.

From the Canadian Association of Petroleum Producers is Mr. McMillan, president and chief executive officer. Finally, from the Ukrainian Canadian Congress, we have Ihor Michalchyshyn, executive director and chief executive officer.

Welcome to all of you.

We will start with five minutes of opening remarks, after which we will proceed with a round of questions.

Mr. Waschuk, I invite you to make your opening statement, for up to five minutes. Go ahead, please.

Mr. Roman Waschuk (Business Ombudsman in Ukraine, As an Individual): Thank you very much.

It's an honour to be here in my current capacity as a business ombudsman, but also harkening back to my time as the Canadian ambassador to Ukraine at the time the Canada-Ukraine Free Trade Agreement was signed and implemented. It was designed primarily to give our commercial relations a boost, and, if anything, in terms of its negotiation, it was designed to help open up the Canadian market to Ukraine products, as well as promote Canadian exports.

We made a special effort, on the part of our development program at the time, to launch a project called the Canada-Ukraine trade and investment support project, with which Mr. Potoczny and the Canada-Ukraine Chamber of Commerce were associated. It was led primarily by The Conference Board of Canada to support Ukrainians who were suffering both from continuing warfare, which we now see is possibly surging again, but also from the problems of a transitional economy, which still hasn't worked out all the kinks.

We have seen growth in bilateral trade, but also bumps on the road. The pandemic was certainly inhibiting progress in 2020, and then we saw some rebound in 2021.

In looking at the opportunities that modernizing this agreement might bring, certainly in my time as ambassador, and now looking around at the Ukrainian economy and the issues I'm helping to resolve as a business ombudsman, you definitely see a thriving IT sector in Ukraine, which Canadian companies have been very actively tapping into.

You might think this would be problematic for the Canadian IT market or labour market. From what I've seen, however, it tends to be a net growing of the pie. As a former U.S. president might have put it, make the pie higher. The digitalization of companies, like Canadian Tire, was driven in part by innovations developed in Ukraine. It actually helped Canadian Tire increase the number of IT people employed both in Canada and Ukraine, just by making the company more digital. So there's considerable scope in the information technology services sector.

There's another area where Canadians have certainly made considerable progress in Ukraine, and that is in the insurance sector. Fairfax Financial of Canada now owns three insurance companies in Ukraine. It's the largest single player in the Ukrainian insurance space. Their companies write about \$150 million worth of policies annually.

Having a framework more securely defined, in which both ground rules for investment and rules for the provision of services by companies based in either Canada or Ukraine, would help expand that sort of engagement on both sides of this trading, investment and services relationship.

I won't belabour these points anymore, and will leave it to you to ask some questions.

• (1605)

The Chair: Thank you very much.

Mr. Roche, please go ahead.

[*Translation*]

Mr. Michel Roche (Professor, Université du Québec à Chicoutimi, As an Individual): Madam Chair, members of Parliament, thank you for this invitation.

Today, I want to talk to you about the modernization of the Canada-Ukraine Free Trade Agreement—CUFTA—and the broader issue of control in which it operates. We can't separate trade issues from the geopolitical and social situation.

My analysis rests on the premise that free trade is meant to be mutually beneficial to the parties involved and that the hoped-for gains aren't thwarted by unfavourable policies for either party. One aspect of the current situation is the relationship between Canada and Russia, and between Ukraine and Russia.

The Government of Canada's website on the modernization of CUFTA states as follows:

It will also help reinforce the rules-based international system by advancing fair, inclusive and transparent trade with Ukraine and will support prospects for long-term security, stability and broad-based economic development in Ukraine.

It's widely known that international trade contributes to stability, and that stability is one condition for open international trade. If the goal is to support Ukraine's long-term prospects for security and stability, it's necessary to go further than just removing tariff barriers.

To date, CUFTA hasn't led to any success. In 2016, prior to the free trade agreement with Ukraine, trade between the two countries was at a higher level than since it came into effect, except in 2017.

In 2017, the agreement came into effect on August 1. A major reason is the political and geopolitical challenges in Ukraine.

This country in particular is used as a mere pawn in the chess game of the great powers. Ukraine feels threatened by Russia, and Russia also feels targeted by NATO's past and future expansion. Since security can only be mutual, real negotiations should be undertaken to review the security architecture in Europe. An all-inclusive agreement would end Moscow's exploitation of the pro-Russian separatists in Donbass, reassure the Russian authorities and greatly enhance the sense of security in Ukraine. All this would have a positive impact on investment and trade.

However, for the time being, the Canadian position on the current conflict involving Ukraine is counterproductive. The refusal to acknowledge at least part of Russia's grievances is blocking any real progress in the negotiations. The possible introduction of additional sanctions against Russia will have a negative impact on all countries involved, starting with Ukraine, which trades about 50 times more with its powerful neighbour than it does with Canada.

It should be noted that another factor is even more dangerous for global security in the long term. Russia's growing isolation is drawing it increasingly closer to the orbit of China, a country that remains dissatisfied with the current world order and that aspires to hegemony. It's widely known that periods of transition between two hegemonies provide the greatest opportunity for tension and undermine the collaboration needed to maintain the public goods established by the most influential countries in the international system. History showed this with the decline of Great Britain in the late 19th century and during the multipolar period following the First World War.

Is it wise, in the current situation, to let Russia pull away? Could Ukraine really benefit from this type of situation?

• (1610)

In conclusion, I believe that the consideration of the modernization of CUFTA must take into account the broader parameters that I outlined.

Thank you.

[*English*]

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

Mr. Potoczny.

Mr. Zenon Potoczny (President, Canada-Ukraine Chamber of Commerce): Thank you very much.

In these very difficult days for Ukraine with the massive Russian army on the Ukrainian borders, we stand together with Ukraine and must say no to Putin.

I'm sorry, Mr. Roche, I don't quite agree with some of the things you mentioned, but we're not going to get into the politics today.

Over the past 30 years the Government of Canada has been continually providing extensive guidance and support for the Government of Ukraine and its efforts to establish a stable economic environment. One of the most mutually beneficial examples of this is the Canada-Ukraine Free Trade Agreement, CUFTA.

Since it came into force on August 1, 2017, CUFTA has laid new foundations for trade, growth and investment in both countries.

That being said, CUFTA is still a work in progress with opportunities for improvement. The Canada-Ukraine Chamber of Commerce conducted some of the consultations with our partners, members and stakeholders, and here are some of the points of our discussions and interest.

The first is cross-border trade, and consulting, financial and ICT services. Ukraine is a great destination for outsourcing of consulting, financial and IT services. The experienced and educated labour force of Ukraine has encouraged global corporations to locate their shared service centres in Kyiv, Lviv and other cities. Ukraine is now the fourth-largest supplier of tech talent to the world.

Ukraine is becoming increasingly popular among those looking for IT outsourcing partners. Since 2017, the IT sector in Ukraine has grown approximately 27% to 30% year over year, with over 285,000 IT specialists currently working in the industry with about \$6.8 billion worth of services in export.

We currently see a rise in interest from Canadian ICT firms in outsourcing to Ukraine as well as looking into opening their offices in the country due to the newly adopted law on digital economy facilitation, with highly attractive tax and regulatory conditions. The GDPR law is under way to its adoption. All this will make Ukraine highly competitive on a global market, and Canadian companies will benefit from it.

On the other hand, big Ukrainian service companies are also opening their offices in Canada to benefit from being located in the same time zone as most of their customers and better provide services. Hence, there are additional jobs in the Canadian economy.

