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• (1110)

[English]

The Vice-Chair (Mr. Lui Temelkovski (Oak Ridges—Markham, Lib.)): Order. Sorry for the delay. That's what happens when you meet constituents in the visitor's welcome centre unexpectedly.

Pursuant to Standing Order 108(2), for our study of Canada's trade policy we have two witnesses today, Mr. Dupont and Mr. Cumberlege—just like “Temelkovski”—from Export Development Canada and from the Canada Eurasia Russia Business Association, respectively.

Mr. Ted Menzies (MacLeod, CPC): Mr. Chair, may I just put something out there, if I could?

The Vice-Chair (Mr. Lui Temelkovski): Quickly, yes.

Mr. Ted Menzies: We certainly don't want to take away from our witnesses today—I'm quite looking forward to their comments—but I do have a motion that I would like to table at the end of the meeting, perhaps the last 15 minutes, if we have time.

The Vice-Chair (Mr. Lui Temelkovski): Okay. I'm sure we'll find the time.

Is that the motion from February 1?

Mr. Ted Menzies: Yes, it's dated February 1, to do with dissenting opinion.

The Vice-Chair (Mr. Lui Temelkovski): Yes, we have it on the agenda. Thank you.

We will start with Mr. Dupont.

[Translation]

Mr. Luc Dupont (Director, Strategy and Operations International Business Development Group, Export Development Canada): Thank you, Mr. Chair.

Today I'd like to give you a brief overview of the approach of Export Development Canada, EDC, to Russia, which is one of our priority markets.

In 2006, EDC achieved operating volume of \$15.2 billion in all so-called emerging countries. Of that amount, EDC's volume in Russia was \$756 million, in support of some 80 exporters and investors, for a total of 138 transactions. That encouraging performance reflects the openness and vitality of Russia's economy, which has achieved average annual growth of 7% in recent years. This new prosperity in Russia has enabled the country to accelerate repayment of its public debt, which has improved its credit rating, while fostering the emergence of a population that is better off and has increased purchasing power and new consumer aspirations.

These factors explain why this market, in addition to energy resources, affords new business opportunities for Canadian businesses.

[English]

In recognition of the market potential in Russia, EDC has announced the establishment of a foreign representation in Moscow based at the Canadian embassy. A formal opening is scheduled for spring of 2007.

This presence in Moscow is intended to allow EDC not only to enhance its responsiveness to emerging opportunities, but to develop proactively opportunities through business representation, origination, and facilitation by targeting strategic Russian prospects who are engaged in ambitious capital expenditure programs or who could call upon Canadian expertise or equipment to assist in the modernization of their productive capacity.

By adopting such an approach, EDC can develop and deepen its relationships in the market to favourably position Canadian interests in procurement or investment opportunities that we can in turn support through the full range of our services. In doing so, EDC actively works in collaboration with financial institutions from Canada, Russia, and internationally.

In addition, EDC works closely with its portfolio partners, the Department of Foreign Affairs and International Trade, the Canadian Commercial Corporation, as well as other government departments and agencies. Russia is a market that is attracting greater interest on the part of SMEs seeking to capitalize on the new opportunities that are emerging.

As northern and resource-rich countries, Canada and Russia have a lot in common beyond hockey. Both have a need for efficient transportation and telecommunications infrastructures. Agriculture is important to the sustainability of many communities. Extractive industries both in mining and oil and gas are major sources of earnings. In fact Canada and Russia are the only two net energy exporters from the G-8.

Both countries are seeking to reposition themselves with an integrative trade. For Russia this means that the new wealth of the country is expected to be channelled in other sectors, such as manufacturing, to allow the country to diversify its economy. Unfortunately, Canada's offerings are not the only ones that are of interest to Russia.

Canada is uniquely positioned to cater to the needs of Russia in these aforementioned sectors, and EDC is committed to accompanying Canadian businesses in their successful endeavours. To illustrate how EDC can create value, let me draw upon the experience of a transaction that is in the process of being structured in Russia, but that is largely inspired by transactions we have recently concluded in the agricultural sector in Kazakhstan.

We have been approached by a foreign buyer to identify potential suppliers for agricultural machinery. This is a sector of significant opportunities to many Canadian companies given the great similarity of agricultural conditions between Canada and Russia. Farms in Russia and the CIS have a great need to be modernized. Working with a Canadian exporter, we have pre-qualified the buyer and developed an acceptable financial structure to allow us to facilitate the purchase of equipment from Canada through a local bank that lent the funds to the end buyer.

Through this approach the Canadian company was able to receive payment on shipment, the buyer benefited from medium-term financing from his bank, and had access to a new supplier. Indications so far are that this company has now developed a pipeline of sustained business with this buyer, which is opening doors for him in Kazakhstan but also in Russia. This company's focus was previously only on the North American market. Because of this positive experience, it is now receptive to the ideas of entering new markets with a risk management of services.

EDC knowledge of both Canadian business capability and emerging market requirements can be leveraged to assist Canada in developing long-term trade investment relationships with Russia and elsewhere that are beneficial to our country's prosperity.

This completes my brief exposé. I would be pleased to answer questions.

Thank you, Mr. Chair.

• (1115)

The Vice-Chair (Mr. Lui Temelkovski): Thank you.

Mr. Cumberlege.

Mr. Piers Cumberlege (National Board Director, Canada Eurasia Russia Business Association): I am here wearing the hat of vice-chair of the Canada Eurasia Russia Business Association.

• (1120)

[*Translation*]

This association represents companies and business stakeholders from western Canada, Ontario and Quebec, as well as those currently present in Moscow, all members of a business association that serves to represent the interests of its members to their counterparts in Russia and other countries of the former Soviet Union. The major concentration is in Moscow, Russia, where our counterpart is an association of Russian entrepreneurs and industrialists.

[*English*]

Let me begin, if I may, by just setting a quick picture, which is really a broad overview of where Russia is today. For many of you, this will be familiar. I speak as someone who has spent most of the

last 18 years engaging in Russia in one way or another, living there and living here, but working with Russia.

Since Putin's accession in January 2000, Russia has steered a remarkable course of economic and political stability. The chaotic and volatile Yeltsin period, which saw the country come close to bankruptcy and to fragmentation, now seems a long time ago. Many of us find it difficult to understand how close to civil war Russia was in the mid-1990s. It very nearly broke down. We look at a country today that is a united country.

Now we are faced with an economic powerhouse. Admittedly it's fundamentally dependent on oil and gas revenues. It's increasingly seeking to leverage its economic power to reacquire the political authority that it lost with the collapse of the Soviet Union. A number of key themes have emerged.

On the domestic front, some positives are the breakup of the railroads. Its privatization of the railways is a step far ahead of anything achieved by India or China or what might be considered to be similar types of economies. Russia has gone way ahead in terms of a privatization process, so there have been some very strongly positive reforming activities.

There is a focus on developing key strategic industries: telecommunications and aerospace. For some of those, it's a question of the rebirth, the renaissance, particularly in the case of the aerospace industry, which was critically hit by the collapse of the Soviet Union.

There has been a huge investment in building a mid-range industrial base. Since the 1998 financial crisis, which devalued the ruble significantly, local products have become increasingly competitive. The ruble now is sitting at 26 to the U.S. dollar. It was sitting at about 30 to the U.S. dollar in 2000. There has been virtually no movement. Indeed there has been appreciation in the ruble or depreciation in the U.S. dollar, but the ruble has remained stable, buoyed by a combination of a very strong balance sheet of natural resources, but also particularly by major domestic industries that have built up over the period of the last six to seven years.

Agrifoods, services, consumer businesses, construction—all of these have been pulled through by increasing middle-class prosperity. Also, and this is very positive, there has been a search for greater economic equity and poverty alleviation across the country. Let us not forget that in a population of 145 million, there is still something in the region of 35 million people at the poverty line.

However, this is accompanied by some bad news. There is a concentration of power in the Kremlin. There had started to be quite a broad delegation of power around the country, which is now firmly concentrated back in the Kremlin. There is economic nationalism, which is really both a means of redressing the excesses of the Yeltsin period, and an unfortunate way of concentrating economic benefit in the Kremlin inner circle. There is almost total state control of the press.

