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Wednesday, April 13, 2005

● (1625)

[English]

The Acting Chair (Hon. Marlene Jennings (Notre-Dame-de-Grâce—Lachine, Lib.)): I declare this meeting on emerging market trade strategy open, pursuant to Standing Order 108(2).

We have witnesses: from CPCS Transcom Ltd., Mr. Peter R. Kieran, president; from ProSoya Inc., Rajendra Gupta, president and CEO; from the Canadian Association of Petroleum Producers, David Daly, manager, fiscal policy; from the Centre for International Governance Innovation, Annette Hester, economist, special research fellow; from Polar Genetics Inc., Albert Eringfeld, general manager; and from the Canada-China Society of Science and Technology Industries, Chi Lin, president.

We understand that two of our witnesses have a plane to catch, Ms. Hester and Mr. Daly, so I would suggest that you begin first, and then we can have the questions from the members. That will free you up so you can catch your plane.

We want to first of all apologize on behalf of all of the members for the delay in beginning this hearing. As you understand, there were votes in the House and then a special tribute. We appreciate your forbearance in remaining here.

Ms. Hester.

Ms. Annette Hester (Economist, Special Research Fellow, Centre for International Governance Innovation): Good afternoon, and thank you for the opportunity to come before you. It's always a pleasure.

My name is Annette Hester. I'm an economist-writer-researcher. My interests range from analyzing Canadian strategic interests in international trade investments and foreign policy to energy integration and regulation. I am especially interested in our relationship with Latin America and in issues related to foreign affairs and energy, which is not surprising, since I grew up in Brazil and have spent the past 25 years in Alberta.

Until about a year ago I was director of the Latin American Research Centre at the University of Calgary, and I'm currently an associate with three different research centres: one in Quebec, at Laval University; the Centre for International Governance and Innovation, CIGI, in Waterloo; and one in the U.S., the Centre for Strategic and International Studies. It is the research that I'm doing with CIGI on Canada-Brazil relations that compelled me to come before you today.

I would like to bring to your attention that we in Canada are currently attempting to negotiate something with MERCOSUR, the regional trade agreement that brings together Brazil, Argentina, Paraguay, and Uruguay. I say "something" because there seems to be a lot of confusion about what exactly we agreed to do.

It started with our prime minister's visit to Brazil last November, when he and President Lula declared that they had reached an agreement to pursue bilateral market access negotiations in goods, services, and investment between Canada and MERCOSUR within the framework of the FTAA. The reason the negotiations have totally stalled is that under the current architecture of the FTAA, the 34 participating countries must agree on a common set of rights and obligations before they can move to a second stage of negotiating further bilateral and multilateral agreements for market access and other issues. Consequently, a mandate to negotiate bilateral market access in the context of the FTAA is a contradiction in terms.

That said, MERCOSUR is very keen on successfully completing a negotiation with a developed country for reasons that I explained in an article that Eugene, once it's translated, will be circulating to you. It was published in the *Financial Post* recently. MERCOSUR is actually very keen, and one indication is that they have sent a team, which included Régis Arslanian, one of Brazil's top negotiators, to come to Canada in February to start the proceedings. For me, this was the first indication that Brazil was serious. Régis came to Canada, from hot and sunny Brazil to frigid Ottawa, on carnival Monday. This is serious for Brazilians to leave Brazil during carnival. My question to Régis was, "What have you done? It must have been very bad."

The confusion on the Canadian side was clearly evident. The news release from the Department of Foreign Affairs and International Trade talked about the fact that the international trade minister, Jim Peterson, together with the current chairperson of MERCOSUR, etc., would launch a trade and investment "dialogue". It's not surprising that the Canadian negotiators are at a loss. What does it mean to have a trade and investment "dialogue"? The original agreement was to have a trade and investment agreement on market access, and all of a sudden we are talking about a dialogue. What exactly are the negotiators supposed to be doing?