On investment, Canadian corporations and investment funds are sophisticated investors. During the last few years we witnessed quite substantial investments in the Ukrainian markets made by such companies—Mr. Waschuk mentioned Fairfax, Brookfield and others. An important role in decision-making on the implementation of international projects by Canadian investors is played by the federal corporation, Export Development Canada, EDC, which provides credit and government guarantees for the implementation of the project.

In 2014, Ukraine's EDC rating significantly deteriorated, which led to reduced interest of Canadian businesses to invest in Ukraine. In 2017, Ukraine's rating was slightly improved, but it remains undesirable and does not correspond to the realities of the business and investment climate in Ukraine.

We would ask the committee to consider the need to re-evaluate the current EDC rating on Ukraine.

On non-trade barriers, we constantly hear of Canadian exporters facing challenges while dealing with Ukrainian customs, and it is probably time to consider implementing some improvements. Beyond tariffs, there are many other chapters and provisions on such elements as non-tariff barriers that will help to ensure that the market access that we gain through lowering or eliminating tariffs is not taken away by some other means or circumstances.

CUFTA should focus on eliminating the red tape that companies face at the border by establishing customs procedures that are standardized, as simple, as predictable and as modern as they can be. We suggest that digital transformation with a paperless environment and an ability to advance ruling for a given product, even before it reaches the border, would be very helpful.

A perfect example of such an issue is the certificate of origin, which in many cases gets questioned once the product travels from Canada through another country to Ukraine. Another example of such a non-tariff barrier is the treatment of Ukrainian alcoholic beverage exports to Canada by Canadian companies.

• (1615)

The export tariffs on these beverages were removed but in the case of one of our members the Ontario Ministry of Finance, through the LCBO, has levied an unfairly high cost of service differential, COSD.

The Chair: I'm sorry, sir, I have to interrupt.

Could you close your remarks so that the members can ask some questions, please.

Mr. Zenon Potoczny: All right.

I would just like to say that much lower cost charges are being applied to EU tariffs because of the provisions of the Canada-European Union Comprehensive Economic and Trade Agreement. It's also the same with Canada-U.S.-Mexico, where they are much lower.

Therefore, we're asking to please ensure that similar provisions are included in the text of the expanded and modernized CUFTA.

The Chair: Thank you very much.

Mr. Zenon Potoczny: On the immigration—

The Chair: I'm sorry, sir. You're over time.

I know it's difficult.

Mr. McMillan, please.

Mr. Tim McMillan (President and Chief Executive Officer, Canadian Association of Petroleum Producers): Thank you, Madam Chair and committee members, for including CAPP in this important discussion.

The Canadian Association of Petroleum Producers produces about 80% of Canada's oil and gas. We're proud to be one of Canada's largest employers and Canada's largest private sector investor. Pertinent to this committee, oil and gas make up Canada's largest export.

Consistent with the last couple of speakers, I will keep my comments to energy trade and to the larger dynamics that are currently making trade with the Ukraine challenging and some of the dynamics that are driving that in Europe and in the Ukraine.

As a quick background, the Ukraine lost about 80% of its oil and gas potential when Russia annexed the Crimea in 2014. According to the International Energy Agency, Ukraine has one of the most energy-intensive economies in Europe. They have worked very hard over the last decade to become more self-sufficient with gas, and today they produce about 70% of the natural gas domestically and need to import the other 30%.

Like the rest of Europe, their energy needs and their gas needs make them heavily reliant on Russia. Back in 2016, Russia, in the midst of a dispute, cut off gas supplies to the Ukraine for a day. The devastating effects of energy insecurity are something that no country should have to live with.

When we look at the primary energy demand in the Ukraine, natural gas makes up about a third of all the energy they use, coal is 30%, nuclear is 20% and petroleum, gasoline and diesel fuel about 18%.

The Ukraine has worked to get what they call a flowback mechanism to get some gas coming back out of Europe into the Ukraine so they aren't solely dependent on imports from Russia.

A quick reflection on the realities of energy in Europe shows that over the last several years Europe has become increasingly dependent on Russia and on imports that globally.... Maybe I'll start globally.

The last several decades has seen dramatic increases in the demand for oil and gas. This has been a very positive impact on the world's poorest nations, meaning better diets, warm houses in winter and more freedom of movement. The International Energy Agency predicts an increase in global demand by about 30% out to the end of their forecast in 2040.

Europe has made some energy policy choices that I think have made them very vulnerable, and I'll go over them right now. I think those vulnerabilities have a direct impact on their ability to play a relevant role in the current conflict that seems to be amassing in the Ukraine. Europe has taken policy decisions. They have seen production of their domestic natural gas fall off dramatically. The North Sea and Norway have both seen substantial declines in the last several decades, and though the onshore resource is substantial in many parts of Europe and the United Kingdom, they have put policies in place that have made it very difficult for them to develop it.

As I mentioned earlier, it is life changing when the world's poorest nations get access to energy, oil, gas, coal, nuclear, wind and solar for the first time. It is truly phenomenally beneficial. It is also devastating, expensive and dangerous when the world's wealthiest

nations lose access to reliable energy. The policy decisions that Europe has made in recent years have left them extremely vulnerable. They have shut down their nuclear facilities in several countries or are in the process of doing so. They have shut down several coal-fired power plants. They have limited their ability to develop their resources for oil and gas, and they have become more reliant on imports from the Middle East, Russia and Africa. They have also built out some infrastructure for LNG, and that is a bit of a lifeline today, as they are facing some very high prices and insecurity coming out of Russia.

• (1620)

This insecurity has left Europe in a very vulnerable position, where they seem to be unwilling to take a strong stand. Being more secure in their energy supplies would enable them to take more principled stances.

Europe has gone from—

The Chair: Mr. McMillan, I'm sorry. Your time is almost up. If you want a closing statement, make it now.

Mr. Tim McMillan: I would thank the committee for including energy in this discussion. It is fundamental to the dynamics that we're currently seeing play out in Europe and around the world. Canada has an opportunity to build LNG facilities to be a reliable partner for our allies and friends around the world, including in Europe and in Ukraine, but it's going to take policy change here in Canada for us to play that very important role.

Thank you, Madam Chair.

The Chair: Thank you very much.

It's on to Mr. Michalchyshyn for five minutes, please.

Mr. Ihor Michalchyshyn (Executive Director and Chief Executive Officer, Ukrainian Canadian Congress): Thank you for the opportunity to speak to this committee.

This is a reminder for everyone that when referring to Ukraine, we don't need to use the article "the", which would imply a region. Ukraine is a sovereign state, as we're learning in these times of conflict and Russian escalation of aggression.

I'm here on behalf of the Ukrainian Canadian Congress, which is the voice of Canada's Ukrainian community. We bring together under one umbrella the national, provincial and local Ukrainian community organizations, and represent the interests of the community in Canada which, at the last census, was at 1.4 million Canadians. Our organization has worked since 1940 and we work in the spheres of social, economic and political affairs.

Before I speak to our recommendations on this important topic of CUFTA modernization, I want to touch upon the fact that Ukraine is a country at war. It is a country that has been a target of foreign aggression for the past eight years, and it has defended itself against Russia's attempts to once again subjugate the Ukrainian people through the use of force.

Today, Russia is threatening a further invasion of Ukraine. It is a serious escalation, which is having deleterious effects on Ukraine's economy. The instability caused by Russia's escalation in recent weeks is causing private investors to flee and making it far more expensive for Ukraine to raise capital on lending markets. We welcome the announcement by Canada in recent days of loan commitments to Ukraine totalling \$620 million and the intention of the G7 to support economic stabilization. However, it's also important to remember that we need to raise the costs on Russia of further escalation of aggression.