We have the prospect of a presidential election in 2008, which will leave essentially the same group in power. Who will stand, and who will officially run? We won't know until very shortly before the election, but it will be more of the same. There is not really going to be an open-fought election in 2008.

On the international front, Russia has transferred its imperial ambitions from exporting dogma—the dogma of communism to obtain global political power—to becoming a critical link in a number of global commodity markets: oil and gas, nickel, and steel. In some respects, the tank diplomacy of the 1950s and 1960s has been replaced by the pipeline diplomacy that we have seen applied so effectively in the Ukraine, and that hangs as a threat over some of western Europe.

Canada's position in this new balance is particularly interesting and presents excellent opportunities. Our own natural resources base provides competition or partnership opportunities. Our proximity to, but independence of, the United States offers an interesting conduit. Our ambiguous relationship with China is similar to that of Russia, and we offer the Russians interesting reciprocal partnership opportunities as a means of counterbalancing the strength of the Chinese dragon.

• (1125)

Enough of the macro: let me move more to a micro perspective.

Canadian business in Russia has doubled since 2004, from \$415 million to over \$800 million a year. Those are the officially recorded statistics of direct trade from Canada to Russia. An enormous amount of trade passes through third countries, whether it be in terms of subcontracts supplied to contractors in the oil and gas sector who are actually technically offshore, out of Russia, or whether it be in aircraft that may be registered outside the country but the buyer, and the cash for the purchase, actually comes from Russia. I would be quite confident in saying that the figure is probably double that officially recorded statistic. The growth is about the same, but I would say that it has gone from \$800 billion to probably \$1.5 billion.

Canadian business operating in Russia is no longer just in the oil and gas sector or just in Moscow. It is not just in oil and gas, but it's also in the minerals and mining sector. It has moved out substantially. We now have around Russia a number of metropolitan centres with big consumer businesses and consumer demand, and a lot of Canadian business is moving outside Moscow to those centres.

We see that there also is strongly growing investment. At the moment, Canadian investment in Russia is in the order, approximately, of an estimated \$450 million to \$500 million. Two projects alone are being negotiated at the moment, each of them significantly over \$1 billion, by Canadian companies. It will make a quantum shift in Canada's footprint in Russia if those projects do come through, and we have some confidence that they are moving in the right direction to perhaps start being implemented within the next two to three years. That's going to be a very significant increase in the Canadian position in Russia and the weight Canada will have in Russia. It's still well below western European countries like France and Germany, but it's a very big increase.

Canadian businesses dealing with Russia face a number of challenges. There are historic perceptions, many of which were

formed during the early nineties, the rather chaotic period in Russia. And alas, I'm afraid that for too many people in Canada, "Russia" is still a two-syllable word that rhymes with "mafia".

There are perceptions of the risk of government intervention, and those are perhaps justified, and there has been an increase in that in the last two to three years, I would say. Things were looking good, but increasingly, the government is looking carefully at anything it might consider to be a strategic industry.

Other challenges are actually rather closer to home. The St. Petersburg consulate is being closed. It will be closed at the end of March. It is a pity that we see that happening now, at a time when major Russian corporations are actually moving their headquarters to St. Petersburg, reflecting the economic and political importance of the city. Gazprom, for example, the largest company in Russia, and one of the largest companies in the world, is moving its headquarters out of Moscow to St. Petersburg, precisely at a time when Canada is withdrawing from St. Petersburg. It also so happens that Gazprom is the counterparty in one of those negotiations for the \$1 billion-plus investment.

In this context, we at CERBA have been trying to encourage and develop relationships between Russia and Canada on a business-to-business level. There are a number of regular missions in each direction in the forestry sector and in the mining sector. And we have next week, in Montreal, a group of Russian bankers coming from the financial sector. They have been late coming to the party, just as Canada's financial sector, with the notable exception of EDC, has been late going to the party in Russia. But the Russians are now coming, looking for links with Canadian financial services institutions.

We have, at the end of March, the Canada-Russia Intergovernmental Economic Commission. We have, at the same time, the Canada-Russia Business Council, which will see some 150 to 200 of the most senior Russian business people coming together with the most senior Canadian business people engaged in Russia. This is a process of rapprochement and a process of increasing the business-to-business ties, very important at a time when we are trying to wean off the government-to-government relationships that typically characterized old Russia.

Overall, CERBA is very definitely optimistic. We give our members cautious advice about how to manage some of the issues and challenges that they perceive are facing them, but overall, we feel very strongly encouraged by what we see as business opportunities in Russia. And our members, simply by measuring the growth in membership, suggest to us that there are more and more Canadian companies engaging in Russia and looking for the support of the Canadian government to continue to do so.

• (1130)

Thank you.

The Vice-Chair (Mr. Lui Temelkovski): We will start our seven-minute round of questions and answers with Navdeep Bains.

Hon. Navdeep Bains (Mississauga—Brampton South, Lib.): Thank you very much, Chair.

I'd like to thank you for your presentation. As you are aware, we're here today to discuss trade policy, specifically on emerging markets, and that's the intention of the meetings we're conducting here in the committee: to look at opportunity that exists outside the traditional markets we trade with—the United States and Japan and so forth. So we appreciate the insight you bring on the Russian economy.

We received briefing notes, and we understand that Russia is the ninth-largest economy in the world. One of the impressive components of Russia, in terms of its being an emerging market, is that it has strong growth projections, above 6% and close to 7%, on a going-forward basis. It's achieved that in the past as well.

Unfortunately, the trade between Canada and Russia is not there. We haven't reached the potential we'd like to.

In your remarks, Mr. Cumberlege, you referred to your disapproval of the closure of the consulate. I'd like to touch upon that a bit, because it's a very important concern that I've raised in the past in committee and now continue to raise. It doesn't make sense, when we talk about improving our role internationally—improving our trade relations internationally, diversifying our trade, making sure we have people on the ground, making sure we're in a position to attract additional business and investment—that we'd be making cuts to consulates and reducing our presence.

You indicate in your remarks that St. Petersburg is becoming a major business hub. You give an example of a major oil company that's moving its headquarters there. Can you comment a bit more on that in terms of the impact you see, or the lost opportunity that exists from the closure of that consulate?

Mr. Piers Cumberlege: Surely.

St. Petersburg is the source of most of the political class that is currently ruling Russia. Mr. Putin himself comes from St. Petersburg, and a number of the strongest decision-makers in Russian politics come from St. Petersburg. Increasingly, big Russian business is being populated likewise, with leaders from St. Petersburg. It happens to be a process that has been very visible over the last three to four years.

St. Petersburg is becoming more and more not only an economic and a cultural centre—it's been a cultural and heritage centre for a long time—but now a centre of political decision-making. Any serious politician has to have a St. Petersburg link in Russia. And in business terms, companies are seeing that they have to pay their due to that St. Petersburg plan by establishing a strong presence there.

Gazprom's moving its headquarters there is a very clear sign. What we're also seeing is other companies—not as large as Gazprom, but every bit as significant—that are moving large numbers of headquarter functions there. We're seeing procurement decisions being made in St. Petersburg. Where once they would have been made either out in western Siberia or in Moscow, we're now seeing those procurement decisions actually being made in St. Petersburg.

In a consulate there are a number of functions. One is to keep a finger on the political pulse of the area where the consulate is based; another is to actively support commercial activity in that same area. We at CERBA believe very strongly that both are going to become increasingly important in St. Petersburg.

Now, we're not in a position to question decisions that have been made by the government, but on the other hand, we are in a position to say that we believe it's very important that Canadian business continue to receive support of some form or other in St. Petersburg to continue work that has been done excellently by the consulate and the commercial side.

There may be an opportunity to find some way for our own association to continue to provide that support, if that's something the government is prepared to consider. Similar things have been done in the past in China. Looking at opportunities to at least make sure that the history of strong Canadian business activity there—which, incidentally, is increasing, with other Canadian companies investing in manufacturing plants in the St. Petersburg area.... There is another investment of about \$54 million being made by a Canadian company in a plant in the St. Petersburg area later this year.

So there's a lot going on, and we think it's very important that this be recognized. Russia is not Moscow. Russia is much broader than that. And St. Petersburg is exceptionally important.

• (1135)

Hon. Navdeep Bains: I appreciate that assessment. I think it brings to light the concerns that I and other members on this committee have expressed in the past. You've highlighted some of those areas, such as the growth potential that exists in business and investment, and the fact that we have to look not at Moscow on its own but in other areas that are now emerging within Russia and are very important for trade going forward.

