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• (1105)

[English]

The Vice-Chair (Mr. Kyle Seeback (Dufferin—Caledon, CPC)): I call this meeting to order.

Welcome, everyone, to meeting number 81 of the Standing Committee on International Trade.

I'm going to read through some of the things that many of us have heard many times over the last number of years.

Today's meeting is taking place in a hybrid format, pursuant to the Standing Orders. Therefore, some people are here in person and some are on Zoom.

I will make a couple of comments for the benefit of the witnesses.

Please wait until I recognize you before speaking. When speaking, please try to speak clearly and slowly. With regard to those online, please mute yourselves when you are not speaking. All comments should be directed through the chair. If you wish to speak, please raise your hand and you will be recognized. For interpretation online, you have the choice, at the bottom of your screen, of floor, English or French.

We have the same thing here, Ambassador, for you. There's an earpiece, and you can choose English or French translation—just so you're aware.

For the sake of our translators, I ask, please, that there be no yelling or loud noises into the microphone. Try not to speak with your earpiece close to the microphone, as I was almost doing there, because that can cause feedback.

Pursuant to Standing Order 108(2) and the motion adopted by the committee on Thursday, November 2, the committee is resuming its study of the subject matter of Bill C-57, an act to implement the 2023 free trade agreement between Canada and Ukraine.

Today we have with us, from the Embassy of Ukraine, Her Excellency Yuliya Kovaliv, Ambassador of Ukraine to Canada.

Welcome, Ambassador. We would like you to begin our committee today with some opening remarks. We usually give about five minutes, but I think you can take more time if you would like. The committee would be fine with that.

Her Excellency Yuliya Kovaliv (Ambassador of Ukraine to Canada): Thank you.

Distinguished chair, honourable members of Parliament and members of the committee, it is my honour to be with you today to talk about the importance of the modernized free trade agreement between Ukraine and Canada.

This agreement is more than just a trade agreement. It is a testament to the deepening of our bilateral relations. It is a symbol of Canada's economic support to Ukraine, and Ukraine's economic resistance amid unprovoked and unjustified Russian aggression against Ukraine.

The negotiations to modernize the free trade agreement started in January 2022, just a month before the Russian full-scale invasion started. That was the time when Russia had already started to build their troops near Ukrainian borders. Since then, the negotiation team has been working around the clock despite missile attacks and power disruptions, and sometimes from the bomb shelters during bombardment. This underscores our unwavering commitment to bolster our economic ties and lay the groundwork for Ukrainian reconstruction and Canadian companies to participate in Ukrainian reconstruction.

The Russian war against Ukraine has already caused damage to the Ukrainian economy of over \$411 billion, according to the latest estimation of the World Bank. Unfortunately, this figure is growing every day. Sectors like infrastructure, energy, agriculture and social services suffer the most. Infrastructure has been decimated, energy facilities have been targeted and bridges and roads have been destroyed, with entire cities and villages left in ruins.

The rebuilding of Ukraine will represent one of the most substantial reconstruction and modernization efforts on the European continent in the years to come. Ukraine's approach to rebuilding can be summarized as “building better”. Ukraine's rebuilding will be possible with the participation of international business. The modernized free trade agreement with Canada paves the way for Canadian companies to participate in Ukraine's rebuilding.

Ukraine needs Canadian technology, Canadian innovation and Canadian equipment to rebuild many of the sectors in our economy. Energy, agriculture, mining, IT and many more are those sectors where Ukraine and Canada have already started to build close business ties. The modernized CUFTA provides a crucial framework for this co-operation to prosper. In fact, some of the long-term agreements, including the agreements in the nuclear sector, between Canadian and Ukrainian companies were signed during the war and will start to be implemented in January next year. The newly added chapter with the modernized CUFTA introduced essential provisions for investment protection, laying the groundwork for a sustainable regulatory environment for investors. This is very important for Ukraine and for Canadian companies.

This stability and security will serve as a catalyst for increased investment and economic co-operation, which will create jobs in both countries. Furthermore, the modernized CUFTA expands our collaboration in the digital trade sphere. The dedicated chapter on digital trade underscores our commitment to fostering closer relations between companies in this sector. It serves as another example of the significant potential for the growth of business ties between Canada and Ukraine.

In conclusion, the modernized CUFTA is not just a support to Ukraine. It is a mutually beneficial agreement to support the economy and create additional jobs in both countries. It symbolizes the enduring strength of our partnership. By working together, we can create a stronger and more prosperous Ukraine and provide new avenues for Canadian businesses to thrive.

Thank you.

• (1110)

The Vice-Chair (Mr. Kyle Seeback): Thank you very much, Ambassador.

Before we start the questions, I just want to say that I know I am speaking on behalf of all parliamentarians when I say that we fully support Ukraine in this unbelievable war of aggression that has been commenced by Russia. We all stand with you, and we're proud of what Ukraine has done, how strong you've been and how much you've resisted against this Russian invasion.

I'm going to use the chair's prerogative to take the first round of questions for the Conservatives.

Ambassador, I wanted to talk briefly about a few things.

The trade minister was here on Tuesday and suggested that somehow, if we're criticizing aspects of the trade agreement, we're sort of playing into the hands of Vladimir Putin. I didn't agree with those comments. I disagreed with them strongly.

Conservatives have made some criticisms of this trade agreement, but Conservatives have been long-time supporters of Ukraine. In fact, it was a Conservative government under Brian Mulroney that was almost the first country in the world to recognize an independent Ukraine on December 2, 1991. I think Poland beat us by about half an hour or 45 minutes to be the first, but we were certainly the first western country to recognize an independent Ukraine. We have a very large Ukrainian diaspora in Canada that

significantly built the Canada we know today, which I know all Canadians are proud of.

It was a Conservative government that began the first negotiations of the current trade agreement that's in place. That was done under Prime Minister Stephen Harper. Also, of course, it was under Prime Minister Stephen Harper's Conservative government that Operation Unifier began, which was a significant help to the Ukrainian military. In fact, some of that help, I'm sure, was helpful in the current conflict.

Everyone across both sides of Parliament supports Ukraine.

I do think, when I look at the trade agreement, there are some ways that the trade agreement could perhaps be improved.

As I was doing a bit of research before I came here today to the committee, it became apparent to me that Ukraine actually has very large natural gas deposits. I think they are the second-largest natural gas deposits in Europe. Now, from my research—and these numbers might not be completely accurate, because I did this research myself—1.87 trillion cubic metres of natural gas is the estimated amount of natural gas in Ukraine.

Developing that resource would do a lot. I think it could bring in great revenue for Ukraine, which needs revenue in a time of war. It could also perhaps be used to export natural gas to Europe, which would certainly cut off a lot of the funds from Vladimir Putin's war machine by taking the funding away from him and making it much harder for him to continue this illegal war in Ukraine.

When I look at the trade agreement itself, there are certainly chapters on investment, but there's no specific chapter in the trade agreement talking about bringing together great Canadian expertise in oil and gas development and helping to build that industry to use that resource in Ukraine.

Would you agree with me that either in this trade agreement or in a future trade agreement—another modernized trade agreement—having some form of detailed co-operation on the development of Ukrainian gas would be a benefit to Ukraine?

Ms. Yuliya Kovaliv: Thank you.

Indeed, as I mentioned in my opening remarks, the energy sector is one of the top five priority sectors for Ukraine's rebuilding. It includes a wide range of investments, including nuclear, which is over 50% of Ukraine's electricity mix, but also the gas sector, as Ukraine has one of the biggest and most developed infrastructures in gas storage. Indeed, Ukraine has the second-biggest proven reserves of natural gas.

Also, there's the renewable energy, which is the energy of the future, as Ukraine is on the way towards integrating into the EU, with the good news coming just yesterday from the recommendation of the European Commission to the European Council to start accession negotiations with Ukraine. That is on Ukraine's file.

Indeed, even during the war for the last two years, we have delegations from Ukrainian companies in the energy sector who are coming to the energy conferences in Canada and are interested in developing co-operation, both in terms of the services and in terms of the equipment in the energy sector.

• (1115)

The Vice-Chair (Mr. Kyle Seeback): Thank you, Ambassador.

There's nothing in the agreement that specifically sets out how that co-operation and engagement could take place.

That's my review of the agreement. Would you agree with me that there's nothing specifically in the trade agreement to deal with natural gas and the development of that resource?

Ms. Yuliya Kovaliv: Not being a deep expert in how the free trade agreements are scheduled, this is the approach of the free trade agreement, which covers institutional bases: the regulation, the trade of services, the trade of equipment, the trade of goods, the protection of investments and how the other horizontal sectors are being settled.

It is an important framework to trade in different ways. It lays the groundwork for further specific sector approaches to that co-operation. As I mentioned, Ukraine has already started this with Canadian companies. We value this bolstering of co-operation and bolstering of trade with strategic projects, even during wartime.