They talked about the agenda and modalities and soft issues, and agreed to meet again at the end of April in Asunción, Paraguay. The Brazilians and their MERCOSUR partners went back home and started consulting the agriculture and industry federation think tanks and the constituencies to find out what kind of access they wanted from the Canadian market. Canada, on the other hand...well, I'm not sure what they did, other than leave our bureaucrats completely mystified on what and how they are supposed to proceed. In the lack of any further direction or clarification from the minister and the cabinet, they presented to the MERCOSUR partners the original offers that they had formulated in the context of the FTAA.

●(1630)

Then it was the turn of our partners to wonder what the Canadians were up to. Can you sense the contrast? MERCOSUR comes with a list of concise products that they want. According to a Brazilian newspaper this Monday, this list includes over 300 items of access they want in Canada. Canada, on the other hand, presents an offer of access into its own market, with not a word about what kind of access they want in the MERCOSUR market.

What is it we want? I want you to remember Brazil is the most populous country in South America—the second in the hemisphere, after the U.S.—with 176 million people, and had a GDP of \$493 billion U.S. in 2003. But Brazil is also the country with the most unequal income distribution in the hemisphere, and probably one of the worst in the world, which means every time there is stability and growth, masses of consumers start buying their first cellars and fridges and stoves, and start opening bank accounts and buying services. Moreover, Brazilians are very similar to North American consumers—that is, products do not have to be adapted to a different market. They are already consumers of North American goods.

Any kind of agreement will give Canadian companies a first-mover's advantage to a prize market. That's exactly the opportunity we have right now, but instead of being ready to capture it, we seem to be ready to squander it. If you look at the past 15 years of our relationship with Brazil, in spite of very good ones, we faced mostly bad experiences—Bombardier and Embraer, a ban on Brazilian beef imports, and the case of the two Canadians, Spencer and Lamont.

In the last few years we seem to be on the way up, and Prime Minister Martin's visit to Brazil seems to be getting the fences mended, but now we are going to embark on a new series of disputes over Bombardier and Canadian support for the new series of airplanes, and it appears we're going to have difficulty.

However, I'm convinced we can contain the dispute if we treat it as a strictly commercial dispute, don't try to claim some kind of moral ground, and just explain it as domestic policy. Brazilians understand that.

But if, on top of Embraer, we go to a MERCOSUR negotiation and sit on the fence instead of negotiating, and are not honest, I think we're going to get into very big trouble.

All this is to say we have some very strict options in the second meeting at the end of this month in Asunción. We can prepare a list of requests of what we want for MERCOSUR, and be ready to go. We can ask for a bit more time, and then have a list. Or we can

explain we are not in a position to negotiate right now, and call the deal off.

What we can't do is to go to Asunción and pretend we want to negotiate. That is disrespectful and a waste of time, and no one likes to be treated like that.

I have brought this to the attention of Minister Peterson. I brought it to the attention of the international trade deputy minister, Mr. Fonberg, and now I'm bringing it to your attention. I hope you will ensure this situation is corrected before it happens. I think our future relationship with Brazil is at stake here, and I don't think it's time to dither.

Thank you.

●(1635)

The Acting Chair (Hon. Marlene Jennings): Thank you very much, Ms. Hester.

Mr. Daly.

Mr. David Daly (Manager, Fiscal Policy, Canadian Association of Petroleum Producers): Good afternoon, Madam Chairman and members of the Subcommittee on International Trade, Trade Disputes, and Investment. My name is David Daly, and I am the manager of fiscal policy for the Canadian Association of Petroleum Producers.

The Canadian Association of Petroleum Producers, or CAPP, represents 150 companies that explore for, develop, and produce, natural gas, natural gas liquids, crude oil, oil sands, and elemental sulphur throughout Canada. CAPP member companies produce more than 98% of Canada's natural gas and crude oil. CAPP also has 125 associated members that provide a wide range of services that support the upstream crude oil and natural gas industry. Together, these members and associate members are an important part of a \$75 billion-a-year national industry that affects the livelihoods of more than half a million Canadians.