Based on your experiences—and I'll speak to some of the concerns above and beyond the closure of the consulate—are you aware of any other closures of any consulate offices or lack of presence in St. Petersburg, or are there more resources that countries are placing in that region?

Mr. Piers Cumberlege: I'm not aware of any other closures. Anecdotally—and I do say anecdotally—I have heard that Germany is increasing its presence there. I've heard that the U.K. is putting one grade higher in their presence there.

The U.S. presence there is being represented in two forms. There has been a consular presence, but particularly the American Chamber of Commerce, AmCham, has been very active in St. Petersburg. They certainly are continuing and I would expect them not to be diminishing the activity.

I apologize, but I'm afraid I can't point to specific examples other than anecdotal.

Hon. Navdeep Bains: All right. But it is peculiar that, based on your assessment, other countries are increasing their presence, want to participate, want to take advantage of the economic growth, and unfortunately Canada seems to be headed in the opposite direction. I think it's something that does boggle the mind.

Mr. Piers Cumberlege: If I may, one of those two \$1-billion projects is St. Petersburg-based—Canadian capital, Canadian-owned—and actually St. Petersburg-based.

Hon. Navdeep Bains: Thank you.

The Vice-Chair (Mr. Lui Temelkovski): Thank you, Mr. Bains.

We'll move on to Mr. Cardin.

[*Translation*]

Mr. Serge Cardin (Sherbrooke, BQ): Thank you, Mr. Chair.

Good morning, gentlemen, and welcome to the committee.

Mr. Cumberlege, I'd like to know your association's perception. Earlier you touched on certain social realities—you spoke about the mafia as such—and the confidence that Canadian entrepreneurs have in Russia.

How convinced are they right now that they can do business there?

Mr. Piers Cumberlege: They reengaged after the major exodus in 1998, when many withdrew from the market. Since that reengagement, I would say that those who are actively involved in Russia right now have fairly high confidence. I mentioned the mafia because that's a word that is so often associated with Russia. However, in Russia, as in any country in the world, the mafia is essentially involved in prostitution, alcohol, drugs and gambling. Around the world, you find organized crime in those areas. The other sectors of the economy aren't affected, and the mafia isn't omnipresent. It is entirely possible for businesses to act in Russia without needing protection, and I believe that Canadian entrepreneurs currently engaged in Russia aren't faced with demands or needs to coexist with the mafia, unless they are operating in the sectors I just named. I believe that the time when there was a lot of activity and when virtually all economic sectors were affected by a criminal potential is long since passed. That was really during the years 1993, 1994, 1995 and 1996. Now that's no longer the case.

• (1140)

Mr. Serge Cardin: People have appeared here and criticized, to a certain extent, the absence of Canadian government programs and support for businesses overseas.

How do you perceive the situation with regard to Russia? Will the Canadian government do whatever it can for Canadian entrepreneurs?

Mr. Piers Cumberlege: That goes back to the discussion we just had on the consulate and its closing. In fact, I find that a lot of support comes from the provincial level. In Alberta and Quebec, for example, the provincial governments are providing quite concrete support for business relations between the companies of their province and Russia. At the federal level, I said there would be a major gathering of business people on March 26, and of government on March 27. The federal government is providing a lot of support for that event, both financially and politically.

In that way, I believe it's trying to facilitate the transformation of a relationship that, during the Soviet period, was necessarily intergovernmental. That increasingly has to become a relationship between business people. That's what the Russian side wants, and we're trying to use what has already happened between the United

States and Russia as a model. Now business relations and political relations are virtually separate, instead of being completely interwoven. That offers certain advantages. It's a bit slower here; we're five or six years behind our American colleagues, but these business relations are starting to develop. I'd say it's the role of a business association such as ours to adopt an even stronger position in favour of assisting the companies so that they contribute to the association and so that the association contributes to the development of business with Russia.

That said, we'll always need support from both the federal and provincial governments. We are very grateful for the support we receive.

Mr. Serge Cardin: We know that Russia doesn't belong to the WTO. What do both of you think about that situation with regard to the potential for economic relations between Canada and Russia? Could good bilateral agreements with Russia be preferable to Russia's presence in the WTO? The day that Russia becomes a member of the WTO, what impact will that have on the relations we currently have with Russia and those that we could develop in future?

• (1145)

Mr. Luc Dupont: I believe that Russia's talks for the purpose of joining the WTO are advancing. With regard to trade liberalization, it would definitely be an advantage for Russia to be a member of the WTO. For the moment, we at Export Development Canada are observing these developments with a great deal of interest. Not only will that make for easier trade flows between Canada and Russia, but Russia can then become a hub facilitating trade. For the moment, we're waiting to see how the situation will evolve.

Mr. Piers Cumberlege: Russia's membership in the WTO represents certain very important issues for certain Canadian industries, particularly in the aeronautics sector, an industry where Russia has very high protectionist tariffs. Membership in the WTO should lead to a lowering of those tariffs and those barriers. That would probably be harder to achieve merely through bilateral negotiations. In the lever and in the counterweight to the negotiation, our colleagues from the United States—with Boeing spearheading the effort—or from Western Europe have other things to put on the table that are very important for Russia. In particular, I'm thinking of steel, on the one hand, and access to a gas market and agreements in that area, on the other.

So I think it's quite important to continue these negotiations at the WTO. There is a desire in Russia to join the organization. Russia doesn't want to be excluded from a club. In addition, it thinks it will have more influence and be in a better position to exercise its international power more effectively within, rather than outside, the WTO. That's true for Russia's membership in the G8. It is putting a great deal of emphasis on the importance of belonging to it. That's very important.

So I think we can very well have bilateral agreements, but, with regard to certain very important issues, I think that the WTO is critical.

[*English*]

The Vice-Chair (Mr. Lui Temelkovski): Thank you very much, Mr. Cardin. You're well over your time.

Mr. Menzies.

Mr. Ted Menzies: Thank you, Mr. Chair.

My compliments to our vice-chair, who is filling in capably in the absence of our regular chairman.

Thank you, gentlemen, for your appearance here today.

As my honourable colleague on the other side mentioned, we are in a long-term study on what is going to benefit Canada and what is going to benefit Canada's industries, and this is an integral part of it. We talked last session, in the 38th Parliament, about emerging markets. We had a study on that, and talked about all of the potential in these emerging markets. I would like to get beyond that language; maybe *we* are just emerging with regard to realizing that there are markets out there. Russia, to me, is an opportunity more than an emerging market.

To comment on the consular closures, Mr. Cumberlege, as we've seen Canada evolve and change, and as we've seen our communications and infrastructure improve, I sense that's why we're looking at rationalizing—

What we have is a limited budget. We're trying to cut back on the excessive waste of taxpayers' money. We want to make sure we're doing it properly. So we're rationalizing some of these consular facilities around the world, but we also don't want to jeopardize the potential for companies to have the support they need. We look at EDC as being a pivotal part of that role, and we think it is an ongoing study as to what the proper position is.

You know, Toronto used to be the centre of the universe, if I'm not mistaken. I think it's now Fort McMurray. But not everybody here will agree with me on that.

So those things are changing.

To Mr. Dupont, we have an old foreign investment protection agreement, or FIPA, with Russia. Should it be updated? It's the old OECD model. Do you sense it perhaps leaves some of our Canadian companies vulnerable? We've heard about potential corruption. Do we need to update that to protect our Canadian investments?

• (1150)

Mr. Luc Dupont: Thank you, Mr. Chair.

From the EDC perspective, we are actively engaged in the protection of Canadian foreign direct investment through a specific program, which we call our political risk insurance program. Through this particular program, we do not feel at this juncture that companies are penalized by not having an updated foreign investment protection agreement.

Mr. Ted Menzies: So you don't think there are some vulnerabilities to the old model?

Mr. Luc Dupont: I think there are. Under FIPAs there are some measures to seek remedy if issues arise in the context of a dispute, but to be more specific on this I would need to refresh and get back to you in terms of the specifics in relation to the FIPA. I think it would be safe grounds to get back to you on this point. However, as a general principle, through the existing FIPA and through the existing political risk insurance program that we have, we believe we

can provide appropriate support to Canadian investors engaged in the Russian market.