The Vice-Chair (Mr. Kyle Seeback): Thank you very much, Ambassador.

We'll now turn to Mr. Arya for six minutes.

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

Ambassador, welcome to the committee.

On behalf of the people of Nepean, I would like to expressly state that we stand in solidarity with the people of Ukraine. We have stood with Ukraine since the start of Russia's illegal war. We'll stand strong again with Ukraine once this war is done. We will work jointly toward the rebuilding of Ukraine.

The modernized Canada-Ukraine free trade agreement supports the long-term security, stability and economic development of Ukraine while also ensuring high-quality market access for Canadian businesses participating in Ukraine's economic recovery. This agreement will pave the way for high-quality jobs both in Canada and in Ukraine.

The signing of this agreement also marks a new era in the Canada-Ukraine socio-economic relationship. It will be fundamental to the participation of Canadian businesses in Ukraine's economic reconstruction and recovery from Russia's illegal and unjustified invasion.

It is very important for us, even during this war, to maintain economic relations and strategically prepare for postwar co-operation and economic rebuilding. This includes rebuilding infrastructure. A lot of infrastructure has been destroyed by Russian forces. We also have to foster entrepreneurship and strengthen Ukraine's agricultural land and industrial sectors. Canada has good expertise in energy, technology and agriculture. I am glad that you mentioned the digital trade.

Can you highlight one or two sectors that you feel are important for Canada's relationship in postwar Ukraine?

Ms. Yuliya Kovaliv: Thank you.

I would also like to stress one more time about the new chapter in the free trade agreement that will pave the way for fostering co-operation in the sector, the sector of today and the future, which is digital trade.

Both Canada and Ukraine are developing digital services. Ukraine has over 270,000 highly qualified IT specialists in the country. Even during the war and during the blackout caused by Russian attacks on critical infrastructure, the sector has been growing. This sector is the major export service from Ukraine. We believe that it is mutually beneficial for both countries to further develop digital trade, which will also boost co-operation in innovation and technology and is important for the further productive development of our economic relations.

• (1120)

Mr. Chandra Arya: Once Ukraine wins the war and the rebuilding process starts, infrastructure rebuilding will become the key focus.

Can you highlight the kinds of things that Canada and Ukraine can work together on in rebuilding infrastructure?

Ms. Yuliya Kovaliv: Indeed, infrastructure is one of the sectors that suffered the most in terms of damages, including the critical infrastructure. Only last winter, 50% of all of the electricity grids, part of the critical infrastructure in Ukraine, has been damaged. This paves the way for the structural rebuilding of the sectors, and we would welcome Canadian companies to co-operate with Ukrainians in the rebuilding of the infrastructure sector.

We see the growing interest of Canadian companies. Last year Ukraine's rebuilding conference in Canada was fully crowded. We are waiting, in two weeks, to have the second Rebuild Ukraine Business Conference, to bring both Ukrainian companies and Canadian companies together to jointly discuss the priorities in these sectors and to also build economic ties. This will create the instrument for Ukraine's rebuilding but also additional jobs for Canadian businesses.

Mr. Chandra Arya: You mentioned, and I would like you to re-emphasize, the enormous cost that is involved in rebuilding Ukraine. This modernized agreement between Canada and Ukraine opens doors for Canadian businesses for a long-term commitment. Rebuilding Ukraine is not a one-year or two-year or even a few years' project. It is a long-term commitment.

Can you kindly mention the total cost that is involved in rebuilding Ukraine and how this agreement paves the way for Canadian businesses to be engaged in Ukraine for a long period of time?

Ms. Yuliya Kovaliv: Indeed. According to the latest assessment from the experts of the World Bank, the damage that the Ukrainian economy has had because of the Russian illegal invasion is over \$411 billion across all sectors.

Of course, that figure is huge and, as I mentioned, Ukraine's rebuilding will be the single biggest rebuilding on the European continent since the Second World War. We understand that the biggest contribution to this rebuilding will be done by the private sector.

Ukraine believes that partners in victory are partners in rebuilding. That is the approach to building business ties. We believe that the modernized CUFTA will pave the way for Ukrainian companies and Canadian companies to work together. International financial institutions today, already, are supporting foreign companies working in Ukraine with financing for the capital commitment of projects, so this is a really great framework to start and to boost the projects between the companies of our countries.

The Vice-Chair (Mr. Kyle Seeback): That's your time, Mr. Arya.

[Translation]

Mr. Savard-Tremblay, you have the floor for six minutes.

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

Good afternoon, Ambassador.

Thank you for being here with us. I would like to join with my colleagues in conveying our message of solidarity and our hopes for a lasting peace at the earliest possible time.

Essentially, this agreement has relatively little impact on trade, but it is an affirmation of friendship. As we know, most goods and services were already traded freely under the World Trade Organization, or WTO, agreements and the earlier agreement between Canada and Ukraine. The fact remains that trade is still rather limited.

I would like to discuss a few things with you that are relatively interesting. You said you are not an expert in free trade; no problem. If there is a question you are not able to answer, the embassy can provide more details to the committee. Please do not hesitate to do that, if necessary.

The 2023 Canada-Ukraine Free Trade Agreement that we are discussing moves guaranteed access to the Ukrainian market up a year, and the tariff quota will rise to 20,000 metric tonnes of pork. Pork production is important in Quebec.

Can you tell us a bit about Ukraine's need for this product?

• (1125)

[English]

Ms. Yuliya Kovaliv: Thank you. We will follow up on this question. I am not in a position to answer it now.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: That is not a problem. I would invite you to provide the answer to the committee in writing. I am now going to ask you a question that you should be in a better position to answer.

The chapter about government procurement will certainly be important, since there will of course be reconstruction as part of the peace process. We hope it will take place as quickly as possible, in fact. In Quebec, we have a lot of engineering firms that could be

brought in to work on rebuilding the country's infrastructure. For example, when it comes to dams, we have internationally recognized expertise.

As long as the war is not over, no permanent count is possible, but have you estimated the needs in this regard up to now? Do you have an idea of the types of infrastructure that have been most affected?

[English]

Ms. Yuliya Kovaliv: Unfortunately, the scope of the damage in infrastructure is so high that I can definitely say that each sector of infrastructure will require rebuilding, whether it's railways, the grids, the roads or telecommunication. Of course, as Ukraine's approach to rebuilding is building better, Ukraine will be looking for strong partners with the best technologies, because nobody will rebuild the old-style, inefficient infrastructure.

Ukraine has welcomed two companies—both are engineering companies, constructions companies—to participate in the building and to build ties. That's why, with the support of the Business Council of Canada and the Ukrainian Chamber of Commerce, we are bringing businesses together, now, for the annual conferences. We are also welcoming Canadian business delegations to visit Ukraine to meet the companies in Ukraine—including many of the multinational companies that keep working in Ukraine, that keep on increasing their investments and presence in Ukraine—to build those ties. Of course, we, as an embassy, are here to help the companies build the relations with their Ukrainian counterparts and to help and support those business ties.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: I certainly understand that desire, but that is why I was asking whether you had estimated the infrastructure losses up to now. As I said, we have globally recognized engineering expertise in Quebec. I was therefore wondering whether you had an idea of the needs.

In other words, to date, based on things you have heard, what has been destroyed in the course of this unfortunate war, primarily?

[English]

Ms. Yuliya Kovaliv: The exact figure of our estimates for the infrastructure, specifically the infrastructure damages, I will forward you as a follow-up to this meeting—to be very precise on the exact figure.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: How much time do I have left, Mr. Chair?

• (1130)

The Vice-Chair (Mr. Kyle Seeback): You have one minute left.

Mr. Simon-Pierre Savard-Tremblay: I will wait for my next turn to ask my other question.

The Vice-Chair (Mr. Kyle Seeback): Thank you, Mr. Savard-Tremblay.

[English]

We will now turn to Mr. Cannings for six minutes.

Mr. Richard Cannings (South Okanagan—West Kootenay, NDP): Thank you, Ambassador, for appearing before us. We're very honoured to have you here. Again, we pass on our complete solidarity with Ukraine, and we look forward to the next phase of this extraordinarily terrible state of events that you are enduring—and enduring in many ways for us and for the rest of the world.

You mentioned in your remarks, and we heard from the minister earlier, about the need for the investment protection section in the free trade agreement. I'm just wondering if you could maybe expand on what Ukraine feels would be the benefits that this would bring. We were told, and you mentioned it, that it was at Ukraine's request that the old foreign investment protection agreement be rolled into this and modernized. I'm just wondering if you could expand on that.

Ms. Yuliya Kovaliv: Thank you.