UCC calls on this committee and its members to support the implementation of further sanctions against Russia as a proactive deterrent, rather than following a potential Russian invasion. Sectoral sanctions on the energy and financial sectors of Russia need to be strengthened immediately. These should be sanctions against Russian officials, particularly wealthy businessmen, or oligarchs, close to the Russian regime, and they should be sent now as a deterrent.

Turning to the issue at hand, to the longer-term modernization of the Canada-Ukraine Free Trade Agreement, the Government of Ukraine has made the attraction of foreign direct investment in Ukraine a policy priority. The increase of trade and economic activity between Canada and Ukraine will serve to further facilitate Ukraine's transition to a market economy [*Technical difficulty—Editor*] supremacy of the rule of law and democratic governance.

Ukraine is a key international partner for Canada and an emerging market for Canadian investments in the heart of Europe. Increased prosperity resulting from Canadian investments in Ukraine will create a virtuous circle of increased investment of the Ukrainian business community in Canada, creating jobs and prosperity here.

We have five recommendations for the committee on the modernization of CUFITA. First, focus on increasing trade collaboration and investment between Canada and Ukraine in the IT, green energy, defence and aerospace sectors, which have the strongest potential for growth. Second, establish reform benchmarks in law enforcement, judicial and taxation systems and clear criteria for measuring reform progress. Third, focus on demonopolization of Ukraine's economy, including market competition reform benchmarks with Ukraine's anti-monopoly committee. Fourth, work to revise Export Development Canada's risk rating criteria of Ukraine and ensure that EDC makes all of its products and services available to Canadian businesses investing in Ukraine. Finally, focus on enhancing the people-to-people ties by developing a comprehensive road map for the liberalization of travel for Ukrainian citizens to Canada, including the establishment of visa-free travel for short-term visits.

The relationship between Canada and Ukraine is a strong one not only because of the people-to-people ties; it's strong because our countries share the same values and commitment to democracy, equality and liberty. We believe that the modernization of the Canadian-Ukraine Free Trade Agreement will strengthen these ties to the benefit of both countries and both peoples.

Thank you.

• (1625)

The Chair: Thank you very much, sir.

Mr. Patzer, please. You have five minutes.

Mr. Jeremy Patzer (Cypress Hills—Grasslands, CPC): Thank you very much, Madam Chair.

I'm going to start with Mr. McMillan. How important is energy security to a country like Ukraine?

Mr. Tim McMillan: For Ukraine, like any country, it's fundamental. It is the basis of modern life. It heats our homes, it provides the food that we eat, it's the fertilizer for our crops.

Ukraine has worked very hard over the last decade to become more self-sufficient, but the insecurity of the current political situation leaves them very vulnerable and it leaves their allies very vulnerable at the same time.

Mr. Jeremy Patzer: Can Canada help? Do we have resources or things that could help out Ukraine?

Mr. Tim McMillan: Absolutely. We have world-class energy resources. What we lack is infrastructure. I am sad to say that over the last decade, we have had several large infrastructure projects on our east coast—some that were directly linked to European utilities—that needed federal and provincial approvals. None of those projects have gotten their approvals. None of them got final investment decisions.

Some of our competitors and friends around the world have developed substantial LNG infrastructure. The U.S. has surpassed us and I believe they have 15 that are currently operating or in construction. Canada has zero that, today, could send natural gas to Europe.

• (1630)

Mr. Jeremy Patzer: What was the biggest hurdle preventing them from reaching final approval?

Mr. Tim McMillan: It's not the resource, because ours is world class and cost effective. It is the Canadian regulatory process that is not as transparent as we would expect a democracy like Canada to have.

It changed a few years ago with Bill C-69, which made that more difficult, and I think large global investors look at Canada today as a place where it is very difficult to get major infrastructure built, energy infrastructure or otherwise.

Mr. Jeremy Patzer: Thank you.

Mr. Potoczny, where are we at right now for trading agricultural products to Ukraine under the current agreement?

Mr. Zenon Potoczny: Ukraine is one of the major producers of agricultural products in the world, and if you look at the different products, they're top three in the world in many cases. Ukraine is a major exporter to the world.

Between Canada and Ukraine, I don't think there's a huge agricultural trade, but there is quite a bit of fruit traded. If you drink any apple juice in Canada, you are most likely drinking juice made from apples from Ukraine, because Ukraine is the number one exporter of apples to Canada.

Definitely EDC is key in this area. I know there are companies from Manitoba and Alberta trying to export not the product itself, but the equipment to Ukraine. They have done it before with assistance from EDC. However, EDC has cut off quite a bit of business and will look at Ukraine only on very much a case-by-case basis. EDC is a very important player in here.

Mr. Jeremy Patzer: Thank you for that.

Building off that framework, I asked this question to departmental officials and I'd like to get your perspective: What about the certification process for manufacturers?

That's one of the requests from manufacturers in my riding that are exporting agricultural equipment to Ukraine. They're looking for some certainty on the certification required. Do you have any comments on that?

Mr. Zenon Potoczny: If we're looking at certification in Ukraine of Canadian equipment, I know myself, because I'm also in the energy and oil and gas business in Ukraine, when we tried to bring a Canadian-made rig into Ukraine, the process of getting it certified and approved was just incredible. It was impossible. Ukraine has—

The Chair: You have 20 seconds remaining.

Mr. Zenon Potoczny:—really moved a lot into the area of definitely changing and improving the certification process. It still has some issues here and there, but it's definitely different from what it used to be in moving a lot of this bureaucratic paperwork to digital form, where you don't have bureaucrats along the way trying to make some money and take some bribes. If we can move it into that system, we can improve it very quickly and very nicely.

Ukraine is moving into the digital world very quickly, if you look at what they have already digitized in Ukraine.

The Chair: Thank you very much.

Mr. Virani, go ahead, please, for five minutes.

Mr. Arif Virani (Parkdale—High Park, Lib.): I believe it's six minutes, Madam Chair.

The Chair: I'm sorry. We started a half an hour late.

Mr. Arif Virani: I'm sorry. Yes. I'll be a bit quicker.

First of all, welcome. It's great to see so many familiar faces.

The last time we were in session at this committee we were interrupted by an announcement of additional money for financing of \$500 million in Ukraine, but also \$7.8 million for weapons and armaments. We can't promise that the same will occur in the middle of this meeting, but who knows? Stay tuned.

I do think it's important to just underscore that kind of support. Whether it's renewing Operation Unifier, the \$620 million thus far that Ihor mentioned, the lethal armaments that have been supplied or the humanitarian aid, I think it demonstrates a commitment, and

you have a lot of strong advocates among all sides of the House for Ukraine.

Very politely and respectfully, Mr. Patzer, in terms of some of the comments you made, I'll agree to disagree with you. I think the entire approach toward the Canada-Ukraine free trade agreement 2.0 is about further liberalizing trade with western nations such as Canada and really helping Ukraine embrace the free market economy. I think that's just something *prima facie* that Vladimir Putin is not going to be happy with, but so be it. That would be my simple response.

Roman Waschuk, I want to put a question to you because, first of all, I appreciate your service as former ambassador. It's nice to see you again, sir. I appreciated your hospitality when I was able to visit Ukraine in 2018. I appreciated not just the fact that you were there on our behalf as an ambassador, but also some of the things that you were instrumental in terms of opening my eyes about: the omnipresent security and territorial threat of Russian aggression, which I saw in observing the troops on the Maidan and when you helped me tour the Maidan.