Mr. Ted Menzies: Okay. Thank you.

I'll go back to comments about Russia's accession to the WTO. They have a lot of homework to do. We watched China evolving to the stage at which it had worldwide support for its accession to the WTO. What support does it need? Should we be supporting it? Does it have the desire to meet the criteria that are necessary?

That is a question to either of you.

Mr. Piers Cumberlege: Over the process of the last four to five years, Canada has actually played a very efficient role as an honest broker in the WTO accession negotiations between Russia and other states. Canada has been recognized as playing that role, and Russia's quite grateful for it.

There remain some big hurdles, and they're big blocks. They require a certain amount of popular movement within Russia. They are changes that, frankly, the president is not prepared to make at this stage, and he is not going to be making them before the presidential elections next year. I may be wrong—I've been wrong many times before—but I see the presidential elections next year as the decision-making fulcrum. The elections are a done deal, but at the same time there doesn't want to be any risk of popular concern that certain big Russian industries may be threatened by the WTO.

That said, on a legislative basis, the Russians have made immense amounts of enabling legislation for the WTO—they've just been pumping it through the system in the last couple of years—and they've done an awful lot of the domestic tidying-up that needed to be done, leaving key issues out there that essentially become political decisions, as opposed to administrative issues related to WTO.

Once the political will is there and the political agreement is there, implementation of accession can be extremely rapid, but I think we missed an opportunity—we collectively, the WTO and Russia—to close it last year. I think if it had been done last year, it would have been sufficiently far ahead of the presidential elections for it not to have a risk of tarnish. I think, though, that now it's going to be difficult before 2008.

• (1155)

The Vice-Chair (Mr. Lui Temelkovski): Thank you very much, Mr. Menzies.

We'll move on to Mr. Maloney at this time.

Mr. John Maloney (Welland, Lib.): I want to zero in again on the closure of the consulate in St. Petersburg. Rationalization generally takes place when business is slow or business is down. With respect to Russia, in fact the contrary is true; it's increasing, and there's the potential for further increases.

From a very practical perspective, does the Canadian embassy in Moscow have the human resource infrastructure or physical infrastructure to service not only St. Petersburg but, I would assume, all of Russia? Would that be our only consular or diplomatic office in Russia?

Mr. Piers Cumberlege: Very simply, Russia has 11 time zones, from east to west. It is a huge country. The Moscow embassy does not have the resources to cover the whole of the country, from Vladivostok, which is physically much closer to Vancouver than to Moscow, and across to St. Petersburg. Those resources, not only commercial but also consular—That someone has to go 11 time zones in order to process a visa is a rather complicating thing if you're trying to invite business people over to Canada.

I fully recognize that there is a question of focusing government resources in particular areas, and that closures happen. What I think is unfortunate is the timing—I really do find it quite unfortunate—and the fact that there's not a contingency plan in place. As I said, we at the association are prepared to try to continue the commercial activity there. We have asked International Trade for the opportunity to sit down and ask whether we can provide ongoing support for Canadian businesses in St. Petersburg, essentially providing continuity to replace what is closing at the end of March. We're looking forward to a response or an invitation to sit down and discuss it with them. That hasn't happened yet, but we're hoping to do so, because we think it's very necessary.

Mr. John Maloney: Is there another factor? I understand there's a keen rivalry between Moscow and St. Petersburg. Is it possible that St. Petersburg would be left out of the loop because of the need to service Moscow and the rest of Russia as well? Or is that not a factor?

Mr. Piers Cumberlege: A rivalry between the cities?

Mr. John Maloney: Yes.

Mr. Piers Cumberlege: Oh, I don't think so. St. Petersburg will see it as a downgrading of their significance. They are very proud people, and they will be upset—

Mr. John Maloney: Will that impact Canadian business people trying to do business with the Russians?

Mr. Piers Cumberlege: It will impact the image, there's no doubt. St. Petersburg is twinned with Quebec. It has a twin-city relationship with Quebec. Eighty per cent of Canadian exports to Russia go through the port of St. Petersburg. Bombardier—BRP now—has major activity in St. Petersburg through distribution of products. There are Canadian companies bidding for large transportation contracts in St. Petersburg. There are factories being built with Canadian capital, by Canadian businesses, in St. Petersburg. Pratt & Whitney has a very large technology centre in St. Petersburg.

All of these are going to inevitably suffer a bit of the effect that Canada is not actually interested in St. Petersburg: “Oh, what are you still doing here?” There's a bit of that, unfortunately. It's very unfortunate.

Mr. John Maloney: Mr. Dupont, with all the restrictions you have, would Export Development Canada be able to associate themselves with the Canada Eurasia Russia Business Association to step into the gap left by the departure of the consulate?

Mr. Luc Dupont: We are actively working with CERBA to develop outreach programs in Canada, and occasionally in Russia, so that we can foster a greater understanding about Canada in Russia and Russia in Canada.

Mr. Cumberlege mentioned a very important point in his presentation, that in the past you had state-to-state relationships. Now one of the challenges is fostering business-to-business relationships. From that perspective, I think EDC can play a key role in engaging with associations like CERBA.

As for what you referred to as “the gap”, EDC works within the scope of the mandate of a given government. We engage with the given government, and we essentially work in collaboration with them. We pursue and fulfill our mandate through this process. That's the limit of our involvement.

• (1200)

Mr. Piers Cumberlege: I endorse what Luc is saying. CERBA and EDC work very closely together.

I would have thought, given that EDC has just opened its permanent presence in Moscow, that it's perhaps a little early for them to be considering opening one in St. Petersburg alongside us. But we at CERBA would certainly like to feel that perhaps if we were taking on that role in St. Petersburg, maybe in a year or two's time we would be offering EDC the opportunity to have a shopfront in St. Petersburg as well, through the presence that we would like to establish there.

The Vice-Chair (Mr. Lui Temelkovski): Thank you very much, Mr. Maloney.

Monsieur André.

[*Translation*]

Mr. Guy André (Berthier—Maskinongé, BQ): Good morning. I'm very pleased to see you together here today.

You said that Russia is a major oil producer. You're familiar with the major questions that have now arisen on the use of hydrocarbons and the production of greenhouse gases.

How are the questions concerning CO₂, the Kyoto Protocol, the reduction of greenhouse gases and the survival of the planet being considered in Russia today? I know part of the answer, but I'd like to hear what you have to say on the subject.

You also talked a little about the manufacturing sector. Is there what's considered a soft sector, like the textile sector, for example? We call the more vulnerable sectors soft sectors. In Quebec, for example, we're talking about the textile and furniture sectors, which are more vulnerable to the global economy and Asian competition.

How is that being experienced in Russia?

What are working conditions? What about human rights, the union movement and all the living conditions of people currently living in Russia? I ask that question because of competition. We currently have Asian competitors in certain sectors, and the result is often a degree of unfair competition. Wages, environmental standards and standards relating to working conditions are not the same. These people are competing with us. The question will arise in Russia as well.

I'd also like to hear your comments on that subject.

Mr. Luc Dupont: It's very important to understand that our specific mandate is to support Canadian exports and Canadian investments. When we at the EDC review a proposal in which we are asked to take part, we do so on the basis of a specific transaction, such as the issue of greenhouse gases or the Kyoto Protocol.

What interests us are environmental standards. Does the project for which support is being sought comply with environmental standards established in the international agreements? Then we use an analytical framework, and, if the project doesn't meet our project's support standards, it's difficult, even impossible, for us to support it. That's done in the context of a specific transaction.

Furthermore, we also have a framework concerning what we call corporate social responsibility. We also conduct an evaluation to determine whether the transaction with which we are associating meets what we call social responsibilities. For example, we check to see whether there is any child exploitation. Following our evaluation, if the transaction meets our code of ethics and our code of corporate social responsibility, we may be in a position to support the transaction. That's done in the context of a specific transaction. It isn't a general engagement strategy.

•(1205)

[English]

The Vice-Chair (Mr. Lui Temelkovski): May we have a short comment, please.

[Translation]

M. Piers Cumberlege: There was a major debate in Russia concerning the Kyoto Protocol, and Andrei Illarionov, who was the president's economic éminence grise, left two years ago after failing in his attempt to have Russia join the Kyoto accords. That was a major disappointment for all of us because he was someone very competent, but he was fired from the circle, from the Kremlin.