Canada is the world's third-largest producer of natural gas. With growing oil sands production, Canada now sits in ninth spot among the world's largest crude oil producers and continues to rise. Canada's oil reserves rank second in the world, behind only Saudi Arabia's. The industry scope is both national and international; it is a high-tech, globally competitive industry across the country from Alberta, British Columbia, and Saskatchewan in the west, to Newfoundland and Nova Scotia on the east coast, to the Yukon and Northwest Territories in the north. Investments across Canada totalled \$31 billion last year and should reach \$35 billion this year, making the industry the largest private sector investor in Canada. In addition, some 200 Canadian companies are spending between \$6 billion and \$7 billion a year outside the country on exploration development programs in over 120 countries around the world. Production from these international endeavours amounts to about one million barrels a day. As such, the industry is well aware of developing new international opportunities for investment and growth. Direct and foreign investment is one way that Canadian companies are growing around the world.

However, the industry's most significant international involvement and contribution to Canada's national accounts is through the growing size of our exports. Last year Canadian exports of oil and gas to the United States totalled \$54 billion, about a 50-50 split between oil and gas. Because we import some product in eastern Canada, about 800,000 barrels a day, mainly from the North Sea, Venezuela and Mexico, our trade balance was \$37 billion last year, or over half of the country's total trade balance of \$67 billion.

The U.S.-Canada relationship has been essential to the benefit of Canada's growing exports. Canada is the United States' number-one source of supply for imports of both crude oil and natural gas. Deregulation of oil and gas markets in the late 1980s, followed by the elimination of customs duties and levies through the promotion of the FTA and NAFTA, have produced an environment whereby freer markets can work. Canada and Mexico, as NAFTA partners and oil exporters, have both benefited from freer access to the U.S. market. There are new and exciting opportunities to develop new export markets for Canadian oil and gas.

As oil sands projects continue to be announced and production continues to grow, more ideas have been generated about finding new markets. Over the next ten years, to 2015, CAPP estimates that oil sands production will grow from its current level of about a million barrels a day to over 2.5 million barrels a day in ten years, or up from 42% of total Canadian oil production today, to about 71% a decade from now. Ideas are being discussed at the conceptual stage of building more pipeline capacity to the west coast, building an export terminal, and loading tankers with oil destined for southeast Asian markets, serving the ever-growing demand from China, Korea, Japan, and Taiwan.

Although it seems like a long way to take our Canadian crude, Japan is actually closer to the west coast of Canada, at just over 3,800 nautical miles, than it is to either the Persian Gulf, at 6,300 nautical miles, or Venezuela, at 8,600 nautical miles. There is also talk of developing new export markets for natural gas through liquefied natural gas, or LNG, projects. Once loaded on a tanker ship, LNG can move anywhere in the world. This could affect gas development opportunities from Atlantic Canada. However, like most things in oil and gas, developing these opportunities requires significant capital investment and regulatory approval, often across many jurisdictions.

• (1640)

If that can be ironed out on the domestic front, ensured access to foreign markets is key. Free trade and freer trade agreements are key, especially with regard to energy markets.

The success of our current agreements with the U.S. and NAFTA can provide a model for how agreements with other countries can help ensure access for Canadian oil and gas to foreign markets. For Canadian companies that are taking the further step of investing abroad, especially those that are exploring and producing oil and gas in 120 countries around the world, the presence of both good diplomatic relations and tax treaties between Canada and the foreign country involved has been essential to a successful investment relationship.

In summary, the Canadian oil and gas industry is intricately involved as a major player in the international energy industry.

Allowing both commodity and capital markets to work has been the cornerstone of our industry's success. In this regard, free trade agreements, good diplomatic relations, and tax treaties have been invaluable and will undoubtedly form the basis for future success in new markets.

Thank you for your time, committee members. I look forward to your questions.

The Chair (Mr. John Cannis (Scarborough Centre, Lib.)): First of all, Mr. Daly, and to the witnesses, I apologize for being late. I was unexpectedly tied up. I've been informed that you're pressed for time as well. If you still have some time right now, we'll commence with questions right away. If that is not the case, we would then ask the members, through the clerk, to pose their questions, if you would be so kind as to respond back.

What is available to us?

Mr. David Daly: I have about ten minutes.

The Chair: Excellent. We'll start with Mr. Goldring.