Also, you explained to me that there are economic levers we can use to our advantage to further close that gap between our two countries. I remember intense discussions about the film and TV industry, because I was there at the time in my role as parliamentary secretary to the heritage minister.

Can you comment on things such as the film and TV industry co-production agreements or other avenues of economic linkages that you see and that we can embrace via this renegotiation of the agreement?

It's over to you, former ambassador Waschuk.

● (1635)

Mr. Roman Waschuk: Yes, indeed. I would note that we have in fact signed a co-production agreement, so we have the respective taxation and content regulation regimes in place. Naturally, we've not been able to fully utilize it, as the pandemic put a bit of a damper on people travelling back and forth to engage in international co-productions. Certainly, we'll have an increased scope to work that out now.

I would also flag that Canada-Ukraine trade—for example, in 2021—is highly balanced. Both countries were exporting goods worth about \$220 million to \$225 million both ways. Maybe I'll flag again a point that Profession Roche was claiming: in other words, that the agreement has been entirely ineffective. In fact, Ukrainian exports to Canada have doubled since 2017—between 2017 and 2021—which was one of the policy goals of Canada in helping Ukraine in its diversification of trade internationally. That goal has certainly been achieved.

I think that through services—audiovisual being one of them—we can make it better.

Mr. Arif Virani: Thank you, Mr. Waschuk.

I want to put a question to Ihor as well.

You mentioned some of the economic levers and listed five different recommendations. I thank you for them.

I want to focus in on one of them that you talked about in terms of our trade and investment. You mentioned IT. I know that telecoms are up for review, and I know that cybersecurity is also an area that is a burgeoning threat in terms of Russian aggression with respect to what's going on with Ukraine's integrity and sovereignty right now. Can you unpack some of the linkages there that might be formed between the cybersecurity assistance and telecoms investment, Ihor?

Mr. Ihor Michalchyshyn: Well, I'm not an expert on cybersecurity, but I think, as our previous witnesses have said, that IT is the growth industry. Even today and yesterday we saw that in Ukraine the defence ministry, major banks and others have been hit with intense cyber-attacks. Ukraine has certainly become expert in dealing with.... I don't know who would be attacking Ukraine via cyber at this time, but whatever country it might be, Ukraine has become an expert in dealing with them.

We know that Canada has a deficit of IT specialists and, as was mentioned, there's a natural linkage there. There are certainly other aspects, including artificial intelligence, financial technologies and analytics, but just by virtue of the geopolitical context, Ukraine is quickly becoming an expert in dealing with major cybersecurity threats.

The Chair: Thank you very much, sir.

We'll go to Mr. Savard-Tremblay for five minutes, please.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay (Saint-Hyacinthe—Bagot, BQ): Thank you, Madam Chair.

Good afternoon, everyone.

My question is for Mr. Roche.

I'm delighted to see you again, Mr. Roche. We knew each other when you were—and still are—a professor at the Université du Québec à Chicoutimi. We're pleased to have good experts on this part of the world in our Quebec universities. I once taught one of your courses during your sabbatical year. It concerned the political economy of international relations, the topic at hand today.

First, could we summarize the issue by saying that the Canadian position is to align with the United States?

• (1640)

Mr. Michel Roche: The Canadian position is to align itself in part with American foreign policy. This is also true for Great Britain. However, we can see nuances among the different member countries of the North Atlantic Treaty Organization, or NATO, that are taking a position on the conflict. Germany and France are much more nuanced. However, I believe that the position of the Department of Foreign Affairs is also based on very Canadian considerations.

Mr. Simon-Pierre Savard-Tremblay: Just before I ask you about these considerations, I want you to briefly comment on whether Canada has the most radical attitude towards Russia.

Mr. Michel Roche: In terms of the current situation, I would say that Canada is most certainly the country with the most uncompromising attitude towards Russia's demands. Don't misunderstand me. I'm still on the side of the people. I'm on the side of the Ukrainian people. I don't like it when people, both sovereign and non-sovereign, are exploited in this way for foreign policy purposes.

From this perspective, the Ukrainian people have my complete sympathy. However, we must see the forest for the trees. When we look at things from a purely regional perspective, we miss some of the major processes changing international society today.

Mr. Simon-Pierre Savard-Tremblay: Mr. Roche, I think that we understand that you don't hold the Ukrainian people in contempt. Far from it. However, you believe that we shouldn't try to isolate Russia, since this would harm Canada's interests by bringing Russia closer to China.

I want to ask you now why, in your opinion, among the—

[*English*]

The Chair: Let me interrupt for a moment, Mr. Savard-Tremblay. This is just a reminder that trade is the focus of our study. That's what we are focusing on.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Of course, and I was getting there. That's why we were talking about hydrocarbons earlier. I want to ask Mr. Roche to explain this position.

Mr. Michel Roche: I think one of the previous speakers explained this in part. We talk about trade even when we discuss security. We shouldn't separate things artificially. The key point here is that the trade relationship between Canada and Ukraine has an energy aspect. This aspect applies to people who want to sell gas, such as the Russians with Gazprom, but also to Canadian companies. It's legitimate from a trade perspective, but it's also part of strategic considerations.

There's a reason why Germany, France, the Netherlands and other countries, by importing a great deal of Russian gas, are helping to strengthen Russia.

Basically, one of the main drivers of Russian diplomacy is its hydrocarbons. That said, the worrying thing is that, although there are legitimate reasons for this, there's obviously an attempt to take advantage of the current situation to increase the intensity of the conflict and possibly find a way to stop the Nord Stream 2 gas pipeline project. In doing so, of course, Canada and the United States would be ready to take over the export of gas from Russia.

Even though this type of practice may be legitimate from a trade perspective, it helps push Russia's buttons, so that—

[*English*]

The Chair: Sorry to interrupt, Mr. Roche, but the time is well in excess of Mr. Savard-Tremblay's time.

Mr. Masse, you have five minutes, please.

• (1645)

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Thank you, Madam Chair.

Thank you, Mr. Roche.

[*English*]

Mr. Brian Masse (Windsor West, NDP): Thank you, Madam Chair.

I'll start with Mr. Waschuk, but I'll leave this open for other witnesses to chime in after, if they're interested.

One thing I've always had a great interest in is cybersecurity and fraud prevention. In fact, we did our first one ever at industry committee last session.

I'm wondering what we could do better to improve our telecommunications, trade and digital economy, not only for the financial sector, but also other components in the trading venue that would enhance that type of operation. I think Canada has a lot to offer in those elements, and I'd like to see encouragement going in that direction.

I mentioned last session that I've had Ukrainian interns for 12 of my 20 years here in the House, and they've been phenomenal at being ahead of the curve. Most of them are in those fields right now, after they go through the programs.

I'll start with Mr. Waschuk, and then if anybody else wants to chime in, I'd be happy to hear about that too. I find that really unique and really special, from what I've experienced.

Mr. Roman Waschuk: Certainly.

Well, the Ukrainians have been in sort of a lemons-to-lemonade mode here. A number of them have taken their frontline experience in this tech struggle and turned it into successful cybersecurity companies.

Similarly, they are very much interested in solutions that Canadian companies may offer. There are broader interests, as well, in the defence field. I think it is probably not a coincidence that our leading export in 2021 was optical equipment, given that the Ukrainians are literally looking through at what is facing them from the other side of the border.