I believe that Russia would like to improve its activities throughout the environmental sector. In some cases, standards are very strict in Russia, not only in theory, but also in practice. I don't think that's the Russian government's first concern at this time.

A soft sector? There aren't any, as such. There isn't a textile industry in Russia, as such.

As regards working conditions, unions and unfair competition, there is one very important point that must be considered: the skill levels of the Russian labour force are very high. There is a very high technological and scientific level compared to what you conventionally find in soft sectors, in southeast Asia, for example, where people with very little education are paid very little and work in very hard conditions.

Quite skilled labour is used in Russia. In fact, industrialization is relatively structured. There aren't a lot of unions; there aren't any union activities. On the other hand, you don't find any sweat shops in the same way as you'll find them elsewhere in the world.

So it's not really unfair competition; it's a very high technical level for low wages.

[English]

The Vice-Chair (Mr. Lui Temelkovski): Thank you. Merci, Monsieur André.

Now we move to Mr. Cannan.

Mr. Ron Cannan (Kelowna—Lake Country, CPC): Thank you, Mr. Chair.

Thank you, guests, for answering our questions and providing a little insight. *Da svidAn'ya.*

I had an opportunity about 10 years ago to spend some time in Russia, and the people are wonderful. The infrastructure has a long way to go, and they've come a long way in the last few decades.

There are still great opportunities, as was alluded to by some previous speakers. Specifically in the avionics business, coming from Kelowna, I know that Kelowna Flightcraft has been doing work with helicopters in Russia and some of the other avionic specialties.

I look at where we're branching out, such as in environmentalism. Mr. André mentioned that there were definitely some areas of improvement there, and working with our European partners, Canada has been very fortunate. Over the years, a lot of Europeans have come to Canada and helped by bringing their trades and skills. We continue to look forward to using those immigrant skills to help with our labour shortage.

But also working within your own neighbouring countries, from your perspective, there have been some real issues about natural gas...and the energy superpower they have. Recently there have been some discussions about cutting off the supply of natural gas with other countries. Is that an actual supply issue, or is it more political?

•(1210)

Mr. Piers Cumberlege: In the last two years, I think we have seen the deliberate management of pipelines for political ends. More recently it's been threatened, and there have been conveniently timed pipeline breakdowns.

I have to leave it to you to draw the direct line between those dots.

Mr. Ron Cannan: I appreciate that.

I have one supplemental question before I pass the floor over to my colleague Mr. Lemieux.

From EDC's perspective, one aspect of Canadian businesses going to do business in Russia—you mentioned the mafia and the gypsies, and I know there were a lot of cash transactions when I was there—is the element of providing insurance. We had EDC talk about some of their services. Is this something you are offering in Russia, in order to provide some stability and certainty for Canadian business people who have that fear of investing in a foreign country?

Mr. Luc Dupont: Thank you, Mr. Chairman.

EDC is open for all of its family of programs in Russia, across the board. As was illustrated by Mr. Cumberlege's exposé, the landscape in Russia has changed in recent years so the quality of the risk in the market is much better than it used to be. We are applying appropriate due diligence to all transactions we are considering in Russia. In so doing, we're trying to demystify the Russian markets in the eyes of Canadian companies. Essentially the companies benefit from our understanding and assessment of the market when they draw upon our services.

That's a little about how we work to help change the perception about the market and build greater trust in the market. We're doing that in a very responsible and systematic way.

Mr. Ron Cannan: Thank you.

I'll pass the floor to Mr. Lemieux.

Mr. Pierre Lemieux (Glengarry—Prescott—Russell, CPC): Thank you.

On trade relationships we could have with Russia, you briefed us this morning that we import a lot of crude oil, and we seem to be focusing on exporting machinery parts, and automobiles and parts.

If we put in place a trade relationship, how do you see the commodity picture changing? In what sectors would we expect to see growth, and what would be advantageous to Canada?

Mr. Luc Dupont: Right now, as you are inferring, 80% of the export earnings in Russia are related to natural resources. With this new-found wealth the Russians are trying to diversify in other sectors. Some of the sectors that are of particular interest to us are agriculture, light manufacturing, telecommunications, and infrastructure. Those are all sectors where we see a natural fit between what Canada can offer and the nature of the demand that is emerging in Russia. The pace of that demand in Russia is accelerating right now.

We also see a lot of investment going into fixed capital, so they are actively engaged in rebuilding their machinery. At the same time there is a growing middle class with high expectations for the quality for goods and services. That offers a range of opportunities for Canadian companies.

Mr. Pierre Lemieux: So you feel there's a consumer market there that we're not tapping into right now.

Mr. Luc Dupont: It's starting. There are beginning to be some inroads in this area, but the prospect for future growth is increasing at a rapid pace.

•(1215)

Mr. Piers Cumberlege: One of the things that accompanies consumer goods is packaging. Canada has notable companies involved in that sector and they're active in Russia. One of the investments I was talking about in the St. Petersburg region is driven by the need for packaging for consumer goods.

Another area is everything related to housing. Canada has some technology in housing that is very appropriate for the physical environments that Russia and Canada share. There's a lot of activity in that sector as well.

Luc referred to agriculture. That is a big file in the relationship between the countries.

On services, there is a desire on the Russian side to try to engage more with Canadian service providers, particularly financial institutions. Canadian financial institutions don't really go overseas very much, so at the moment it's a bit of a one-way dialogue.

One final sector I would mention that was not on your list is forestry. There has been a lot of activity, with EDC and us working together, to take Canadian forestry products companies, many from Quebec but also from across the country, to engage with Russian partners. I mentioned the potential for Russian and Canadian partnerships to find a way to counter the Chinese challenge. Russians are explicitly looking at how they can establish the right sort of partnership with Canadian forestry producers to give both countries the ability to deal with that Chinese challenge together.

The Vice-Chair (Mr. Lui Temelkovski): Thank you very much, Mr. Lemieux.

We'll move to Mr. Julian.

Mr. Peter Julian (Burnaby—New Westminster, NDP): Thank you very much, Mr. Chair.

I had to step out for a press conference, sorry.

I want to start off with the issue of the overall rule of law in Russia. Transparency International does not give a particularly high grade to the current Russian government. So I'm wondering what your perspective is in terms of consistency of interpretation of business law and consistency in regional government enforcement of those laws.

Mr. Piers Cumberlege: It's not good. The corpus of law is generally good and workable. The corpus of law, legislation itself, is actually good. The country has been putting in place good legislation. It has tidied up the crazy period of 1995 to 1996, when decrees were being issued that had force of law. Yeltsin issued, I think in 1994, 372 decrees, each of which had force of law and overrode existing legislation. All of that has gone away and there is now a body of law that is good.

The judiciary is very patchy and is subject to local and regional influence. You can go through the process. I took a case from Vladivostok right through to the Supreme Court in Moscow, and won it in the Supreme Court, only for the judge to say to me, "Now good luck enforcing it back in Vladivostok." So that is an issue. At the same time, I won a shareholders rights case in St. Petersburg over a period of two years, which went through the courts very transparently.

So it is patchy. It is something that I believe the Kremlin is actually trying to tidy up. The Kremlin has a strong desire to have control, and this patchiness undermines the control—by control, the stability across the country—the Kremlin has. There's more to do there, but for business people, it is possible to continue to operate. To a great extent, in Russia, as in many Asian countries, you do better to focus on the relationship you establish with your partners and maintain with your partners, rather than to rely purely on legal documentation.

•(1220)

Mr. Luc Dupont: From EDC's perspective, we see over recent years in Russia a greater predictability and a greater consistency. We recognize that there are some shortcomings in certain cases.

On the other hand, that's precisely why we have a political risk insurance program, to allow Canadian companies to have protection, and through those services we help them make sure that there are no arbitrary actions taken against their investments.

Mr. Peter Julian: For that political risk program, do you find that there is a much higher degree of use of that by exporters wanting to serve the Russian market than you would find for other countries?

Mr. Luc Dupont: Right now we see a demand that is reflective of the actual amount of investments taking place. We see a growth in the program for Russia right now that correlates with the actual growth of investments in the country.

Typically, when a country matures to a greater type of business environment—I would say, western-like—the demands for those types of services are reduced. Right now I would say our program is very well suited for the transition that Russia is in.