Mr. Peter Goldring (Edmonton East, CPC): Thank you, Mr. Chair, and thank you, Mr. Daly, for your presentation.

You say your association of petroleum producers is pretty broad and varied and involved in exploration around the world. Does that mean that your organization also has included in it transportation company facilities for transporting those products from one country to another, other than pipelines, and through to the United States? Internationally, is it involved in any shipping or transportation?

Mr. David Daly: We don't have any members that are directly involved in transportation themselves. The transportation companies would belong to separate associations.

Maybe I should just make clear that although our member companies might be involved in international exploration and development activity, we as an association don't act on their behalf internationally. We focus on domestic affairs.

• (1645)

Mr. Peter Goldring: I'm looking at the sheet here that says some of your members are involved in exploration around the world.

Mr. David Daly: They are involved individually, but we don't represent them internationally. We represent them domestically.

I'm trying to make a distinction between the activities of the association and the activities of our individual member companies.

Mr. Peter Goldring: So your association is specifically with Canadian producers and developers and focusing on the export market directly from Canada to other countries, then.

Mr. David Daly: That's right.

We focus on production of oil and gas within Canada and where it may go to different markets. So we don't represent any activity that our members might have outside the country other than trying to educate them about opportunities elsewhere. If they ask us to meet with delegations that come from other countries in order to investigate new opportunities, then we'll meet with them.

Mr. Peter Goldring: So in regard to organizations like Kenting Drilling, which are involved, of course, very extensively in Canadian exploration and are also involved in Russia, Europe, and other countries, you don't represent those interests at all.

Mr. David Daly: No, we don't.

Mr. Peter Goldring: Okay.

With your products from Canada, then, your main concerns internationally would be, I suppose, that the product produced by your members would largely be for American export.

Mr. David Daly: That's right. Most of the exports from Canada of oil and gas go to the U.S. Almost all of it goes to the United States.

Mr. Peter Goldring: Are there any other countries that have been sought out as export destinations and may be limited by, as I'm seeing here in some of the background information, problems in some of our ports and maybe there isn't availability of deep-water transport or those types of facilities? If they were available, would it broaden your export market?

Mr. David Daly: I think they certainly would. It's a matter of getting the infrastructure in place as much as it is ensuring that once the infrastructure is there, the markets are open to Canadian exports moving into those new markets in other countries.

Mr. Peter Goldring: I see where it's talking about bottlenecks in the port of Vancouver, and there isn't a comment similarly on Halifax. I would imagine that your member producers would be in need of specialized shipping facilities, particularly for pressurized gas and other commodities. Has this been an area that your organization has been seeking, or is this one of the things you're here presenting for, to look for avenues to approach those types of markets that need specialized transport?

Mr. David Daly: It's one of the opportunities that individual member companies are looking to develop on their own. They haven't approached CAPP in terms of trying to work on their behalf in smoothing out regulatory approval processes or ensuring that access to new markets is available. It is something we would look at if they asked us to take a look at it on their behalf.

Mr. Peter Goldring: We're talking specifically about any impediments there might be for the American marketplace. If that's the case, what would the major impediments be to exporting into the American marketplace? What would you specifically be looking for to help in those matters?

Mr. David Daly: I'm not quite sure that I understand your question.

Mr. Peter Goldring: Well, I'm saying these are hearings on emerging markets. It would sound as though the American marketplace isn't emerging and it's already mostly captured. What more can be done to broaden it for your association members to look at other areas for emerging markets?

Mr. David Daly: I'd say that the American market is pretty well developed in terms of opportunities to export as much as we want. But I would use the success that we have there as a template for how we can develop markets elsewhere, whether it's Southeast Asia or overseas, through ensuring free trade agreements, tax treaties with individual countries, and good diplomatic relations with those countries.

Mr. Peter Goldring: Do you mean countries outside of the United States?

Mr. David Daly: I mean countries outside of the United States.

We have good relations with the United States, and we assume that they're going to continue.

Mr. Peter Goldring: How is this going to expand your market into other emerging market areas? What are you looking for specifically?