I think there is considerable scope, not just for simple back and forth, but on joint development and creating teams that can crack innovation issues and move things forward for companies both in Canada and in Ukraine. Companies that have done that have certainly succeeded very well in the Canadian market.

Mr. Brian Masse: I'll turn it over, if anyone else is interested in that.

I don't want to get deep into the military stuff, but the reality is that when you look back in history, the military has often led to a lot of civilian progress and peaceful progress in technology.

I'm close to the American border. If you look at the American Civil War, there were a lot of advancements, for medicines and a whole series of different things, just out of necessity.

At any rate, that's where I see some excitement about where we can cross-pollinate some of our businesses to be very successful.

Is there anyone else who'd like to comment on this sector?

Mr. Zenon Potoczny: If I can maybe jump for a second, cybersecurity in Ukraine is a great business, a great talent, but I think we, as Canadians, have to be a little more aggressive and co-operate with them more closely.

We at the chamber of commerce try to do that. We bring them into the trade missions for these cybersecurity conferences, and I see how Americans quickly take them away. Americans are basically taking them from under our nose. As Canadians, by being too conservative and too nice, we are losing that huge co-operation chance with Ukrainians.

Ukrainians love Canadians, they want to co-operate, but we have to be a little more aggressive.

Mr. Brian Masse: That's a good point. We face that too. Our start-ups get to medium size and they're gobbled up, and some are gobbled up to stop competition. It's something that we face quite a bit over here.

I think I'm out of my time, Madam Chair. Do I have any time left?

The Chair: You have 56 seconds.

Mr. Brian Masse: I have a real quick question for Mr. Waschuk. I'm sorry, I don't want to miss any others, but I only have 60 seconds.

In terms of border security and operations and processing for exports and imports, are there things we can get with regard to sharing our government resources and expertise for that? A good example is that Canada has programs, such as detector dog programs, which are well respected and make the goods and services flow better.

Is there something we can do there, as well, to make sure that our trade actually grows?

The Chair: We need a brief answer, please.

Mr. Roman Waschuk: I think working under an enhanced chapter on processing, border security and customs co-operation would certainly be very helpful.

• (1650)

The Chair: Thank you very much.

We'll go on to Mr. Martel for four minutes.

[Translation]

Mr. Richard Martel (Chicoutimi—Le Fjord, CPC): Thank you, Madam Chair.

My question is for Mr. McMillan.

Mr. McMillan, I gather that, if we were to export liquefied natural gas, or LNG, to our allies in Europe, it would probably change the geopolitical dynamic and make our allies less dependent on Russia.

To what extent would Canada be able to meet the European demand?

[English]

Mr. Tim McMillan: That's a great question.

There have been multiple LNG facilities proposed for the east coast. Nova Scotia, New Brunswick and Quebec have all had projects. The limit is not on the resource; Canada has hundreds of years of supply. It is safely available and developable. The infrastructure is really the only limiting factor. If we could have the access, we have the resource to supply really—I don't want to say endless—more natural gas than we certainly use here in Canada.

[Translation]

Mr. Richard Martel: Mr. McMillan, Canada has had an agreement with Germany since the spring to supply more LNG. It can do the same with other countries, including Ukraine.

I still wonder how we can afford to turn down LNG projects here in Quebec, such as GNL Québec's Énergie Saguenay project, which would have been the cleanest in the world.

[English]

Mr. Tim McMillan: No, it most certainly would have been. The compression would have been done with hydro power. The carbon footprint of that facility and the natural gas flowing through it would be almost infinitesimal compared to the natural gas coming out of Russia, coming out of the Middle East or out of north Africa, but the political environment or the regulatory environment in Canada did not allow that project to get through the BAPE process.

[Translation]

Mr. Richard Martel: I'll continue with you, Mr. McMillan, because this issue is particularly relevant to my constituency.

I want you to explain the difference between Russian gas and Canadian gas. What are the advantages of Canadian gas? Why would it be more beneficial for European countries to export Canadian gas?

[English]

Mr. Tim McMillan: Canadian producers are world class. Even compared to our friends and neighbours to the south, Canada has extremely rigorous regulations around methane emissions. We have venting and flaring regulations that are second to none. The carbon footprint of a Canadian gigajoule of gas is better than any gas coming out of Russia, the Middle East or the United States, for that matter.

[Translation]

Mr. Richard Martel: Thank you, Mr. McMillan.

Mr. Roche, I'm pleased to see a witness from the region. In an interview with Radio-Canada, on January 10, you said that we would see a diplomatic solution to the conflict, not a military one. Is this still the case today?

Mr. Michel Roche: Yes, this is still the case. Contrary to popular belief, Russia has no interest in taking over Ukraine. It currently wants to put pressure on NATO by using Ukraine, unfortunately.

However, the domestic conditions in Russia don't provide any benefits in terms of cost. This makes it impossible to occupy a country of 40 million people, most of whom would be hostile to Russia.

[English]

The Chair: Thank you very much, sir. I'm sorry to cut you off.

We go on to Mr. Baker, please, for four minutes.

Mr. Yvan Baker (Etobicoke Centre, Lib.): Thanks very much, Chair.

Hello to our witnesses.

[Member spoke in Ukrainian]

I don't have a lot of time, so I'll be very brief, and I'll ask you to answer my questions as concisely as you possibly can.

Before I go on, I will say that I'm with Mr. Virani. I don't expect another announcement of lethal aid to Ukraine during our meeting today, but I will say that I thank all members of the committee on all sides of the House. We just passed a unanimous motion that I requested unanimous consent for in Canada's Parliament, standing firm in support of Ukraine sovereignty, condemning the Russian Duma vote recognizing the so-called Donetsk and Luhansk people's republics and calling on the international community to stand together in opposition to further aggression and to continue to support Ukraine. That is some good news as well.

I want to go to you, Mr. Waschuk, if I may. You spoke about the opportunities in provision of services, but you talked about the need for ground rules in the provision of services, which would help expand that sort of opportunity.

Could you briefly describe what you mean by those ground rules? What specific ground rules would you recommend?

● (1655)

Mr. Roman Waschuk: I'm now in the business of helping to enforce ground rules by holding Ukrainian officials to account through the business ombudsman office when they, for example, wilfully misinterpret regulations.

I think we have seen significant improvement in the regulation of the insurance market, which has moved from a weak national regulator to the national bank. That's been good news for Fairfax and its three companies here in this market.

I think helping Ukraine move in those directions that create more predictability and also continuing to press for improvements in the judicial system and rule of law...because people who own a company one day want to make sure that they still own it the next and that they can get a fair hearing in court.

We supported judicial [*Technical difficulty—Editor*]. I think it was the UCC that mentioned it. Adding some elements of conditionality there would probably be helpful as well.

Mr. Yvan Baker: Thank you for that.

Mr. Potoczny, thank you for being with us here today. You gave us a number of recommendations, which I'm sure we'll consider in our report. You spoke about EDC. You spoke about the opportunities available.

As we prepare our report, is there any specific additional advice that you would give to us as MPs on this committee that you believe the government should include as it's renegotiating the Canada-Ukraine Free Trade Agreement? What would you like to see more tangibly in the CUFTA going forward, if possible?

Mr. Zenon Potoczny: Some of the points that I presented were the points that our members and our partners have talked about, but there are a couple of things I didn't have a chance to throw in.