It's a very important question for companies in both Ukraine and Canada. Ukraine is looking forward to providing instruments for investment protection, in order to de-risk or minimize the risks for companies investing in Ukraine. That's why it's important that this chapter was renovated. It provides more clarity, more instruments for the companies for dispute settlement, and more assurance about the stability of the regulatory environment so that, for Canadian companies looking to invest in Ukraine, the regulatory framework is favourable.

Also, if we look more broadly, of course the war in Ukraine does not help. A Russian war does not help bring investments in the way Ukraine needs. There are many instruments that can further support this investment and trade, including expert financing and insurance against the war risks. These could be supportive for Canadian companies looking for projects in Ukraine, with their equipment, technology and innovations.

Mr. Richard Cannings: Thank you.

I'm wondering whether you could also talk about this agreement with Canada and other agreements you might be pursuing. How might this agreement form a template for those? I think you're seeking to get accession to the CPTPP, to join the EU and things like that.

I'm wondering what other avenues you're going down.

Ms. Yuliya Kovaliv: Indeed, Ukraine is also tirelessly working on the economic front and on trade.

Since the start of the Russian full-scale invasion, Ukraine has already signed a digital trade agreement with the United Kingdom. We started negotiations to modernize our free trade agreement with the non-EU states, EFTA. We also started negotiations to sign for free trade with the United Arab Emirates, and we continue negotiations with Montenegro.

As well, in May this year, Ukraine submitted the application for CPTPP. I think the negotiation of this modernized CUFTA helped us, in a large portion, prepare for the negotiations to join CPTPP. The rounds of negotiations we went through for the modernized CUFTA helped us a lot to mostly do our homework, but also to be

ready and prepared for that negotiation. That was very helpful for us on our future path to CPTPP.

I would like to thank Canada and the Canadian government for their support of Ukraine's submission to CPTPP.

• (1135)

Mr. Richard Cannings: I have 50 seconds.

You mentioned Ukraine is pursuing opportunities in the renewable energy sector, and presumably investment there. You called it the “energy of the future”. I'm wondering whether you could expand on that.

Ms. Yuliya Kovaliv: Yes, indeed.

Developing a diverse energy package, which, of course, includes a big focus on renewable energy, was Ukraine's strategy both before the full-scale invasion and during it. Wind and solar power, together with hydro power, are significant parts of the Ukrainian energy mix. Ukraine also has good resources to develop solar, hydro and wind power.

Even during the war, Ukrainian companies continued to build wind power stations. Over 70 megawatts of new wind farms have been commissioned during the war, and companies are continuing to invest in them. That is also part of the Ukrainian goals for the green transition and rebuilding the energy sector, which will focus on further development of the renewables sector.

When it comes to hydro power, unfortunately there are no limits to Russian terrorism. With the Russians blowing up the Kakhovka water dam, one of the biggest of the Kakhovka power plants has been damaged. Ukraine seeks to both rebuild the Kakhovka water dam and build a new hydro power facility.

We welcome the start, which is in the form of an MOU between a Ukrainian hydro power operator and a Canadian company to explore the opportunities to help us rebuild hydro power facilities in Ukraine.

Mr. Richard Cannings: Thank you.

The Vice-Chair (Mr. Kyle Seeback): I will now turn to Mr. Baldinelli for five minutes.

Mr. Tony Baldinelli (Niagara Falls, CPC): Thank you, Chair.

Your Excellency, it's a pleasure to have you here today. Thank you for coming forward to bring remarks and answer some questions. You get the sense, I hope, of welcomeness from everyone who is here today. Everyone here, and our colleagues, could say that you have the full support of everyone here for Ukraine, and we will work with Ukraine when it emerges victorious against this illegal Soviet aggression.

As we discussed earlier, Your Excellency, prior to my election in 2019, I served as the communications manager for the Niagara Parks Commission. As part of my responsibilities at that time, I dealt with the protocol offices of the federal government and Global Affairs, as well as the embassies, when it came to establishing VIP visits to our country and to our region. One of the highlights of my career, prior to my election in 2019, was organizing the visit of President Zelenskyy and the first lady, who came in July 2019. It was an absolute pleasure to have them come to Niagara Falls and to Niagara Parks.

Again, it was one of the highlights of my career.

Your Excellency, I'm not sure if you've had the opportunity to visit Niagara Falls and Niagara Parks yet, but I extend this open invitation to you now so that, hopefully, we can have you there as well.

That is it from my end, in terms of welcomes.

Building on your comments in which you discussed areas such as infrastructure and energy having been greatly impacted because of the invasion, they are tremendous areas that are going to need investments. Following up on my colleague's comments from earlier, one way to improve upon the current free trade agreement—perhaps now or in the future—is to discuss issues and items such as direct energy co-operation measures and energy security. For example, there's Ukraine's electrical grid and energy production, and the needs of the Ukraine government and people moving forward.

There are issues such as the natural gas deposits, for example, and nuclear power. In terms of nuclear power, I believe there are 16 nuclear facilities in Ukraine. There are six that are currently controlled by the Russians, but they remain there. There is the electrical grid as well.

You talked about hydro production. I come from a community of 2,200 megawatts of hydro production. Here in the province of Ontario, there is huge potential for opportunities in the whole area of energy co-operation. An example is in hydro with Ontario Power Generation, but it's not only hydro. Ontario Power Generation is also a leader in the whole area of small modular reactors.

I would ask this question. Do you not think it would be beneficial, moving forward, if those types of issues could be included in a free trade agreement?

• (1140)

Ms. Yuliya Kovaliv: Thank you.

Indeed, energy infrastructure, IT and also the agri-sector are those sectors where the co-operation needs to be, and we are working to build this co-operation.

For the specific areas and the specific projects to work, I think the modernized CUFTA lays the broad ground for building up specific co-operation in areas of mutual interest, both for Canadian companies and for Ukrainian rebuilding efforts. I think that CUFTA itself builds a horizontal framework for co-operation and collaboration in the specific areas where we will welcome further work between businesses and companies, and also on the level of government, to develop this co-operation.

The Vice-Chair (Mr. Kyle Seeback): You still have 25 seconds.

Mr. Tony Baldinelli: I'll cede my time.

I thank you, Your Excellency, for coming forward today.

The Vice-Chair (Mr. Kyle Seeback): We'll now turn to Mr. Sidhu for five minutes.

Mr. Maninder Sidhu (Brampton East, Lib.): Thank you, Ambassador Kovaliv.

I want to thank you for taking the time to join us here today.

Let me be very clear: Our government has stood by Ukraine, as you know, since day one of this unjust war and will continue to be there with Ukraine until they win this war. When that day comes, the task of rebuilding Ukraine's economy will begin.

In our discussions, you mentioned that everyone, including leadership in Canada, Ukraine and the business community, is fully in support of this modernized trade agreement. Also, speaking of the Ukraine rebuilding conference next month that you mentioned, many sectors are looking forward to the conference and, of course, the role of this modernized trade agreement with Ukraine to help rebuild their economy. I get that the opposition has to do its part, but this fake outrage and delay tactic that's coming from the Conservative side is not helping Ukraine rebuild at the end of the day.

I would also like to add that, as per the Canadian Press news article, "A search of parliamentary records suggests Poilievre has never spoken directly about the Ukraine invasion in the House of Commons". It's important to know where the leader of the official opposition stands on this, but I would like to mention that our government will continue to be there to help Ukraine rebuild, grow both our economies and add jobs, as the ambassador mentioned in Her Excellency's opening remarks.

Having said that, what is your vision, Ambassador, for the Ukrainian economy in the next five or 10 years and how will this modernized trade agreement between Ukraine and Canada help Ukraine to rebuild?

Ms. Yuliya Kovaliv: Thank you.

I think, if we look back to February 24 last year, the prediction of Ukraine's economy was very hard to do, even by the brightest economic minds all over the world. When we saw the estimates of how the Ukrainian economy would perform in the spring of last year, many of them were too pessimistic. The result of the last year and the result of the microeconomic situation in Ukraine this year are better than the expectations, and there are several reasons.

First of all, we value the financial support that our allies are providing to Ukraine, because over 50% of all the Ukrainian budget, which is all the revenue we are collecting as a country through taxes and other government services, is linked to supporting our defence sector and to supporting our soldiers, who are fighting for our country. The support that Canada provides us in the form of loans is important to help support the people of Ukraine and for the ability of the country to move on.

Second, as we look at the facts, for the first time in history, the country, which is actively fighting its aggressor, got the four-year program with IMF. That is also a strong signal of the commitment of the Ukrainian government to further move on the path of reforms, and it's an important anchor for the microeconomic stabilization of the country.