Mr. Peter Julian: What about the issue of corruption of public officials?

Mr. Luc Dupont: In the case of the EDC, we have rules of ethics and we're bound by anti-corruption guidelines, which are inspired by OECD guidelines against corruption. So those criteria are stringently applied to any transactions that we might be called upon to support in Russia.

Mr. Peter Julian: Mr. Cumberlege.

Mr. Piers Cumberlege: I think there has been a clear improvement in what I would describe as petty corruption, and a clear improvement in, for example, the ability to get goods through customs without having to pay bribes. Studies were done in 2001 and then again in 2003, of samples of Russian SMEs. In 2001, they were still highlighting corruption as one of the major barriers to business; by 2003, they were highlighting competition as the main thing they were facing. Corruption and government intervention had actually gone down on the list.

It's not a perfect universe, and there is undoubtedly still corruption in Russia, but I would say it is not a daily necessity. You can do business in Russia without getting involved in corruption at quite a large level of business as well, of senior-level business.

Most foreign companies working there have realized that they are much better off to say from the outset that they will not pay. Having that as a clear policy, once it is understood by their partners, tends to work.

Mr. Luc Dupont: As companies typically become more integrated in the global economic environment, they tend to want to follow international standards. One of the conditions of being part of the international global environment is to follow a certain ethical standard. If not, then it precludes you from actively engaging in markets outside of Russia. This is a process we've seen many countries go through over time.

Mr. Piers Cumberlege: As Russian businesses come to western public markets and list, for example, on the London Stock Exchange, they go through a fairly intense process of tidying up before getting

there. All of that and the governance that goes with it is all helping to shed the corruption that was undoubtedly a part of the early 1990s Russian landscape.

•(1225)

The Vice-Chair (Mr. Lui Temelkovski): Thank you very much.

Mr. Bains.

Hon. Navdeep Bains: Thank you very much, Mr. Chair.

Along the theme that you were discussing with respect to corruption, I represent the riding of Mississauga—Brampton South. I would say 95% of the economic activity there is based on small and medium-sized enterprises. Because the area is situated close to the airport, many of them trade a great deal with the United States and abroad as well.

Even though corruption has declined according to your survey or the feedback that you're getting, it's still a major concern for many of my constituents in terms of business representatives when I speak with the local board of trade members. With respect to trade with Russia, they still bring that issue up. It's an issue that specifically pertains to SMEs more, because they feel they don't have the tools or resources available to combat that. So I'm glad you talked about some of the political risk activities that you have in place to deal with it.

Another question I had—and I'm not sure if it was raised before—was with respect to the Russian diaspora here in Canada, meaning the people who moved here from Russia, and their business interests. What role do they play in promoting trade and business development with Russia? Has that been leveraged to the fullest potential possible?

Mr. Piers Cumberlege: That diaspora has, I would say, two very distinct components. One component is the people who have left Russia behind them, and that's quite a large component. A lot of people have left not really purely as economic refugees, but very much as people who had suffered under the old regime and simply don't want to have anything more to do with Russia. They've built their lives here and are distancing themselves quite substantially.

There are clearly other Russian and former Soviet or CIS diaspora people who are very engaged and still work with Russia. We have members in our association who are active, and we encourage that.

For example, I used to sit on the board of the Canada–India Business Council. From there, I saw a much more energetic diaspora in terms of the economic relationship between Canada and India. It's not as energetic between Russia and Canada within the diaspora.

Hon. Navdeep Bains: And from the EDC's perspective?

Mr. Luc Dupont: Our experience is similar with the diaspora. Essentially, our approach is a little bit more focused on sectors, the size of companies, and the regional focus here in Canada, so that we can do some outreach with whoever is interested in cultivating and developing transactions. Our approach would not, in the case of Russia, emphasize the diaspora in particular. We would emphasize the SMEs more, or the large to medium-sized companies in our engagement.

As for the issue of corruption, the only comment I would add is that there are a lot of outreach programs being made to explain the market and to explain sectors. If there are concerns of that nature, companies that want to target Russia as a market to sell their products might be interested in following some of these seminars or activities that are organized to explain the reality of how to do business in Russia and to contextualize the perception of corruption in relation to either past experience or...

Hon. Navdeep Bains: I understand. There probably is an agreement that there has been a substantive improvement made. In the early nineties, people were initially very excited. They wanted to do business, and Russia was open for business. You indicated some of the difficulties earlier on, and they have left a very bad taste. That obviously started to percolate amongst the business community and the networks, so that perception still exists to a certain degree.

In light of the fact that your surveys indicate that it's not a number one concern, it's still a concern that I hear about when I meet with people. A lot of work still needs to be done on that front. That still seems to be a major obstacle, especially for SMEs.

• (1230)

Mr. Luc Dupont: But as successful business transactions happen and are in accordance with our standards, I think it will create a trickle effect. There is a grassroots war to be fought to change the perception of the market and to give guidance to companies in regard to which sectors and which types of companies to focus on in Russia to avoid any of these problems.

The Vice-Chair (Mr. Lui Temelkovski): Thank you.

We will have to move on to Monsieur Cardin.

[Translation]

Mr. Serge Cardin: Potential cooperation between Canada and Russia may even be necessary, as regards the High North.

Do you think that management of the High North, the Arctic, which concerns both Russia and Canada, could be a potential cause of disputes, or should it instead be a source of solid ties under bilateral agreements?

Mr. Piers Cumberlege: It's clearly a source of solid ties. There's a very strong perception in Russia that Canada and Russia are the countries of the High North and that there's a heritage, a cultural and social environment that binds us because of our geographical position.

There are also a lot of active relationships based on this bipolarity of the High North. Here in Canada, reciprocal visits are taking place virtually every month on this subject. Discussions are currently underway to build relationships in polar transportation so that we can in fact transport foodstuffs more effectively from Russia to North

America, to Churchill in particular. Major projects are underway that take into account the leverage effect of this contiguous geography.

Mr. Serge Cardin: That brings something to mind. Pardon me if I laugh about it. Someone once said that, in a large organization, greenhouse gases were the result of a socialist organization that wanted to scare people. Ultimately, that could be it, because, if we had more, that might melt the ice and permit transportation between the two countries. However, let's disregard that comment.

Earlier you said that, with regard to the WTO, that would probably make it so that certain rights would disappear. That would be measures that Russia would of course have to apply.

We know that protectionism is virtually natural for all countries. It's a virtually natural reflex. If you could measure Russia's protectionism, how would you compare it to that of the United States, if you give the United States a score of 100? On that scale, would it be 50%, 150%? I'm asking the question in order to see where the agreements or transactions with Russia can head at some point.

Mr. Piers Cumberlege: It's very specific in Russia. It's not a comprehensive protectionist attitude. It's applicable to certain industries that the Russians absolutely want to protect.

For example, the Russians had an excellent aeronautics industry 50 years ago. In the past 20 years, that industry has really fallen into a disastrous situation. However, the Russians are very proud of their aeronautics technology, and they want to protect that industry. It's very clear, it's explicit, it's visible: they want to protect it. Consequently, there is a form of protection that's very specific to that industry.

Young industries are often protected in all countries. Here's how the Russians are: they look at a young industry, they say to themselves that they have to protect it a little, and, after a while, they think you have to tell the child that he has to go out into the world.

Russia won't try to protect their industries forever. I don't think that's the case. However, some industries are strategically important to them. For example, there's a whole national emotion related to the aerospace complex. That's why I said that the 2008 deadline is in fact quite important because there are things that can't be done before a presidential election.

• (1235)

[English]

The Vice-Chair (Mr. Lui Temelkovski): Mr. Cardin, we'll move on to make sure we have time to discuss the motion as well.

Mr. Epp.

Mr. Ken Epp (Edmonton—Sherwood Park, CPC): Thank you very much, Mr. Chairman.

Thank you. I found this presentation rather fascinating. It seems to me an overwhelming fact that it's a win-win situation to improve business relationships and trade with Russia.

One thing that an investor or a business person considers is the security of financial transactions. I wonder whether you could bring us up to speed a little bit on where Russia stands vis-à-vis the security of its banks, the regulations that pertain to it. In Canada of course we have OSFI to regulate all of the financial institutions. Our bank sector is very well regulated and very reliable. Where are we on that picture in Russia?