Mr. David Daly: One thing that I mentioned in the brief was about opportunities to export growing supplies from the oil sands area, for example, over the next 10 to 15 years. There has been quite a bit of discussion overall on exports to China or Southeast Asia. It would involve building additional pipelines that would have to cross from Alberta through British Columbia. It would involve ensuring regulatory approval for export terminals off the west coast of British Columbia and deep-water tankers that could load up. It would involve ensuring that the markets would be receptive to crude oil from Canada and there wouldn't be additional import duties levied on Canadian crude coming into countries overseas.

• (1650)

Mr. Peter Goldring: Is your organization representative of the production facilities under way in the maritime areas?

Mr. David Daly: We know about it and keep abreast of it. We have an office in St. John's that is involved in looking at any opportunities to develop more activity off the east coast.

Mr. Peter Goldring: I would think the activity that's going on there and how rapidly it is expanding would certainly call for more international opportunities in looking for new markets that could be accessed from our east coast.

Mr. David Daly: Definitely. Once gas is compressed to an LNG phase, a liquefied natural gas phase, and loaded onto the tankers, those tankers can move to anywhere in the world. They can move into the United States and to the Gulf of Mexico. They can move anywhere. They can move into Southeast Asia, Europe, or anywhere.

Mr. Peter Goldring: That's why I'm looking at some of what we're classifying as emerging market areas. You had mentioned keeping China and Asia in mind as far as market areas, but there is certainly a substantial Caribbean basin market and a South American market. If we had proper transport facilities and product from the maritime areas, I would think that would be a natural area to look at for the future.

From your knowledge, how close would the eastern maritime production fields be to being in a position to export in large quantity with the specialized shipping that I would imagine you need there? How close are they to doing that?

The Chair: If I may interject, I don't know how much time Mr. Daly has left. I know that Mr. Jean has a very quick question.

Mr. Daly, is it possible to respond to Mr. Goldring's question and then take one quick question from Mr. Jean before you go? Otherwise we're going to go right to Mr. Jean.

Mr. David Daly: I'll try.

There is a big concern about future natural gas export development off Atlantic Canada more because of a lack of exploration success off Nova Scotia and Newfoundland. Although the geology shows there are potential supplies right now, many companies have drilled a lot of very expensive wells and have not found enough natural gas in economically sufficient amounts in order to justify developing those supplies.

There's some concern right now about how much is available in order to be able to support an LNG project off Nova Scotia, but I think the limiting concern right now is the supply ability as opposed to the facility itself being built.

Mr. Peter Goldring: Thank you.

The Chair: Mr. Jean.

Mr. Brian Jean (Fort McMurray—Athabasca, CPC): Thank you, Mr. Chair.

Thank you, Mr. Daly, for coming here today. I'm actually from Fort McMurray—for 38 years I've lived there—so I'm very excited about the 71% of Canada's oil that we're going to produce over the next ten years. I think that's logical.

Also, logically, sir, what can we do here in Parliament in terms of two emerging markets that I think will be the most powerful in the next 30 years, China and India? How do we capitalize on and manage our resources properly, and get the most bang for our buck? Would you see it in terms of pipelines, regulatory problems with China, reciprocal enforcement legislation with China and India? How can we help you best there?

Mr. David Daly: I think it would be mainly by ensuring that we have freer trade access to those markets, and that nothing gets put up that inhibits any exports from Canada from entering into those countries in terms of being able to develop the Chinese market and in terms of being able to develop anything else in Southeast Asia.

Domestically, there still are hurdles to get around in terms of pipeline development and access, and in terms of export terminal development off the west coast. I think that is probably the biggest infrastructure impediment right now, on the domestic front, but once we can ensure that this goes ahead, then the big thing will be ensuring that markets remain open and available for Canadian exports.

• (1655)

Mr. Brian Jean: Do your member companies see any difficulty with security dealing with some of these countries that for instance are not signatories to Kyoto and different international agreements?