The third important thing that I would reiterate is yesterday's decision and recommendation of the EU council to start the negotiations for the EU accession of Ukraine. It is historic that Ukraine has demonstrated that all of the seven political preconditions to this decision have been met. It really means implementing reforms, including in the sector of justice and in the sector of building transparency in the economy.

The fourth important thing is about the economic resistance in Ukraine itself. It is the strong voice of Ukrainian businesses that are not leaving the country and that are continuing to invest. It is the strong voice of those companies, including Canadian companies, that are continuing to work in Ukraine during the war. Canadian companies continue to invest and to increase their investments in Ukraine. This is the signal of the economic resistance of Ukraine's economy.

As well, the modernization of CUFTA is the agreement of opportunities, opportunities to increase economic co-operation and bilateral business ties. Also, it is a strong signal for many companies around the world that Ukraine and Canada are able, during wartime, to negotiate the modern free trade agreement. It sends a signal to companies that there is a framework and there is the infrastructure to work in areas of mutual interest, to create new jobs, to support exports and to support the economy of both countries.

Thank you.

• (1145)

The Vice-Chair (Mr. Kyle Seeback): Thank you.

I'll now turn to Monsieur Savard-Tremblay.

You have two and a half minutes.

[Translation]

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

Ambassador, I want to assure you that I think it is unfortunate that you have witnessed an exchange between two parties passing the buck in a situation in which we should all be simply discussing trade relations between our two countries. I wanted to tell you that.

My next question is actually important, because we have to face reality head on. There have been obvious indications of corruption in relation to Ukraine. It is a real problem and it is recognized by Ukraine itself. In the present free trade agreement there is a chapter

about transparency, anti-corruption and responsible business conduct. This chapter goes further than the previous one. While there are not really any binding provisions, businesses are urged to self-regulate, if I may call it that.

Let's stick to just the intent, even if this chapter is inadequate in our view. Could you update us on what Ukraine has found and the measures that have been taken so far to combat corruption?

[English]

Ms. Yuliya Kovaliv: Thank you.

Really, Ukraine has done a lot, before and during the war, to increase transparency and accountability, and to demonstrate to partners that this is one of the important things in Ukraine's reform path. All the major points of Ukraine's policy towards building transparency have been committed, which was acknowledged by the International Monetary Fund. We have a separate chapter on transparency, including measures like the renewal of electronic declarations for all public servants in Ukraine during the war. This is probably one of the widest systems of electronic declarations of all the public servants in the world.

The second is the new legislation that was recently adopted to prevent money laundering, which is one of the most modern now. It is the package of seven points, as I mentioned to you, in our discussions with the European Commission. There is more legislation on the way within the next two months to increase the capacity of the institutions that are dealing with the investigation of corruption cases in Ukraine. This is a very important thing on Ukraine's reform path.

If you look at the assessment of our partners that are working deeply on this file, there is huge progress. Even the Russian war does not stop the Ukrainian government from progressing on this file. Of course—

• (1150)

The Vice-Chair (Mr. Kyle Seeback): Thank you, Ambassador.

I'm sorry. We're over time again.

We'll go to Ms. Idlout for two and a half minutes.

Ms. Lori Idlout (Nunavut, NDP): *Qujannamiik, Iksivautaq.* Thank you, Chair.

Welcome. It's a pleasure to be here to replace my colleague for the time being.

I wanted to take this opportunity to welcome you to the committee and invite you to come to Nunavut. I have a beautiful riding. It's probably the most beautiful in Canada. It's the biggest riding in Canada as well, so you have a lot of choices when coming to visit Inuit homelands.

I wanted to ask you about the important chapter on trade and indigenous peoples. I was very pleasantly surprised to see this included in the free trade agreement between Ukraine and Canada. I wonder if you could share with us your experience or what your ideas might be to make sure indigenous peoples in both countries have access to the benefits of this agreement.

Qujannamiik.

Ms. Yuliya Kovaliv: Thank you.

Indeed, it's an important new chapter in our agreement.

Ukraine, like Canada, has a strong presence of indigenous people. For us, they are the Crimean Tatars, and they have been significantly oppressed for many years, including since Russia's illegal occupation of Crimea in 2014.

The chapter on trade and indigenous peoples has in mind to establish a bilateral committee to facilitate co-operation and to address barriers and challenges that prevent indigenous people from actively engaging in trade. This chapter will support our bilateral consultations on how to shape policies and support indigenous people to become more active in trade and in the business sector in general.

It's very important for us because we believe the Canadian experience, through the instrument that the modernized free trade agreement is building, will help Ukraine to shape policies and more actively support our indigenous people. I think it will also help to bring ties between the indigenous peoples of Ukraine and Canada.

The Vice-Chair (Mr. Kyle Seeback): Thank you, that's all the time.

Speaking of the time and looking at the time, we have about five minutes. I'm going to shorten these rounds to two and a half minutes for Mr. Martel and Ms. Fortier.

Mr. Martel, please go ahead.

• (1155)

[*Translation*]

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

Thanks to the witnesses for being here with us.

Once again, I want to confirm our complete support for Ukraine, of course. This is important. We have always supported free trade. As you know, our party, the Conservative Party, was the first to establish a free trade agreement between Ukraine and Canada.

I would like to make one small observation. The Liberals are asking us to be united, but we might say that sometimes, as we have seen, my colleague and I, they virtually generate division. I think it is important that we all be united to achieve a common goal.

Since I do not have a lot of time, I would like to discuss something specific with you.

Do you think we should have included a detailed chapter in the 2023 Canada-Ukraine Free Trade Agreement on the future rebuilding of the power infrastructure? We know that it is crucial and that energy dependence on Russia is a fact at present. We know that Ukraine is going to have to make itself independent in this area later.

[*English*]

Ms. Yuliya Kovaliv: Once again I want to reiterate that I'm not an expert in how the free trade agreement is structured, but I would say that the important approach towards Ukraine's rebuilding is in

the development and the work in the different sectors. As you mentioned, around \$411 billion of damages covers a lot of sectors. Energy is among the top five priorities for Ukraine, so is infrastructure, the agri-sector, IT, digital tech, military tech and demining.

Ukraine is also working closely today with the European Union under the first stage of \$50-billion package of EU support that will also cover the rebuilding efforts. Now there is room for united efforts among the allies—Canada, U.S., the European Union and far more—to be able coordinate the efforts and to coordinate the regulations, including the ones in the energy sector, so that it will help and facilitate the companies and the government actions within the sectors to engage in the rebuilding, including the further development of the energy sector.

Thank you.

The Vice-Chair (Mr. Kyle Seeback): Thank you, Ambassador.

Ms. Fortier, you have two and half minutes.

[*Translation*]

Hon. Mona Fortier (Ottawa—Vanier, Lib.): Thank you, Mr. Chair.

Thank you very much for being with us today, Ambassador.

As you know, my riding, Ottawa—Vanier, fully supports all the work you are doing. You have our unconditional support.

[*English*]

I want to talk about one part of the chapter facilitating equal access to and the ability to benefit from the opportunities created by the agreement for women and men, and supporting the conditions for women's full participation in domestic, regional and international trade and investment. I believe that you might be able to share with us how women's participation in this accord agreement can be a benefit for both countries.

Ms. Yuliya Kovaliv: Thank you.

Indeed, that's another chapter that will help and that will have an impact not only on trade. The agreement in the chapter recognizes the importance of promoting women's rights and gender equality, including in business, in small and medium-sized businesses, and trade.

I can tell you that, from Ukraine's perspective, it's very important now. The majority of the defenders of Ukraine are men who went to the front line, so today Ukrainian women have an additional role to participate in economic life to support their families. Within the horror of war, we want to use this as an opportunity to support Ukrainian women to be more active in the economic sector and to engage them to participate more in business and trade.

The Ukrainian government has launched programs, together with the support of our partners, that will help Ukrainian women get educated on how to start a business and how to get into markets. Of course, this chapter is not only symbolic. It also gives both our countries further tools to develop and support women in economic activity and in trade between our countries.

• (1200)

The Vice-Chair (Mr. Kyle Seeback): You are perfectly on time. That's two and a half minutes right on the button.

Ambassador, on behalf of everyone at the committee, thank you so much for coming today. Everyone here is in support of Ukraine in this very difficult time. *Slava Ukraini*.

I will now suspend the meeting.

• (1200)

(Pause)

• (1205)

The Vice-Chair (Mr. Kyle Seeback): Welcome back for our second hour today. We have a second panel of witnesses.

We have Roman Waschuk from the Business Ombudsman Council in Ukraine, by video conference. We have Mr. Potichny from Canada-Ukraine Chamber of Commerce, and we have Mr. Michalchyshyn from the Ukrainian Canadian Congress.

We are going to start with Mr. Waschuk. Everyone is going to have a five-minute statement. We'll have Mr. Waschuk, Mr. Potichny and then Mr. Michalchyshyn, in that order.