Mr. Luc Dupont: I would say that the banking sector in Russia is still relatively small. It's considered to be, I would say, under market. From a regulatory point of view, they've made some progress. I believe some foreign financial institutions are making investments in the banking sector right now. That should contribute to raising the operating level of the banks.

In terms of specifics, I would need to get back to you to give you a more detailed answer in terms of the quality of the regulatory environment for the banks. I can just say that from our perspective, we are satisfied enough to take some exposure with some of the commercial banks in Russia.

Mr. Piers Cumberlege: A lot has been done since the financial crisis of 1998, but there's still a lot more to do. Russia has a large number of "pocket banks". There's a need for consolidation in the sector. There is a need, frankly, for better leadership from the Central Bank. That leadership has not been bold. If we compare, for example, what Nigeria has done in the last 18 months in restructuring its banking sector, Russia is nowhere near that. It may lead on railroads, but it's way behind on banks.

As for the security of financial transactions for investors, there, I think, things are relatively good. You choose your bank carefully, and you work with that bank. I think there's a relatively good record there. There's not a big track record of funds being completely diverted nowadays. In the mid-nineties, there was a much more patchy record.

Another thing that I think is important to highlight is that Russia is contributing strongly to the process of trying to reduce money laundering and is very much engaged with OECD and other agencies in trying to help reduce money laundering. There was a time when capital flight out of Russia was a major source of money laundering around the world. That's been reduced significantly.

Mr. Ken Epp: Okay. I have another question, vis-à-vis the exports of Canadian products to Russia, and I suppose also, to some degree, the export of services to Russia. When one of our exporters sells materials to Russia, how do they get paid? Do they involve a bank there that's native to Russia or do they work with one of the international banks?

Mr. Luc Dupont: In the recent past, some companies have insisted, when selling to Russia, on getting cash in advance. Right now companies are moving towards benefiting from credit terms, through letters of credit issued by a Russian bank and confirmed by a Canadian bank.

•(1240)

Mr. Ken Epp: What is the record of Canadian suppliers' not having been paid? Is there a significant number of them?

Mr. Luc Dupont: I can only say that, in relation to the EDC portfolio, our claims have been fairly small in Russia.

Mr. Ken Epp: Okay, good.

Thank you, Mr. Chair.

The Vice-Chair (Mr. Lui Temelkovski): Thank you very much.

We'll move for the final question to Mr. Julian.

Mr. Peter Julian: I'd like to come back to the issue of corruption, because I find your comments very interesting.

I want to cite Transparency International. Their 2006 study has Russia at 121 in the world, well behind most third world countries and countries like Iran and Syria, which traditionally get very poor marks.

Is it your sense, really, that things are changing and improving in Russia since that 2006 study, and that this is not reflected in the Transparency International rankings? Or do you think Russia came up from an even worse position previously?

Mr. Piers Cumberlege: When I responded to your earlier question, I said that I felt petty corruption had reduced significantly in Russia. I cited the example of customs, where I think there's been a lot of cleaning up.

I think that where you get a concentration of political and economic power in any country, you tend to get a concentration of the potential for corruption on a fairly grand scale. I would say that may be what Transparency International is indicating.

I think nowadays there is less impediment, at an operating business scale, than there used to be. But I suspect that if you wanted to win a contract to build a huge oil refinery, there might well be people coming to you and saying, "I can help you with that."

Mr. Peter Julian: Would this perception be the biggest barrier in Russia that both of you see in terms of exporters?

Mr. Luc Dupont: From our perspective, I just want to stress that EDC will look at the specifics of a transaction that is brought to our consideration. The level of economic activity taking place in Russia goes far beyond the immediate Canadian level of business activity. We would look at the specific transaction, do an assessment, including extensive due diligence, and if there were elements of corruption associated with it, we would not support the transaction.

The greatest barrier, I think, might be the lack of knowledge of how to do business in Russia and how to target companies in Russia to meet the international requirements in this area. For example, as I've mentioned, companies that are internationalized, that are dependent on foreign sources of financing—EBRD financing, commercial bank financing—stand a good chance of having to meet, a priori, these international standards.

I think that would be a good point to understand: some companies in Russia meet these international standards, because they have to if they want to be part of the global players. That doesn't mean there aren't others that also exist elsewhere, but if you tried to segment sectors and tried to target companies, you would find some companies that are, I would say, respectful of international standards in the field of ethics and corporate and social responsibility.

•(1245)

The Vice-Chair (Mr. Lui Temelkovski): Mr. Cumberlege, a short response.

Mr. Piers Cumberlege: I think there is absolutely no doubt that you can do business ethically in Russia—obviously we strongly recommend it to all our members—and that you can do good business ethically in Russia. You need to choose your partners and ensure that you are doing that.

I wouldn't say that corruption is the greatest barrier. I would say that the legacy perception of the 1990s is actually probably still the greatest barrier to Canadian business in Russia. We talked about it earlier today. There is a perception that is taking a long time to go away; you referred to it yourself.

We are trying to get out the message that actually that perception is outdated and that you can do business efficiently and ethically in Russia. And the trade statistics show, with a doubling during the last two years, that Canadian companies are beginning to recognize that.

The Vice-Chair (Mr. Lui Temelkovski): Thank you very much, Mr. Julian.

I'd like to thank you, Mr. Dupont and Mr. Cumberlege, for your excellent presentations. You are welcome to stay and watch the proceedings. They will be very exciting, I anticipate.

Mr. Menzies, please present your motion.

Mr. Ted Menzies: Thank you, Mr. Chair.

I would like to present this motion. With all due respect to those who have to leave by 1 o'clock or have other meetings that they need to be at, let me read the motion: That any Member of the Committee have the right to issue a dissenting opinion on any report presented to Parliament by the Committee within the conditions imposed by the Committee and in accordance with the Standing Orders of the House of Commons, and call for debate to be limited to 10 minutes, respecting the fact that we have other places to go.

Mr. Chair, I look at this as a friendly motion, and I've talked to all parties involved. I go back to the dark days when I was an opposition member of this House, and I was often looking for an opportunity, as an opposition member, to voice my opinion, which may not have been the opinion of the entire committee. In my discussions with the clerk, I find out that probably this is simply a housekeeping motion that we should have done at the beginning of this term, and we didn't do that.

So to me, Mr. Chair, this is simply cleaning up an oversight that this committee failed to cover. It provides an opportunity to all members of this committee—every member of the opposition and every member of the government side—if they don't agree with a report coming out of this committee, to make that public statement that they don't necessarily agree with the report coming out of that committee.

It's an expression of democracy, and that's the way I would like to put this forward.

I'm looking forward to the support of everyone. I'm certainly looking for unanimous support for this.

The Vice-Chair (Mr. Lui Temelkovski): Thank you very much, Mr. Menzies.

Perhaps I could add some procedural precisions into the motion.

Where you say, "That any Member of the Committee have the right to issue a dissenting opinion on any report presented to Parliament," it should read "the House of Commons" as opposed to "Parliament".

As well, in front of the word "presented", we should add "to be".

That's on the advice of our good clerk.

Number two, I understand you continued after the motion that we have. Again, that is stretching a little bit. It's a little bit too far. Therefore it's unacceptable.

So we will continue with the motion we have with some of the procedural changes that have been recommended by our good clerk, and I believe you will find support on that.

Mr. Julian.

• (1250)

Mr. Peter Julian: Thank you, Mr. Chair. I just have some questions, and then I'll ask for my name to be put back on the speakers list later on for comments.

First, what would that mean, on a practical basis, in accordance with the Standing Orders of the House of Commons? I'll take, for example, the concurrence report that this committee brought forward to the House of Commons. It was debated on yesterday in the House and will be voted on this evening. What would that mean on a practical basis? Would it mean, indeed, that this committee would be presenting two reports because the government was not in favour of that motion and not in favour of the concurrence report?

The Vice-Chair (Mr. Lui Temelkovski): Perhaps our good clerk could explain that to us.

The Clerk of the Committee (Mr. Normand Radford): A dissenting opinion is not an official part of the report. It's an annex to the report. The report stands by itself.

So it's it's an annex to the report, if you wish. It doesn't influence the report, per se, so it would not have an impact in the House at all.