One of them is immigration regulation for Canadian citizens. I don't know if you know, but if you are travelling to Ukraine, the maximum time you can stay is 90 days out of 180. You then have to go through a huge process of documents and approvals. Otherwise you get penalized.

Canada can also do something like the European Union does, where they allow Canadian business individuals and their household members to stay in Europe for up to three years on a special permit, which is easy to obtain. If we can just repeat the same thing that Canada does in Europe with Ukraine for Canadians....

As you know, everyone on the Ukrainian side keeps on asking about visa-free travel for Ukrainians. I know everybody says, "Not yet," but just looking at the business side of things, if you can have free movement of even business people for these trade shows, business meetings or business to government meetings, I'm 100% sure we can increase the flow of deals made, the flow of deals signed and the trade and investment. Right now it's very complicated and difficult to get visas for Ukrainian people, including normal, regular business people. I would like to see these couple of things in another—

The Chair: Thank you very much, sir.

It's on to Monsieur Savard-Tremblay for two minutes, please.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: Two minutes will fly by.

Thank you, Madam Chair.

Mr. Roche, let's keep talking about hydrocarbons. We were talking earlier about developing our own oil in a way that makes us more competitive with Russia, and also in terms of trade with Ukraine and Europe. My colleague, Mr. Martel, who is also your member of Parliament, asked another witness whether it would be

beneficial to develop our liquid natural gas. It seems that your opinion isn't quite the same. What are your thoughts on this?

Mr. Michel Roche: Of course, I had to focus on the issue of natural gas development, having spoken before the bureau of environmental public hearings, or BAPE, as part of its study on the GNL Québec project.

I learned that, from an environmental perspective, there's no comparison between Russian gas and Canadian gas.

Contrary to what your colleague said earlier, it's totally false to say that the LNG manufactured in Saguenay would have been [*Technical difficulty—Editor*] because it comes from the oil sands of Arthabaska and northern Alberta. That's why the BAPE rejected it and why the federal government recently rejected it as well.

Operating costs are much lower in Russia, where natural gas doesn't come from oil sands. It's extracted through fairly standard methods in places where it's found in abundance.

• (1700)

[*English*]

The Chair: I'm sorry, Mr. Roche. I have to interrupt. The time is up.

[*Translation*]

Mr. Richard Martel: That's why we're having a hard time with our economic development projects.

[*English*]

The Chair: Mr. Masse, go ahead, please. You have two minutes.

Mr. Brian Masse: Thanks.

I'll let Mr. Roche complete his thoughts there.

[*Translation*]

Mr. Michel Roche: I was just interrupted, which broke the flow of the discussion to some extent.

That said, the market costs are the same, but the costs of producing gas in Russia are much lower than the costs here.

[*English*]

Mr. Brian Masse: Is that historical with regard to that, or is that more recent with regard to those costs?

[*Translation*]

Mr. Michel Roche: These are very recent figures. As I said, I've been looking at this issue, especially in the past two years. I don't know the historical costs, but one thing is for sure. The oil sands and their extraction are the worst polluters in the world today.

[*English*]

Mr. Brian Masse: Thank you.

The Chair: Go ahead, Mr. Hoback.

Mr. Randy Hoback (Prince Albert, CPC): Thank you, Chair.

Thank you to the witnesses.

I'll start with you, Mr. Potoczny, with regard to something I'm kind of curious about. When I was with Flexicoil and Case New Holland, we were doing business in Ukraine selling farm machinery. I was actually in charge of the Ukrainian market for a small period of time. One of the big issues we had was getting currency out of Ukraine and then getting EDC to actually back something. There would be all this money allocated to Ukraine—they'd say it would be \$60 million or \$80 million—but whenever we tried to apply for it or utilize that, it just wasn't available for this project or that project.

Has any of that improved these days?

Mr. Zenon Potoczny: Certainly on the EDC side it has not improved. That's why I keep on saying that we have to do something with EDC so that this does improve.

On the transfer of funds from Ukraine to Canada, absolutely there is no problem. There are no issues. Everything is done properly. Dividends are paid out to Canada. We have many members who do business in Ukraine and who have a transfer of funds without any problem. That absolutely has improved.

We have lots of work to do with EDC.

Mr. Randy Hoback: Okay.

I want to go to you, Mr. McMillan. Do you want to comment on what Mr. Roche just said about Canadian natural gas?

Mr. Tim McMillan: Thank you for the opportunity.

Unfortunately, I find Mr. Roche's comments very troubling. He is comparing natural gas in Russia to Canadian Athabasca oil sands, and I believe, or I understand, that he was thinking that the natural gas that would be flowing through the Quebec facility would be coming from the Athabasca oil sands. If Mr. Roche had a role in that approval process, I think this is very troubling for Canada, because obviously no natural gas comes out of the oil sands [*Technical difficulty—Editor*] that they produce petroleum, gasoline and diesel fuel.

Our natural gas comes from northeast British Columbia and from southern Alberta, but has no relationship to the oil sands whatsoever. The way he conflated those two is quite troubling.

Mr. Randy Hoback: The comment I would also have is that he was talking about the cost of production in Russia versus here in Canada. Let's bring in the entire cost we have here in Canada with regard to environmental review and the regulatory process to make sure that we have the best, safest, greenest natural gas in the world. How is that compared to Russia?

• (1705)

Mr. Tim McMillan: On the matter of producing gas by drilling and developing a resource responsibly and producing it, we will compete head-to-head with anywhere in the world.

Now, he is correct that Russia does not have high environmental and safety standards. They do not worry about the venting and flaring like Canada does. If there's a premium for Canadian gas, it is only because of our high environmental standards [*Inaudible—Editor*], but we're happy to compete with anyone in the world.

Mr. Wilson Miao (Richmond Centre, Lib.): Madam Chair, can I raise a point of order?

I just want to remind everyone that we're here to discuss Ukraine and Canada in relation to trade.

Mr. Randy Hoback: Actually, I'll tie it all together right now.

When I was doing business in Ukraine, we always looked for opportunities where Canadian companies could work with Ukrainian companies and export from both countries, taking components from both sides. Natural gas is a key component in a lot of the manufacturing processing of plastics and other items, and in providing a safer, greener power than, let's say, diesel. That's where Canadian natural gas going into Ukraine would be a lot cleaner and nicer for the environment than the stuff coming out of Russia.

Plus, on the geopolitical side of things, if Europe didn't have to rely on Russia for natural gas, Russia wouldn't have to be leaning on Ukraine to transfer that gas through Ukraine into Europe. That's really what's kind of in the background of what's going on here. That's why the gas picture becomes so relevant in this picture of a trade agreement.

With regard to looking forward, when we look at the opportunities in Ukraine with this new trade agreement, where do you see the most benefit? Where do you see the synergies happening?

Maybe I'll go to you, Mr. Waschuk. I'm wondering what things you identified when you were ambassador where you said, hey, we have a trade agreement, but we need to do better in this area or that area. Do you see those areas actually getting better? I know that EDC is a huge problem with regard to Ukraine.

I probably have no time to get an answer to that.

The Chair: You don't.

Sir, could you possibly not give us too long an answer?

Mr. Roman Waschuk: Actually, farm equipment and energy production equipment are among the leading areas where I think we again need to be way more aggressive. Ukrainian agriculture is booming. It is the world's third-largest producer of wheat and fourth-largest producer of corn, and the U.S. and Europe are cleaning our clocks on farm equipment and supplies.

The Chair: Thank you very much.

Mr. Miao, please, for four minutes.

Mr. Wilson Miao: Thank you, Madam Chair.