Mr. Waschuk, please go ahead, for up to five minutes.

[*Translation*]

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

Committee members, I am going to make my presentation in English, but I will be prepared to answer your questions in both official languages.

[*English*]

As Ambassador of Canada, I was present at the wrap-up of negotiations under the Harper government and the signing of the original CUFTA in 2016 under the Trudeau government—indeed a cross-party affair at the time—as well as being involved in the roll-out and implementation of the agreement in 2017 to 2019.

If we look back to 2017 and up until this year and the general trade balance trend lines, we can see Canadian exports at first plateauing at a significant surplus versus those of Ukraine. Then they dipped and then rebounded by 2021, which was essentially the last full year before full-scale war.

Ukrainian exports, which of course we count as Canadian imports, grew steadily. That was in fact the policy intention, which was to support Ukraine. That was backed by a trade development project implemented by the Canada-Ukraine Chamber of Commerce and the Conference Board of Canada.

By 2021—as I said, the last full year before full-scale war—trade had settled at an equilibrium of just under \$250 million being

shipped each way in terms of goods, with a total turnover nearing \$500 million. Ukrainian exports to Canada held steady last year despite the onset of full-scale war but have faltered this year, especially as two key contributors, the steel industry and agriculture, have been literally hard hit by bombing as well as logistical constraints caused by Russia's Black Sea blockade.

Canadian exports have risen sharply this year, if you look at the year-to-date data on the much-appreciated Ukrainian side in the form of tanks, guns and ammunition as well as UAV components. In fact, if you look at the statistics, two-thirds of this year's record-breaking amount of Canadian exports are in fact weapons systems.

Things have also started changing in other areas. There's a strategic two-way trade starting in the nuclear power sector. Just in the past couple of months, Ukraine has begun shipping uranium ore for processing—because Ukraine has its own uranium mines—by Cameco in Canada, which will in turn provide fuel-grade uranium to Canadian-owned Westinghouse for the manufacture of fuel rods that will go into Ukraine's operational nuclear power plants. This cuts Russia out of the picture and ensures value added for both Canada and Ukraine.

I think that answers one of the questions from one of the honourable members in the previous session. Are there ways in which Canada and Ukraine on the trade side can work together to increase Ukraine's energy independence? This is certainly one.

CUFTA's modernization is also important in that it is expanding coverage to trade in services and modernizing investment protection. Trade in IT services, especially software development, has been a major part of the Canada-Ukraine economic relationship, with Canada in or near the top 10 of Ukraine's international IT export markets. This has overall been a win-win situation for Canadian companies in giving them access to high-level mathematical and engineering skills to generate their own product. It has resulted in, of course, product benefits to Canadians as well. If you're using Grammarly, for example, to improve your writing output, you're relying on Ukrainian technology.

Ukrainian IT companies are also now creating jobs in Canada, and not only in software. Ajax Systems, Ukraine's European leader in home and business security systems, has teamed up with Inaxsys of Montreal, which is the biggest Canadian independent player in the security space, to provide home and company monitoring solutions across Canada.

Canadian investment, which will now also be better protected under the agreement with Ukraine, is modest but it is prominent in some market segments. Fairfax Financial, which you no doubt know, is the undisputed leader in the Ukrainian insurance market, owning three of the top 10 companies. It is also expanding its presence in the agri-food sector. Perhaps counterintuitively, both of these business units are continuing to grow as Ukrainians moving to and from shelter in countries abroad need auto and health insurance, ensuring that market grows. Also, people home and abroad still need to be fed.

• (1210)

My current day job as business ombudsman for Ukraine is monitoring and ensuring the implementation of the Ukrainian legislative safeguards for business, handling complaints from individual businesses and making systemic recommendations for improvements, and that's supported by the European Bank for Reconstruction and Development and a consortium of western countries.

The imminent opening of—

• (1215)

The Vice-Chair (Mr. Kyle Seeback): I have to interrupt. You're at five and half minutes. I apologize but we're going to have to move on now.

We will move to Mr. Potichny for five minutes.

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

Ladies and gentlemen, as president of the Canada-Ukraine Chamber of Commerce, I stand before you today to underscore the profound importance of modernizing the Canada-Ukraine Free Trade Agreement, emphasizing the key changes needed for the prosperity of both nations and highlighting the critical role and place of Ukraine's postwar recovery and reconstruction, as well as its potential to engage Canadian companies in this vital endeavour.

The original CUFTA was established in 2017, and we have been involved in this a bit. As former ambassador, Mr. Waschuk, mentioned, we were part of the project CUTIS as well. The old CUFTA, as I call it, has been a symbol of economic co-operation and partnership, but the modernization of this agreement is crucial to reflect the changing dynamic of the global economy as well as the challenges Ukraine is currently facing due to the Russian full-scale invasion.

I also would like to underscore that the old trade agreement had a main focus in the area of tariff reduction and elimination, and it has done a great job. Most of the tariffs are removed, and I think all of them will be removed by the end of February.

However, there are important new chapters in this modernized free trade agreement. A lot of things are on trade and services that had been missing before. IT has been already mentioned, and quite a few Ukrainian companies even opened offices already in Canada. There are also chapters on finances, non-tariff barriers, e-commerce and environmental labour standards.

I would just like to underscore that trade in services and finances are going to be very crucial in the rebuilding of Ukraine. We're talking about probably the largest reconstruction project in the

world, the numbers that are being thrown around now are \$750 billion to perhaps even a trillion dollars. It is giving not just a huge opportunity to help Ukraine but also a huge opportunity for Canadian companies to take part in that. It's not a secret anymore because, right after the signing of the modernized free trade agreement by the President of Ukraine and Prime Minister of Canada, there was an MOU signed between a known Canadian company, Aecon, and Ukrhydroenergo, which is a producer of hydro energy in Ukraine. These kinds of projects are multi-billion dollar projects. They will happen and they will be done much easier and faster with this modernized CUFTA.

The modernization of CUFTA holds a unique potential to engage Canadian companies in the reconstruction of Ukraine. Canada has a history of providing support and assistance to Ukraine, and this is a pivotal moment to further strengthen the partnership. By modernizing the agreement, we can create incentives and opportunities for Canadian businesses to invest in Ukraine's reconstruction efforts. This will not only bring much-needed capital to the country but also foster technology, technological transfer and knowledge sharing that can accelerate Ukraine's postwar recovery.

In conclusion, the modernization of the Canada-Ukraine Free Trade Agreement, with the key changes outlined, is crucial for Ukraine's postwar recovery. These changes will fortify our friendship and partnership, while sending a strong signal to the world about our commitment to responsible and ethical trade and services practices. Moreover, it has the potential to engage Canadian companies in the crucial task of reconstruction in Ukraine, fostering economic revitalization and reinforcing the bond between our nations. I urge all of you to support this initiative, recognizing its vital role in Ukraine's recovery and the opportunities for Canadian companies.

Thank you very much.

• (1220)

The Vice-Chair (Mr. Kyle Seeback): Thank you, Mr. Potichny.

Now we will turn to Mr. Michalchyshyn for five minutes as well.

Mr. Ihor Michalchyshyn (Chief Executive Officer and Executive Director, Ukrainian Canadian Congress): Thank you.

I wish my esteemed co-panellists were here in person with me, but I know that we will see each other at the Rebuild Ukraine Business Conference in Toronto on the 21st and 22nd. I invite all of you to join us there as well.

It's my honour to be here today representing the Ukrainian Canadian Congress, which acts as the federation and the voice of Canada's Ukrainian community. Since 1940, we've been working to lead, coordinate and represent our community and to shape Canada's social, economic and political policies.

We're very grateful to all Canadians for their generous support of Ukraine and the Ukrainian people at this time as Russia wages a genocidal war on Ukraine and its people. We will never forget the kindness that Canadians have shown Ukraine, including sheltering more than 200,000 Ukrainians in Canada. *Dyakuyemo*.

Russia's war against Ukraine has had devastating human costs. Tens of thousands have been killed, and thousands more have been wounded. Millions have been displaced from their homes—including coming here to Canada—which has caused the greatest humanitarian disaster in Europe since World War II. Russia's war has also had devastating economic consequences for Ukraine. Its GDP contracted by about 30% in 2022. As you've heard today, estimates on the reconstruction costs vary, but they all involve billions or trillions.

While destroying Ukraine's infrastructure and the homes of Ukraine's people, Putin's Russia has been unable to destroy that which it hates most: an independent Ukraine and a pluralist Ukrainian nation united in its aspiration to join the European community. Just this week, the European Commission made the historic determination that Ukraine is ready to open EU accession negotiations. The negotiation process is long and complicated, but Ukraine's path to EU membership is now irreversible. Russia's colonialist delusions have failed.