Mr. Peter Julian: As a supplementary to that, the concurrence report that was presented yesterday would have been presented by the chair, after adoption here, without the dissenting opinion.

The Clerk: What would be presented would be the report, and as an annex, the dissenting opinion. If you were to vote in favour of the report in the House, the dissenting opinion would have no bearing on that. You're voting on the report, which is exactly what you have at this moment. It's simply additional background, supplementary information indicating that a member has or some members have a different view from the official report.

Mr. Peter Julian: So they would be attached to the report. They would add some confusion to the report itself, in a sense. You would have the report that comes from the committee and then you would have other comments coming from members.

With this particular motion, that would mean we could conceivably have five different filed reports, along with the committee report.

The Vice-Chair (Mr. Lui Temelkovski): Yes, we could, but in the House, according to what I understand, the members would be voting only on the report, not on any of the dissenting opinions or attachments to the report. So when the report goes to the House, it will have two or three extra pages, or whatever additional comments there are, and they will not form part of the report. They will be additions to the report and not voted on.

The Clerk: After the signature of the chair.

The Vice-Chair (Mr. Lui Temelkovski): So the report ends with the signature of the chair, and the additional dissenting opinions would be added on afterwards.

Mr. Peter Julian: That's certainly helpful, but I would hope we have the chance to consult with our respective caucuses on this issue.

Mr. Menzies has served notice of his motion, but I hope he won't push this forward today. I hope he would allow us to consult, if he'd like to see a consensus on this issue.

The Vice-Chair (Mr. Lui Temelkovski): Okay.

Mr. Epp.

Mr. Ken Epp: First of all, I used to know the Standing Orders off by heart, but I'm getting old and I've forgotten them now. Maybe the clerk can help me.

Is there not a place in the Standing Orders that says that any member of Parliament, let alone parties, can append a dissenting report, and that this report can be printed as an appendix in the report of a committee? Is that not in the Standing Orders?

The Clerk: Mr. Chair, it is in the Standing Orders, but I believe the word would be "may" and not "shall". So the convention, if you wish, or the practice has been for the committee to grant permission for those dissenting opinions.

Mr. Ken Epp: Chair, I know there are some members here who are relatively new to the House, and I've been here for all too long. I would like to just share with them that during the years I've been here, there were times when we had five parties. What the committee did, quite often, was simply say, you may have a dissenting report; however, you must restrict it to two pages or whatever.

The committee made that decision, and it was attached as an appendix. We would have the main report from the then ruling Liberal Party, followed by four dissenting opinions about this report. It was clear and succinct so that the position was clearly laid on the line. So it also bears the weight of previous practice.

Thank you very much.

• (1255)

The Vice-Chair (Mr. Lui Temelkovski): Monsieur Cardin.

[*Translation*]

Mr. Serge Cardin: Clarification questions were asked. They somewhat confirm what I saw and what I thought I knew: under the Standing Orders, we can in fact issue a dissenting report.

In my opinion, the term "may" doesn't necessarily mean either that we legally have the committee's permission. When I had occasion to do so, I of course did it on behalf of the party. I didn't even have to request consent because it was automatic. The Chair signed a report to which the dissenting report was simply appended. I don't see why

we would establish those kinds of rules, when they already exist under the Standing Orders.

[*English*]

The Vice-Chair (Mr. Lui Temelkovski): My understanding from previous committees I have sat on is that you would always ask for permission to put in a dissenting report or a dissenting opinion for an amendment. It's not an amendment, it's just a dissent. It's not a report.

Monsieur André.

[*Translation*]

Mr. Guy André: In the same perspective, if I correctly understand the rules of the House of Commons, when you request it, it's entered in the committee's report. We want to make it automatic in that perspective. In any case, we can do so if we wish. As a result, a committee member can give a dissenting opinion within a report.

So I don't really see the point of this motion, since we can do it. Why would that necessarily become automatic? I think that's binding ourselves to a formality. Is that necessary? Does the fact that what this motion is proposing doesn't currently exist prevent us from operating properly under the current rules of the House of Commons, the rules of the committees?

I wonder what the strategy behind all that is. We're wondering a little about the relevance of this motion.

[*English*]

The Vice-Chair (Mr. Lui Temelkovski): Monsieur André, to submit a dissenting opinion, you need the authority of the committee. You must have that: not may, but must.

Monsieur Bruinooge.

An hon. member: Can we call the question on this motion?

An hon. member: Yes, good idea.

Mr. Peter Julian: Mr. Chair, I do have a couple of other questions, as I signified earlier.

The Vice-Chair (Mr. Lui Temelkovski): Please move it a little bit, Mr. Julian.

Mr. Peter Julian: Well, we'll see what the answers to the questions are.

My next two questions are to the clerk.

In the case of the absence of a report, if a report is defeated or a motion is defeated, does that then allow dissenting opinions to move forward? When we were talking about reports back from this committee on legislation, what would that mean for the reporting back of bills?

The Vice-Chair (Mr. Lui Temelkovski): The answer to the first question is no. In the absence of a report, you cannot submit dissenting opinions or dissension as a report. They do not form a report.

In regard to the second question—

The Clerk: In regard to the second question, Mr. Julian, you will find that in accordance with the Standing Orders of the House of Commons, in terms of legislation the only thing the committee can report back is the bill. There is no dissenting opinion on a piece of legislation. You would have the same thing on main estimates.

That's why you have the Standing Orders there, just to respect the rules of the House of Commons. Dissenting opinions are on the substantive reports. I use the word substantive not in quantity but more in terms of quality. It could be one page, and you are entitled to have a dissenting opinion if the committee agrees to it. That's why you have conditions. Some committees choose conditions. There have been cases in the past of dissenting opinions being longer than the report, or where language, perhaps, did not meet the satisfaction of the members as well.

So the committee has a right to impose conditions on the report—that the language be parliamentary protocol, that it be 10 pages, that it be submitted to the clerk within a reasonable time, that it doesn't delay the production of the report.

These are the types of conditions we would look at—well, if there's no more debate.

• (1300)

Mr. Peter Julian: Yes, well, that does lead to the debate itself. What we have now is a motion from Mr. Menzies, and we do have the opportunity to establish some parameters around it. I think it would be helpful to do that.

If Mr. Menzies indicates that he's willing to allow us to consult with our caucuses and take the time to draft the rules, rather than drafting up a blank cheque...which is essentially what this is. As Mr. André and Mr. Cardin mentioned, they're concerned about the relevance of this.

Mr. Menzies, perhaps you would indicate by a head nod whether or not you're willing to allow us to do that.

Mr. Ted Menzies: I can speak to this.

There is no bogeyman in the closet. Get over yourself. This is a plain and simple administrative matter that we didn't do. It's effective in every other committee that has done it. There's nothing unique about it, nothing profoundly strategic.

We're just trying to provide the opposition and every member of this committee the option that should be provided to them—namely, the option to present a dissenting opinion. I have no idea why you're so scared of this motion.

I once again call for the vote. We've got to get going.

Hon. Navdeep Bains: Let's adjourn debate.

[*Translation*]

Mr. Peter Julian: Yes. We can hold the vote next week.

[*English*]

The Clerk: Mr. Bains moves that the debate be now adjourned.

Mr. Pierre Lemieux: Are you saying debate comes to an end, and then we propose that we go to a motion?

The Vice-Chair (Mr. Lui Temelkovski): No, it means that we adjourn.

Mr. Pierre Lemieux: Oh, you're saying you want to adjourn the meeting. Well, that's different from adjourning debate.

[*Translation*]

Mr. Guy André: It's 1:05 p.m., Mr. Chair.

[*English*]

The Vice-Chair (Mr. Lui Temelkovski): Mr. Epp.

Mr. Ken Epp: On a point of order, Mr. Chair, before we vote, I want to be clear on the motion. Was the motion to adjourn the meeting or was the motion to adjourn the debate?

The Vice-Chair (Mr. Lui Temelkovski): Mr. Bains, was your motion to adjourn the meeting or to adjourn debate?

Hon. Navdeep Bains: I would actually like to correct myself. I meant to say adjourn the meeting.

Some hon. members: Agreed.

The Vice-Chair (Mr. Lui Temelkovski): We'll have to come back to this, seeing that the time is five after the hour. We'll deal with it on Thursday.

The meeting is over.

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