I'll address the following question to Mr. Michalchyshyn on the modernization of the Canada-Ukraine Free Trade Agreement, but before I start, please allow me to express my sympathy for the Ukrainian people here and abroad during this difficult situation.

We heard from Global Affairs Canada officials earlier this week that the Canada-Ukraine Free Trade Agreement was always meant to be modernized, as a two-year review clause was incorporated into the original agreement. How is the first free trade agreement perceived by your organization, and what would be the area of priority in its modernization?

Mr. Ihor Michalchyshyn: Thank you for your expression of sympathy. It has been a very challenging and stressful time for people in the community here.

I think we've seen, as has been noted, the success of the first version of the agreement. Challenges such as COVID and others notwithstanding, there is intense desire and interest from business people on both sides to grow and expand. There are many barriers, and this modernization process is a good one to identify the barriers and to think strategically about how to overcome them.

Again, I won't go into details of our recommendations, but there are certainly key sectors that stand out as the best examples, and many more to come.

Also, focusing on the people-to-people ties really allows, as others have said, Ukrainians to participate fully by being here, once it's again safe to do so in a post-COVID environment.

Mr. Wilson Miao: Thank you.

We've heard from officials that trade between Canada and Ukraine grew but also diversified following the entry into force of the agreement.

What was the impact of the diversification for Canadian businesses? What other sectors could benefit from a stronger free trade agreement?

Mr. Ihor Michalchyshyn: If that's a question for me, I'm not the trade expert who has all those answers, but I know, for example, our organization has many responses and inquiries from the cultural, film co-production sector, as well as the energy sector. Those are the ones that are growing and I'd be happy to turn it over to the chamber, which might have more detailed analysis on that.

• (1710)

Mr. Zenon Potoczny: Thank you.

One of the areas in which we have tried working very hard with Alberta energy regulators is to help Ukrainians modify some of the issues of licensing, of auctions of the properties. We have done a lot of work. Mr. Waschuk knows of some of that work.

The energy sector has changed quite a bit in Ukraine, and Ukraine has a lot of possibilities. Unfortunately, again, Russia occupied Crimea and took the best reserves of gas possible all around Crimea, because now they're saying these are all their territorial waters. However, just in Ukraine, on the land of Ukraine, there are huge possibilities for natural gas, huge possibilities for oil, but we need to open and help the investors from Canada, and I can't forget the EDC, with the help of guarantees and the help of insurance.

We can do much more just in the energy sector. Actually, Ukraine can be a major exporter to the European Union. There's really no need to buy it from all over the world, because it's right there, but it's just not utilized and not worked on.

Mr. Wilson Miao: Thank you very much.

The Chair: We'll go on Mr. Muys for four minutes, please.

Mr. Dan Muys (Flamborough—Glanbrook, CPC): Thank you, Madam Chair, and thank you on behalf of my colleague who is having surgery today. We wish him the best.

Because he had only a few seconds on the question from my colleague Mr. Hoback, I will take the opportunity to allow Mr. Waschuk to elaborate further on the potential, the great potential, for growth in trade on that farm equipment and energy production equipment.

I know you only had a few seconds. If you could elaborate further, I think that would be helpful as we look at the trade agreement.

Mr. Roman Waschuk: If you look at the current [*Technical difficulty—Editor*] there's been a shift to value-added stuff coming from Canada, which is even stuff like Canadian-processed pet food, which is very popular in Ukraine. I think helping Ukraine make more of its own resources, which Mr. Potoczny was talking about, is key.

Sometimes business cycles don't help. We had a major Canadian company partnering with Ukraine's state oil and gas company, but just at a time when natural gas prices in Europe cratered, so they ended up walking away because it didn't appear to make sense to them at the time. Right now, with prices where they are now, I think you're going to see renewed interest as soon as geopolitical risk declines.

Again, Ukraine is stereotypically known as a bread basket. It has nearly doubled its grains production over the last 20 years, and there is probably scope for another 50% to 80% increase in the next 10 years. In terms of getting part of that action in terms of things like grain storage, logistics, port handling equipment, these are things where Canadian companies need that export financing to be competitive with their international peers in getting contracts.

Those are definitely areas where I can see more being done.

Mr. Dan Muys: Thank you.

I have a question for Ihor, from the Ukrainian Canadian Congress.

I know that you spoke a little in your presentation about the EDC and the risk ranking system. The congress provided a submission to the public consultations on CUFTA that were done in March of 2020. Maybe you can elaborate a bit further on that risk rating system and how that can be reflected better to encourage Canadian investment in Ukraine.

Mr. Ihor Michalchyshyn: I don't know the intricacies of it, but I know it has been the biggest point of concern raised with us and with the chamber and others that the EDC process prior to the current Russian escalation was seemingly inexplicable, did not seem to respond to any of the market statistics that were being shown in terms of the kind of [*Technical difficulty—Editor*]. We have spoken many times to ministers, to EDC directly, seeking a clarity on how—

• (1715)

[Translation]

Mr. Simon-Pierre Savard-Tremblay: I have a point of order, Madam Chair.

The sound cut out and prevented the interpreter from doing the job at hand.

[English]

The Chair: Could you repeat your last couple of sentences, sir?

Mr. Ihor Michalchshyn: We have met many times with EDC to learn about how they make these risk assessments and have not had a satisfactory answer to how the calculations are made. We would like more pressure put on them to explain themselves in terms of how they make these calculations.

The Chair: Thank you very much.

Mr. Sheehan, please.

Mr. Terry Sheehan (Sault Ste. Marie, Lib.): Thank you very much, Madam Chair.

I didn't have an opportunity to speak about the Ukrainian connection from Sault Ste. Marie and northern Ontario. I'll drill down to my particular riding because I didn't have enough time last time. Sault Ste. Marie is one of very many similar communities across Canada where the Ukrainian population of people migrated to work at the steel mill well over 100 years ago. In 2017, the Ukrainian church and community centre celebrated its 100th anniversary. I remember speaking in Parliament, where I quoted a local news article and it was called "the church that perogies built". It really has been a very proud community.

If you look at Thunder Bay and other areas as well you can see a lot of that movement. I'm talking about the people-to-people relationships that some people have talked about and how important they are in the industry. The steel plant is still here today and the Ukrainian people are still working here today, but when you walk into the steel plant it's like walking through a spaceship with a lot of [Technical difficulty—Editor] and computer industries. There is also a lot of IT presence in Sault Ste. Marie. We're seeing a lot of back and forth, people-to-people relationships.

How do we take advantage more of these joint ventures, sharing of IT resources, people and such?

I'll start with the Canada-Ukraine Chamber of Commerce to first really guide us on how we can take advantage of that.

Mr. Zenon Potoczny: First of all, it's nice that you mentioned that territory, because I know that, in that territory of northern Ontario, Thunder Bay and Parry Sound, they are getting some Ukrainian investors opening plants and [Technical difficulty—Editor] in Ontario in that region.

There was a person who came from Ukraine here many years ago who lived in Alberta and then moved to Thunder Bay and Parry Sound. He took it upon himself to approach these people. We worked with him just to help him with some contacts and stuff, but it was people-to-people contacts, people-to-people work.

Again, I think that, in the immigration area, we have to open much more. If we don't want to do totally visa-free travel for everybody, somehow we have to look at business people. We have to look at people who want to come to Canada to see the territory, meet people, shake their hands, discuss and do deals. It's very difficult to do business deals over Zoom and telephone conversations. That's one thing that we have to absolutely do.