It is in this context that the modernization of the Canada-Ukraine Free Trade Agreement is so important, and this is why the UCC strongly supports the swift adoption of this modernized agreement. We believe that Ukraine's further integration with the EU and with NATO—with which Canada can be of great assistance—is the key to Ukraine's future success. This future success of Ukraine is both in our national security interest and in the economic interest of Canada and of all of our allies, including the United States and Europe.

As Canada also has a free trade agreement with the EU, the adoption and implementation of standards that apply across the board are important for Ukraine's economic development, the strengthening of the markets and trade ties to rebuild better, as the ambassador said.

There are three main points that we believe are critical.

The first is to ensure that Export Development Canada actively supports Canadian investment in Ukraine with a full suite of products and export insurance. Canada risks being left behind if we don't join other national export and credit agencies and multinational institutions—such as the European Bank for Reconstruction and Development, the U.S. International Development Finance Corporation, the British International Investment company and others—that are providing some certainty to investors from their countries.

Second, we strongly support legislative and regulatory changes that would allow for the seizure and repurposing of Russian state

assets and Russian oligarchs' assets currently frozen in western banks and institutions. For example, some of you may have heard about Bill S-278 in the Senate. We encourage this committee to examine this issue and see how it would impact both trade with Ukraine and postwar reconstruction efforts.

Finally, and most importantly, discussions about increasing trade and economic activity must rely on the Ukrainian victory, which will be the ultimate economic and trade benefit for Canada and Ukraine. As long as Russia continues to wage war, the human costs will rise, as will the economic costs and the costs of lost potential. Therefore, we urge all MPs in this committee and in Parliament to support greater investments in Canadian arms and armaments manufacturing to support the substantial increases in military aid from Canada to Ukraine that will lead to this Ukrainian victory.

There will be, in the future, important opportunities for co-operation in the defence and security sectors—joint ventures, joint production and so forth that will be developed. The reality is that, even after victory, Ukraine will have to be well armed. Canada can help in this.

One day I hope to appear before this committee so we can discuss further Canadian investment opportunities in a Ukraine that is peaceful in its internationally recognized borders and firmly anchored in the European Union as a whole, free and peaceful nation.

Thank you. I am looking forward to your questions.

The Vice-Chair (Mr. Kyle Seeback): Thank you very much.

We will start the first round.

[*Translation*]

Mr. Martel, you have the floor for six minutes.

• (1225)

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

Thanks to the witnesses for being with us. I am happy to be able to speak with them.

Mr. Waschuk, what was your role in 2015 when the first agreement was signed?

Mr. Roman Waschuk: I was Canada's ambassador in Ukraine at the time.

Mr. Richard Martel: Did you have any input during the negotiations?

Mr. Roman Waschuk: It was mainly the professional trade negotiators from Ottawa who made the decisions about the details, but I was always aware of what was happening. Ultimately, there was a bit of haggling to be done, especially regarding the preservation of the Canadian supply management system for the dairy industry. That was mainly the job of the trade policy and negotiations team at the department.

Mr. Richard Martel: Mr. Waschuk, since you knew what was happening in Ukraine, can you tell us whether it had concerns about Ukraine being energy-dependent on Russia at that time?

Mr. Roman Waschuk: I do not think that energy issues dominated those discussions, because at that time Canada was not a potential supplier of energy to Ukraine. As I said earlier about the nuclear power sector, it was not yet in evidence. The issue was really goods, not energy.

Mr. Richard Martel: Today, we have questions, we have concerns, regarding this new agreement. Representatives of the government told us on Tuesday that the subject of energy security had not been addressed during the discussions about modernizing the agreement.

Given the geopolitical situation with which you are quite familiar, which has obviously changed since the most recent negotiations, it seems essential to me that we talk about energy security at this time.

What do you think?

Mr. Roman Waschuk: Yes, that is a factor, and I see signs of progress, particularly in the nuclear power sector.

Mr. Richard Martel: Would it not have been worthwhile to include more details in this new agreement about energy and the energy sector? There is nothing at all about it in the modernized version. We cannot tell whether there are agreements possible. I know things can be added later, but could there have been provision in the agreement? There are details concerning some sectors, but there is absolutely nothing about energy.

What do you think?

Mr. Roman Waschuk: Keep in mind that I am no longer working for the Department of Foreign Affairs, Trade and Development. However, I think natural gas and oil, for example, are basic products that are rarely limited by trade agreements. They are sold on the international markets, and a chapter about those products, which are traded pretty freely all over the world, is not really necessary. I am not an expert on the energy sector, so it is hard for me to say whether it would have been possible to include anything about the subject in this agreement.

• (1230)

[English]

The Vice-Chair (Mr. Kyle Seeback): We'll now turn to Mr. Sidhu for six minutes.

Mr. Maninder Sidhu: Thank you.

Thanks to our witnesses for joining us here today in this very important discussion on the modernization of the trade agreement.

I met with the UCC recently. It's a well-respected voice in the Ukrainian diaspora and the business community. Your advocacy is critical in helping Ukraine rebuild, as well as assisting both our economies and sectors create jobs here in Canada and in Ukraine, as we heard from the ambassador earlier today.

I'd like to know from the UCC how important it is to you at the UCC and in the business community to have this modernized trade agreement adopted without delays.

Mr. Ihor Michalchyshyn: Mr. Potichny can speak to it more specifically through the chamber of commerce, but as I said, every week and every month, we're hearing from companies in Ukraine and companies in Canada that are eager to do business, or are doing business and want to expand. Many of those companies will be at the conference in Toronto, or were at the conference last year.

I think with the influx of more than 200,000 Ukrainians in Canada, those person-to-person ties have increased greatly. We see, as the ambassador said earlier, that Ukraine has a priority on economic growth. The 30% GDP loss is a huge hit, but notwithstanding that, the Ukrainian economy continues and the banking system continues.

As our other speakers have said, there's a lot of potential, but as I've said, I think the potential is all contingent on the war ending in a positive way for Ukraine, which will then allow for the assessment of the exact dollars and figures. I think Ukraine is eager to include this as a step forward in its negotiations on a global level.

Mr. Maninder Sidhu: Thank you for sharing those insights.

Mr. Waschuk, turning to you, I really enjoyed the insights you provided into technology companies and mutual co-operation in both Ukraine and Canada. I know your opening remarks got cut off, but I'm hoping you'd like to finish some of those. I'm really intrigued to hear what more you have to say.

Mr. Roman Waschuk: I had another sentence or two, and they were focused on the modernizing impact on Ukraine of the beginning of the accession talks with the European Union, but also of the provisions of the modernized CUFTA.

Essentially, within probably four or five years, Ukraine will be inside the EU. It's already largely inside the single market. It will soon be within the EU's common mobile roaming zone, which means it will be a much cheaper place to have a mobile phone than Canada. It means that it will be part of our broader Euro-Atlantic system.

You need to think of CUFTA being modernized, yes, but ultimately, it may in fact be a transitional measure, because if Ukraine succeeds in acceding to the EU, it will be part of CETA—the Canada-EU trade agreement—likely by 2030. That also means that the harmonization of standards, which are very high in CETA and are being upgraded in CUFTA, will make it better and easier for Canadian companies to trade goods and services that are interoperable with Ukraine, because they're designed to be interoperable with the EU. Ukraine's EU accession also makes it an easier market to work with for Canadian companies.

Mr. Maninder Sidhu: Thank you for those insights.

Turning back to the UCC, we mentioned agriculture and the importance that agricultural technology can play as we move forward to help Ukraine rebuild. Can we speak to that sector and some of the importance around the sector? Maybe give some examples of how Canada and Ukraine are working together.

• (1235)

Mr. Ihor Michalchyshyn: General messaging about the grain sector is a place where.... I don't want to get into naming specific companies, but there's a lot of historical investment, from Canada into Ukraine, in grain transportation and storage. Obviously, the Black Sea blockade by Russia has had a major impact on all of Ukraine's grain production.

The countries are very similar in terms of their agriculture industries. We've seen big interest in Ukraine when it comes to technology and equipment exports to Ukraine. Unfortunately, in the short term, Ukraine is now one of the top land mine countries in the world, and agricultural land is primarily affected. We've all seen some very brave Ukrainian farmers continue to try to plant, even though they know there could be land mines in their own fields.

In the short term, we need to help Ukraine become land mine free. There are already major Canadian and multinational agriculture companies in Ukraine with facilities that have been hit. These are looking to rebuild and expand, and to see the potential, again—as Mr. Waschuk said—in the next four to five years, in what could be a peaceful, demined agricultural sector.

Mr. Maninder Sidhu: Thank you for your insights. I really appreciate it.

The Vice-Chair (Mr. Kyle Seeback): We'll turn to Mr. Savard-Tremblay for six minutes.