Mr. David Daly: I would think that so long as the Government of Canada maintains good diplomatic relations with those countries, that would not be an impediment to being able to do business in terms of exporting energy to those countries. Every indication shows that this area of the world is going to continue to grow tremendously economically, and that they're going to need good sources of energy supply in order to be able to fuel that economic growth. So they're more in need of good, secure systems of supply from countries like Canada, and maybe even more so than from their current base of supply from OPEC nations, than we're in need of additional export markets. We have a pretty good export market as it is right now, with the United States. This is just developing other opportunities.

Mr. Brian Jean: There was an announcement this morning about China, for instance, investing in the oil sands. Do you see that as a positive growth, especially as it's not a controlling interest?

Mr. David Daly: I see that as a positive growth. Any time you can bring investment capital into the country, and it has a multiplier effect on the economy, I think it's a positive thing.

Mr. Brian Jean: Thank you, Mr. Daly.

The Chair: Thank you, Mr. Daly. We appreciate your time. It was very nice to hear from you. You indicated that you have to leave us. We do thank you for being here, and again, my apologies for being late.

Mr. David Daly: No problem. Thank you very much.

The Chair: Next we will hear from CPCS Transcom Ltd., Mr. Peter Kieran, president.

It will be everybody together? Great. I'd thought that everybody would go individually.

I'll just go down the list and introduce, once again, from CPCS Transcom Ltd., Mr. Peter Kieran, president; from ProSoya Inc., Rajendra Gupta, president and CEO; from Polar Genetics Inc., Mr. Albert Eringfeld, general manager; and from the Canada-China Society of Science and Technology Industries, Mr. Chi Lin, president.

Gentlemen, welcome. We'll go in order.

You'll be first, Mr. Kieran. You have ten minutes for your presentation. If you go shorter, we can get more questions in.

The floor is yours.

Mr. Peter Kieran (President, CPCS Transcom Ltd.): Thank you.

My name is Peter Kieran. I'm the president of two companies that are directly involved in relations with developing countries. The first is CPCS Transcom, a management consulting company originally started by Canadian Pacific Railways some 40 years ago. CPCS has revenue of about \$10 million a year and provides specialized consulting services, primarily to government organizations in Africa and Asia. Our specialization is carrying out privatization and facilitating private investment in transportation infrastructure—railways, ports, toll roads, inland water systems, and urban transit. Our work is predominantly financed by the World Bank and the Asian Development Bank. We have no competitors in Canada, but we compete against other specialized companies and investment banks from the U.S., Europe, and Japan.

We've been very successful in the past few years, especially in Africa, at helping governments to bring private investors in to operate and privatize their railways and port systems. We've completed port and railway privatization projects in Mali, Senegal, Ghana, Nigeria, Cameroon, Congo-Brazzaville, Tanzania, Malawi, Zambia, and Madagascar. These projects, altogether, have represented about \$1.5 billion of new investment, foreign investment, into those countries in their transportation infrastructure. In Asia, we're working in Jordan, Saudi Arabia, India, Thailand, Papua New Guinea, and China.

I've worked in emerging countries or in the development business for the past 30 years. In that time, I've come to some fairly strong opinions about the effectiveness of aid, as a whole. Increasingly, I see that aid projects are not effective at developing local capacity. They're really not doing much in the way of development at all.

I'm presently a big believer in the role of the private sector in providing the jobs, training, and skills that are demanded in the workplace, as well as in creating wealth and capital. Statements of support for the private sector from CIDA are hollow and unfounded. CIDA is now the world's largest NGO. The majority of its staff have no experience in the private sector and are quite suspicious of the motivation of the private sector in Canada and in their client countries. I don't think this is surprising because CIDA now views itself primarily as a charity. If you're a charity, there's really no role for the private sector. I'm a strong believer in the adage of "Trade, not aid".

My second business, which may be familiar to some of you in Montreal or Ottawa, is a business called Giraffe, The African Store. Giraffe is managed by my wife Betty. We've been operating for over 30 years and have retail outlets on St-Denis in Montreal and on Clarence Street in Ottawa. The business is importing and retailing high-quality, handcrafted products from Africa. We sell traditional crafts, baskets, traditional art, masks, sculpture, and other more modern things such as jewellery and stone sculpture. We provide about eight jobs in Canada and about 150 full-time-equivalent jobs in Africa.