Again, when it comes to investing in Ukraine or doing some more business in Ukraine, there's a great procurement portal called ProZorro in Ukraine, which is basically for procurement work in Ukraine. There are billions of dollars put on that portal that everybody from across the world can bid on. Very few Canadian companies are bidding. I hear of people winning \$6-million, \$2-million, \$3-million contracts. There are contracts of hundreds of millions of dollars for infrastructure, huge contracts.

We're starting to work with the Canadian embassy to let companies in Canada, through the chamber of commerce and other connections, know that there's this huge opportunity. Yes, it's a little bit complicated; it's mainly in Ukrainian, but it's easy to translate to English or French to help these companies work.

Again, people-to-people contacts and more work on some of these ideas.... They are there, but not too many people know about them. We have to raise awareness.

• (1720)

The Chair: Thank you very much, sir.

We will move on to Mr. Savard-Tremblay for a minute and a half, please.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Thank you, Madam Chair.

Mr. Roche, your comments have been very thought-provoking, and that's good. It's important to have an informed debate of this nature.

At the start of your remarks, you said that trade was good and that we should push for the modernization of the agreement with Ukraine. However, trade should be mutually beneficial and shouldn't isolate any partner. Could you expand on that?

Mr. Michel Roche: According to a study conducted by the Centre for Economics and Business Research in the United States, this conflict would cost about \$40 billion a year. That's \$280 billion over six years. That's far worse than many free trade agreements can bring in.

That's why I'm saying that we must resolve this conflict. How? We know that Russia isn't suffering as a result of the sanctions imposed since 2014. One sign is that it turned to China. In the past five years, trade between Russia and China has doubled. It now exceeds \$145 billion.

I wonder whether it's good for us and for Ukraine that Russia is embracing China, with which it's starting—

[*English*]

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

We will move on to Mr. Masse for a minute and a half.

Mr. Brian Masse: Thank you, Madam Chair.

I'll go really quickly to Mr. Potoczny.

With regard to the chamber activities, do you have a mentor program or a linkage program for industries that are interested in working together?

Mr. Zenon Potoczny: Yes, we have a mentor program for university students. We take them to work here at the chamber. We also line them up with companies they're interested in. We have certain sectors that we have a specific person responsible for, so we can guide them to that person, and that person will help them by mentoring their work with specific companies within the area.

Mr. Brian Masse: Are there any government programs that support this initiative, or are you just basically on your own?

Mr. Zenon Potoczny: Basically, we're doing all of this on our own. As Mr. Waschuk mentioned, we were involved in CUTIS, the Canada-Ukraine trade and investment support project, which was sponsored by the Canadian government. But this mentoring program and the things we do here in Canada are all from the membership fees that we collect.

The Chair: Thank you very much.

We move on to Mr. Patzer for three minutes.

Mr. Jeremy Patzer: Thank you very much.

Mr. Waschuk, I think there is one question we haven't really touched on yet. What's going to be the impact if there are any economic or trade sanctions imposed on Russia? What's going to happen to trade in the region? Are there risks? Are there benefits? What would that mean for this particular trade arrangement?

Mr. Roman Waschuk: One thing I'd flag is that, ironically, Ukraine is the country that's already been buffeted by the indirect effects of what's been going on. For example, the government's had to pony up \$600 million in an insurance fund because airlines were reluctant to fly into airspace because of the threat of conflict. Even though everybody's talking about sanctioning Russia, in fact it's Ukraine that's been hit first by the indirect impact.

There is still trade between Russia and Ukraine. It is primarily in the energy sector. Ukraine has reduced its trade with Russia by about three-quarters. A lot of that's been redirected to the European Union, with which they have a very active free trade agreement.

Will Russia's sanctions have an impact? They will, but not half the impact that Russia's overall boomerang-like trade policy approach to Ukraine is having right now.

• (1725)

Mr. Jeremy Patzer: Thank you.

Do any of the other witnesses want to just comment quickly on the potential for upgrading and continuing to get more up-to-date

farm equipment, but also farming practices to help tap into the growing potential that Ukraine has? I think that would be an important topic to further elaborate on, if anybody wants to touch that one.

Mr. Roman Waschuk: I think we have very similar arid land practices. We have the introduction of no-till technologies into Ukraine that would be extremely helpful in its southern regions...improving dairy production and processing techniques as well.... Those are areas where we certainly could be helpful.

The Chair: Thank you very much.

We go to Mr. Arya for three minutes.

Mr. Chandra Arya (Nepean, Lib.): Thank you, Madam Chair.

Mr. Waschuk, we heard quite a bit about natural gas here. Outside of committee, too, I hear people saying we have to cancel the new Nord Stream 2. The same people also continue to say we should ban the entire Russian dependence on natural gas by Europe. Here we have witnesses saying Canadian gas is available to service Ukraine and Europe.

Mr. Potoczny says that Ukraine has its own natural gas deposit that has to be developed. My understanding is that Ukraine is earning a couple of billion dollars or more on the transfer of natural gas through its territory to Europe.

Tell me, what is feasible with respect to natural gas? In five to 10 years' time, is it practical to ban natural gas, because Ukraine is already earning money out of it? What do you say on all this natural gas talk?

Mr. Roman Waschuk: One thing I note is that we shouldn't just get stuck on hydrocarbons. Ukraine also potentially—and Germany is very interested in this—could be a producer of hydrogen and use some of its current natural gas storage for hydrogen storage. Its storage capacities for gas are among the largest of any kind in Europe. It could be a European hydrogen hub as well.

There are forward-looking technologies in which Canadian companies could also become engaged, in terms of natural gas as a transition fuel given its carbon footprint, which is lower than that of other hydrocarbons.

I would say the priority should be on helping Ukraine develop its own domestic supplies. The discussion on Nord Stream 2 versus Ukraine is really one in which people say Ukraine will lose transit revenues. Yes, it will. What it's more worried about is that as soon as Nord Stream 2 goes on stream, Russia is free to attack basically the infrastructure in Ukraine because it no longer has to worry about cutting off its own revenue opportunities by selling gas to Europe. Focusing on improving Ukraine's domestic production, and then already transitioning to a future in which hydrogen and other alternative fuel are used are probably the two areas where we can be most helpful.

I am with Mr. McMillan on the potential of liquid natural gas, but let's face it: given Canadian infrastructure-building tempos, that's not going to be on tap in the next three to five years.

Mr. Chandra Arya: Quickly, Mr. Waschuk, I thought the trade between Ukraine and Canada would be much greater with the people-to-people connection. We have a very strong Ukrainian diaspora in Canada. Given that, I would have expected our trade to be much bigger than it is now.

What is hindering that? In fact, somebody did mention that trade before CUFTA was bigger than after CUFTA.

What is hindering the trade between these two countries?

Mr. Roman Waschuk: Partly it's because we make some of the same stuff. Both of us are big temperate-climate commodity producers. We're actually competitors in a number of areas—grains and oilseeds, for example—so the complementarities are more in

the equipment and processing, and that is where we hobble ourselves by not having the export company support through EDC.

Basically, you have at the moment the British, the French and the Americans coming in with hundreds of millions and billions in export financing and Canadian companies telling the Ukrainians to please buy cash. That's not a sustainable basis for doing business anywhere.

● (1730)

The Chair: Thank you very much.

All of our witnesses know that the hearts and prayers of all of us are with Ukraine in this challenging time as they move forward.

My apologies again for starting the meeting late, but thank you so much for the valuable information.

I will adjourn the meeting.

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