[Translation]

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

Again, thanks to all the witnesses for being with us.

Mr. Potichny, we are doing a study on trade between Canada and Ukraine. You were in fact critical of Export Development Canada. You said it was difficult to access the funds that were available and there was a lot of work to be done.

Given the unfortunate events with which we are familiar, does the situation seem to have changed?

[English]

Mr. Zenon Potichny: Thank you for the question. I'm sorry, but I didn't quite understand it. The money was difficult to...?

[Translation]

Mr. Simon-Pierre Savard-Tremblay: I am going by what you said at the time.

[English]

Mr. Zenon Potichny: Absolutely. There's definitely a different tone when discussing business in Ukraine these days. I feel that EDC is much more open to looking at different solutions. We had meetings with them in a few cities across Canada. They even did a sort of tour across Canada to meet with businesses interested in doing something in Ukraine. They asked them direct questions: What do they need? What are they looking at? We certainly had them

participate in the Rebuild Ukraine Business Conference last year. This year, they are bringing a whole team and participating in the panel.

I certainly see a huge difference. Besides some of the credits and funds available for businesses, they are also looking into, perhaps, some kind of insurance. I don't want to call it “war insurance” because, when we suggested looking at something like American companies are doing, they said, “We're different from American companies.” However, I know they are looking at some issues around insurance possibilities for businesses as well.

Yes, there is a huge difference.

[Translation]

Mr. Simon-Pierre Savard-Tremblay: Thank you, Mr. Potichny.

Mr. Waschuk, you are the business ombudsman in Ukraine.

As we know, the government talks a lot about the chapter of the agreement entitled "Transparency, Anti-Corruption, and Responsible Business Conduct". Provisions have been added regarding responsible business conduct, but they are still strictly voluntary. There is no authority that actually checks it. Nothing has been set up for doing that. Businesses are urged to adopt internationally recognized guidelines and principles of responsible business conduct and social responsibility, but, at the end of the day, they are purely voluntary codes.

The Ambassador told us earlier about the efforts that have been made by Ukraine since the war began to combat corruption, and there seem to be facts to support that.

Do you think what we are seeing is both sufficient and necessary, with respect to both the chapter in question and the Ukrainian government?

• (1240)

Mr. Roman Waschuk: I think all these efforts are part of a process. In terms of combatting corruption, an entire anti-corruption architecture has been put in place in Ukraine, including the Private Detectives Agency, the National Agency on Corruption Prevention, and the High Anti-Corruption Court. The judges who sit on that court were chosen with Canadian, British and European help. Candidates were assessed using a relatively rigorous checking process. It was not done on a volunteer basis.

A body like mine is independent. It is funded by the European Bank for Reconstruction and Development, or EBRD, and provides a possible recourse for business people inside Ukraine and people from outside, such as investors. It can help them restore their rights if they believe that they have been victims of wrongdoing by authorities of a municipality or the Ukrainian government.

Having people like me, a Canadian citizen and former ambassador of Canada in Ukraine, an interlocutor of the police or of representatives of the security services or the Ministry of Economy, a lawyer to defend small businesses and big businesses like the Louis Dreyfus Company or Shell, indicates a fairly high degree of transparency in relations with the Ukrainian government.

We are far from perfect, but we are aiming in the right direction, and that is quite encouraging.

Mr. Simon-Pierre Savard-Tremblay: I want to thank you for answering in 25 seconds.

[English]

The Vice-Chair (Mr. Kyle Seeback): We will turn to Ms. Idlout for six minutes.

Ms. Lori Idlout: *Qujannamiik, Iksivautaq.* Thank you, Chair.

My first question will be for Roman Waschuk regarding the Canada-Ukraine FIPA entered into force back in 1995.

I understand that the modernized CUFTA would suspend the Canada-Ukraine FIPA for as long as the modernized CUFTA remains in force. Could you describe for us how this modernized CUFTA would affect Canadian investors?

Mr. Roman Waschuk: As I understand it, the foreign investment protection agreement of 1995-96 was state-of-the-art 25 or 30 years ago. International trade law and international investment protection have advanced considerably. The new provisions take that into account. They take into account the international governance changes that have occurred. They take into account the way in which money flows have been modernized and have been made more electronic. Basically, it's getting up to speed with the way in which business operates now, going from a chequebook world to a digital transfer world, but having the governance instruments in place to deal with that.

It also provides new opportunities for Canadian investors to talk to the Government of Ukraine when they feel that their interests are being impinged upon. Again, what isn't in CUFTA, but exists, is our institution to which Canadian companies, along with any other companies, can appeal if they feel their interests are being disregarded or eroded.

• (1245)

Ms. Lori Idlout: *Qujannamiik.* Thank you.

Could you describe both the similarities and the differences between the modernized agreement's investment provisions and the Canada-Ukraine FIPA?

Mr. Roman Waschuk: I am not an expert on investment protection agreements, so I can't give you an article-by-article comparison. However, I can certainly tell you that the Canadian trade and investment negotiators have upped their game considerably. What

we've done is that we have taken the experience we've gained—from agreements like first NAFTA, then the renewed agreement with the U.S. and Mexico, and especially the Canada-Europe trade agreement—and built many of those elements into a modernized CUFTA.

Ms. Lori Idlout: Thank you so much.

My next question will be to Ihor.

I'd like to ask you about your appearance before this committee back in February 2022, when you made recommendations for a renewed CUFTA, one of which was to “establish reform benchmarks in law enforcement, judicial and taxation systems and clear criteria for measuring reform progress.”

Can you explain to us if this has been achieved?

Mr. Ihor Michalchyshyn: The largest way that Canada has been helping Ukraine with judicial reform has been through programs such as Mr. Waschuk described—the court, the anti-corruption agencies, police reform and the many programs through the international development office that have been building both transparency and accountability within the Ukrainian government as well as helping Ukraine move toward EU accession.

I don't have specific insight into my remarks in the past versus this modern CUFTA, but I can say that the largest overall pattern we see happening is reform in terms of all legislative processes driven by the goal of EU accession. That has been supported by Canada's international development program for many years. We want to continue that, and, again, I don't have a list of specific initiatives, but there are more than a few in Ukraine that are making a deep impact on the way that corruption is dealt with by the legislature and by the police.

Ms. Lori Idlout: *Qujannamiik.*

You are leading up to my final question.

We know that corruption has a very negative impact on trade, and we know that President Zelenskyy is working hard to uproot corruption in Ukraine. How successful has that been, and what more needs to be done?

Mr. Ihor Michalchyshyn: As the ambassador said, Ukraine, while fighting a war and while trying to join the EU, is continuing to reform its own house, to put its house in order, particularly with the European Union guidelines and regulations that it needs to meet. As the former ambassador said, it's a process, and there is the architecture of a system there.

I think we've all seen the high-profile dismissals of Ukrainian officials by the President of Ukraine when there are examples of corruption to make the point that it will not be tolerated. I think that we see progress, and we need to continue to support our partners in Ukraine on that progress.

The Vice-Chair (Mr. Kyle Seeback): That is the end of the time. We'll now move to the second round.

Mr. Baldinelli, you have five minutes.

Mr. Tony Baldinelli: Thank you, Chair.

I'd like to take this opportunity to thank the witnesses for being here this afternoon.

I'm going to begin with Mr. Waschuk, former ambassador to Ukraine.

Thank you for being here this afternoon.

One colleague allowed you the opportunity to finish off your five-minute period of remarks because, unfortunately, you ran out of the allotted time. You not only started to talk about the modernizing aspects of CUFTA, but you also discussed the moves of Ukraine towards accession to not only CETA but to closer relationships and ties with, and eventually becoming part of, the EU.

Just following up on those discussions, when do you see something like this coming to fruition?

• (1250)

Mr. Roman Waschuk: Yesterday we had the announcement by the European Commission that they are recommending the opening of negotiations with Ukraine on accession. Things are starting to get real here. That recommendation needs to be ratified by the European heads of government summit, which will be on December 14. In the usual EU fashion, there will probably be some horse-trading around that, but it's likely to be approved. By next March, we are supposed to have an agreed negotiating framework between the two sides and then negotiations.

Some countries have been stuck in negotiations for decades. What we can see, though, is that key countries in the EU—especially Germany and France—have now thrown their weight behind Ukraine, essentially thinking it's better to have Ukraine inside the tent than next door to the tent. In 2014, Ukraine signed an association agreement with the EU, which gave it some of the advantages of the single market but not all of them, and no co-determination. Now the decision is that it should be on the inside.

Once those two big countries, especially, switched to that position.... That was also reflected by German Chancellor Scholz a couple of weeks ago at a meeting with the Ukrainian Prime Minister and economy minister saying to German businesses that, when they are investing in Ukraine, they are investing in a future EU member country within our system. That's also a message to Canadian businesses.