In respect of Canadian government programs, the most effective program that we're aware of for the CPCS business has been the industrial cooperation program run by CIDA. It's extremely effective at allowing companies to get local experience and develop themselves—especially for a company like us, which has a very narrow focus of speciality. We don't specialize in one area of the world. We do one thing, and we do it very well, but we might be putting in a proposal in Mongolia one day and in Swaziland the next. So something like CIDA's industrial cooperation program is very important. Unfortunately, CIDA is moving away from this program and making it much more difficult for companies to access. It's probably less important for us because we already have a long track record, but I think it's going to make it very difficult for new Canadian companies to get into the business.

• (1700)

The export development program is the other government program that we deal with. Their focus has been primarily on the countries that Canada deals with in major exports—the United States, for instance. They're somewhat less effective in developing

countries, but we're increasingly using export development programs to ensure our receivables, and so on.

Unfortunately, trade requires both exports and imports. There are virtually no government programs that provide assistance to importers from developing countries. I think traditionally imports are seen as something that takes jobs away from Canada, but if developing countries can't sell their products to us, then they will not have the resources to buy our products. I believe the government should take the import half of trade as seriously as it takes the export half and should establish programs to facilitate imports into Canada.

My last point is that since 9/11, 100% of all Giraffe's shipments from Africa have been subject to inspection at the port of entry at the cost to our companies. It costs us about \$1,000 for every container now that comes into the country, plus there's a lot of damage because this inspection is done in Halifax, usually, and there's no one around. I guess they're just doing their job. I don't know what they're looking for. In any case, they make a hell of a mess going through things.

I think it's excessive and unwarranted. It far exceeds the savings that the Government of Canada has provided in terms of a reduction of customs duties. I think Canada Customs should go back to the original scheme, which placed a lot more emphasis on risk assessment and historical experience with importers.

I guess we could be getting into a different kind of business, but if we've been in business for 30 years importing from Africa, it seems strange that we would probably all of a sudden now be in some terrorist business or something.

• (1705)

The Chair: Thank you, Mr. Kieran.

We'll go to Mr. Gupta.

Mr. Rajendra Gupta (President and CEO, ProSoya Inc.): Honourable members of the committee, my name is Rajendra Gupta. I am from ProSoya Inc.

Just to give you a little bit of background, this company, ProSoya Inc., was created about 15 years ago as a result of research in soya foods we did as a hobby. I worked at that time with the National Research Council, and I was also teaching as an adjunct professor at McGill University.

The company, ProSoya Inc., is a world leader in the design and manufacture of plants and equipment using advanced thermal technology. It conducts ongoing research and development mainly related to soya foods. It also offers expertise in the formulation, production, and packaging of valued-added soya milk products. ProSoya creates simple, cost-effective systems to produce a soya milk base directly from whole soya beans. The soya milk base retains all the soya nutrients, without the bean odour and taste associated with traditional soya milk. The technology achieves this without using any chemicals.

ProSoya technology is currently being used in more than 40 countries. There are large-scale processing plants in Canada, India, Israel, Russia, and the U.S.A., and over 1,000 small- to medium-scaled plants are located all around the world. ProSoya has technology transfer agreements with companies in Russia and India for the manufacture of smaller soya milk systems under licence. Customers include institutions, hospitals, schools, non-profit organizations, as well as small, medium, and large commercial operations, including underutilized dairies.

The products made with this technology are some of the best-selling soya milk products manufactured by some of the largest food and dairy companies, which use ProSoya technology and equipment. The technology develops soya milk brands like Silk in the U.S.A., SoNice in Canada, Soya Truva in Israel, and Staeta in India. The ProSoya process is unique, a state-of-the-art patented technology, utilizing airless cold grinding, which prevents oxidation-related flavours and mouth feeling problems. The product has a smooth-mouth feel, an outstanding non-metallic taste, and excellent formulation to appeal to discriminating palates.