I would say 2030—six and a half years or seven from now—is realistic. Some Ukrainians are more optimistic, but personally, I think they need a transition period. Just like Canada with the FTA with the U.S. and then NAFTA, you need transition periods so the parts of your economy that aren't ready for full integration and competition—like with the French, Spanish and German companies that have deeper pockets—don't get steamrolled in the process.

I would say 2030 is realistic.

Mr. Tony Baldinelli: Thank you, Ambassador.

I think that's a key word that you used. This CUFTA agreement will then become a transition document, as accession to CETA begins. It's kind of interesting to note that there's no mention of a carbon tax or carbon leakage in CETA, to the best of my knowledge and that of my colleagues from our review of the document.

In the interim and in that transition period, we're going to be talking about the rebuilding of Ukraine, which is vitally important. The ambassador who was here earlier indicated that at a minimum \$400 billion will be needed. Would it not, therefore, be prudent to have included chapters related specifically to the reconstruction and rebuilding of Ukraine as we move on that transition towards accession to CETA, in the short term? The reconstruction and the rebuilding that will be required in Ukraine is hugely important.

Have we missed an opportunity by not including chapters specifically regarding energy co-operation and energy security?

Mr. Roman Waschuk: Overall, the modernized framework generally allows for Canadian companies to participate effectively. Whether a separate energy security chapter would have made any great difference would actually depend on Canada's capacity to be a net provider.

As we know, unfortunately, we haven't made the internal federal-provincial and other arrangements to become a major exporter of things like liquid natural gas to Europe. That same Chancellor Scholz discovered that on his trip to Canada last year.

I'm not sure how it would have worked out to have a separate chapter on something that, domestically, Canada isn't quite ready to deliver on.

• (1255)

The Vice-Chair (Mr. Kyle Seeback): I'm going to have to interrupt. We're over time.

We will turn to Mr. Arya for five minutes.

Mr. Chandra Arya: Thank you, Chair.

My first question is for Mr. Roman Waschuk.

With your knowledge and experience in Europe, and the plans for Ukraine to join the European Union, one of the things about the European Union is that everybody has to agree. We have seen what happened with the long negotiations with Turkey. Finally, Turkey has had to withdraw its intention or its application of interest in joining the European Union.

With countries like Hungary being part of the European Union, how confident are you that Ukraine will be able to join the European Union someday?

Mr. Roman Waschuk: I mentioned the word “horse-trading”, and that is a long European tradition.

Turkey is a very large, very dynamic, very populous economy that seemed to be a step too far for the Europeans.

Ukraine already, for example, is part of the auto parts manufacturing pipeline that goes through Poland and then into final assembly plants in places like Germany, so it's already linked to the broader economic system and, under what the Europeans offered after the outbreak of full-scale war, has largely unrestricted access to the single market. Of course, millions of Ukrainians have received temporary protected status in EU countries. In a way, it's almost like millions of Ukrainians having an EU 101 course, which they involuntarily got because of this outbreak of war.

I think Ukraine now getting this prospect will help other countries, like the countries of the western Balkans, to move into the European Union more quickly. The EU itself was stuck and wasn't sure what to do, but what they have realized is that, with Russia going aggressive and going expansionist, they need to lock down, if you will, countries like Ukraine and Moldova, but also Serbia and Albania—countries like that—for their own good.

I think the German foreign minister said it yesterday, this is not just an economic decision; it's a geopolitical response to what's happening.

Mr. Chandra Arya: Quickly, because I have limited time, I understand the horse-trading that you mentioned. I don't know what was traded with Turkey so that it agreed to Sweden's inclusion in NATO.

My specific question was about a country like Hungary playing spoilsport here. Can you touch on that?

Second, the infrastructure destruction is enormous in Ukraine, and Canada can play a real and good role in the rebuilding of infrastructure. That requires a long-term commitment from Canadian businesses and from Ukraine too. Do you think this modernized Canada-Ukraine free trade agreement will help Canadian businesses have a long-term interest in Ukraine?

Mr. Roman Waschuk: Thank you.

Yes, Hungary is a spoiler. It has often made quite outrageous statements, mostly about what it sees as the protection of Hungarian minority rights but really is slightly irredentist stuff. However, it has then agreed, in the spirit of horse-trading, to, let's say, more European subsidies for this or that, and then their super principled position goes from veto to, "We will just abstain on that." That's one aspect.

Another is that, indeed, I think Canadian companies need to be well positioned, and CUFTA being modernized will help. I think, also, that a triangular partnering with European countries, especially neighbouring countries, will be helpful because that provides you with both a logistical base and a secure regulatory and simply safe base for operations.

I have spent quite a lot of time in Poland in the last 18 months, and there is a lot of interest from the Polish business community in reconstruction and also in partnering with countries from further abroad in finding out who has comparative advantages in what areas.

Interestingly, there is a discussion of EDC. The Polish export—

• (1300)

The Vice-Chair (Mr. Kyle Seeback): Mr. Waschuk, I will have to interrupt. We're over the time, and we're getting very near the end.

Our two last questioners will be Monsieur Savard-Tremblay and Ms. Idlout. They will each have two and a half minutes.

Mr. Savard-Tremblay, please go ahead.

[*Translation*]

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

Mr. Michalchyshyn, when you first appeared before the committee in February 2022, you said: "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." That was before the war.

Now that there is a war, which really is the height of the possible types of aggression, what is the situation?

[*English*]

Mr. Ihor Michalchyshyn: As I think we saw, the international security situation in December and January of 2022 was quite unstable. We saw Mr. Putin increase his troop numbers near the border. Up to eight million or 10 million individuals fled. Those were people who were working and continued to work. Some of them also found new jobs in the European Union.

I've been at some meetings about the international refugee situation that show that millions of Ukrainians are returning to Ukraine despite the situation, partially because Ukraine now has air defence in almost all of its major cities, and with Canadian support is able to take out most of the drones that Russia attacks it with.

There has been a stability, based on the number of people who left but are now returning back into Ukraine, which I've heard is in the millions, to live and work and contribute to the economy.

[*Translation*]

Mr. Simon-Pierre Savard-Tremblay: You talked about investments and workers. However, what you said at the time was that private investors were influencing the costs of capital and the lending market. What can we observe in that regard?

[*English*]

Mr. Ihor Michalchyshyn: Again, the GDP has gone down 30%. There is an unstable situation in terms of the security, but I would say that, from what we understand, many multinational companies, particularly from Europe, Japan and other places, are looking at the long-term horizon for Canada-Ukraine perspectives in terms of the future.

The Vice-Chair (Mr. Kyle Seeback): Thank you very much.

We'll now go to our last round of questioning.

Ms. Idlout, you have two and a half minutes.

Ms. Lori Idlout: *Qujannamiik, Iksivautaq.* Thank you, Chair.

I'll be asking my question to Mr. Potichny.

As I mentioned to the ambassador in the first panel, I'm glad to see that there are chapters on indigenous peoples and trade. I wonder if you could share with us how this chapter could increase access to the benefits of this agreement for indigenous peoples in Ukraine and Canada.

Mr. Zenon Potichny: Thank you very much for the question.

I guess we didn't have anything like this before. Talking about our membership, as members of the Canada-Ukraine Chamber of Commerce, we have about 100 companies as members from the Ukrainian side and about 100 companies from the Canadian side. We certainly have a few companies that have indigenous people involved in the business. I think that will definitely clarify and help expand it even more for indigenous people, especially on the Canadian side. I know that some companies are looking at doing some business in Ukraine right now involving indigenous peoples.

I think it's only positive that we have that clarified and clear in the free trade agreement.

Ms. Lori Idlout: *Qujannamiik.*

My final question to you is a similar question, because it's also great to see that gender is in this agreement. I wonder if you could

explain what the benefits will be from ensuring that we consider gender in this agreement.

• (1305)

Mr. Zenon Potichny: Thank you for the question.

Absolutely, it will help and assist.

We were running the CUTIS project—the Canada-Ukraine trade and investment support project—with the Conference Board of Canada, which fell under the old free trade agreement. I remember, even during that project, we had to pay a lot of attention to gender equality in business, especially for small and medium-sized businesses. We had to mark down everything from every conference, meeting and deal, in terms of how many women and girls were involved in the transactions or other things happening.

Now that we have even more expansion on gender equality in the modernized free trade agreement, I think it's only positive. Ukrainian women are very active in business and want to get involved, especially the younger generation. They always look forward to working with Canadian businesses that have women as leaders, managers or bosses.

The Vice-Chair (Mr. Kyle Seeback): We will conclude the meeting.

I want to thank all the witnesses for coming today to share their valuable insights.

With that, I will adjourn the meeting.

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