It's well known that these soya foods reduce the risk of heart disease, cancer, and osteoporosis. Soya foods have no cholesterol, and since they are without lactose, soya foods and beverages are an ideal source of protein for more than half of the world's population suffering from lactose intolerance.

This is where we started when we recognized this situation. Our initial work started with the help of CIDA. In fact, CIDA provided some funding to a local NGO that was active in several countries, and they came to us to ask if we could make machines for them that would use soya beans for the production of low-cost nutritional products. That's the way we got started back in the early nineties.

From there on, we built big systems from the small system; it was the small systems that really brought in the customers who wanted to have our technology on larger scales. So initially we developed these big systems for Canada and then for Russia. We got a lot of support from EDC to develop the Russian market; the Export Development Corporation funded this project in Russia, and we sold over \$4 million worth of equipment at that time, which was quite significant for us as a start-up company at that time. It would not have happened without the help of EDC.

We also had a lot of help from the PEMD program when we were visiting various emerging markets; we wanted to go there and sell the equipment and products there, which PEMD was providing help for us to do. Again, when we decided to expand into other markets, CIDA helped us establish a good facility in India, where we launched the product recently. Again, CIDA played a major role.

• (1710)

Let me come to the kinds of difficulties we are facing when we want to expand into these markets. When we go to these people who want to sell our products, we have problems bringing them from there when they want to see a plant or want to visit us here to negotiate a deal. We have a lot of difficulty bringing those people into Canada to see what we have to offer.

The other thing we are finding is that some of the programs don't exist. CIDA has become less effective now in some of the markets.

We don't have any people who come to us to ask if CIDA can help—like NGOs; they wanted to buy small machines, so can CIDA provide the help? I think they have certain limitations now in that.

The PEMD program is not in existence any more. If we want to go to some emerging markets, we are too small a company to be able to afford to go on our own. If it were reinstated or made available in some other form, this kind of assistance would be great for a smaller company.

That's what I would want to say.

Thank you very much.

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

We'll go to Mr. Eringfeld.

Mr. Albert Eringfeld (General Manager, Polar Genetics Inc.): Thank you very much for the opportunity to be here today as part of your committee.

My name is Albert Eringfeld. I'm from Edmonton, Alberta, and my company is called the Polar Genetics Group. We've just changed our focus this year. We're a group of companies in Alberta dedicated to the export of livestock genetics and livestock breeding and production technologies from Canada. Our major market focus is in Asia, particularly in China and Vietnam, and also in Latin America, Mexico, and all the way south.

Our affiliate companies include Polar Genetics Inc., which is in export development, sales, receipt of payments, and logistics, including shipping; PEAK Swine Genetics Inc., which is a swine genetics company from Leduc, Alberta; Ovigene Canada, which is a sheep and goat genetic company that provides semen, embryos, and live animals for breeding; ITSI, which is a livestock and reproductive technology company specializing in artificial insemination; and we also have affiliations with different cattle genetics suppliers in Canada, as well as livestock equipment suppliers in order to provide additional services for our customers.

We're a small group of companies. Our sales are only about \$10 million annually. In 2004 we had about 25 employees in total.

We're members in different national organizations, including the Canadian Swine Exporters Association—of which I'm currently the president; the Canadian Livestock Genetics Association; the Canadian Centre for Swine Improvement Inc.; the Canadian Swine Breeders Association; and the Canadian Sheep Breeders Association.

Our experience with government programs regarding export development includes one of the main ones, the CAFI program, the Canadian agriculture and food international program. This program supports export development programs, including trade shows; technology transfer programs, including seminars and training; incoming visitor missions to Canada; market research; and the development of promotional materials for the industry and technical information for foreign customers.

This program is funnelled through the national associations that we're part of including the Canadian Swine Exporters Association and the Canadian Livestock Genetics Association.

My comment about this program is that it's a very good program. It's allowed Canadian companies to compete on the same level as foreign competitors who also receive the same type of funding for assistance of this sort with market development. It allows small Canadian agricultural companies to compete internationally and promote their products.

I recommend that Agriculture Canada, which I believe manages this program, should strongly commit to continue supporting this program and also increase support for it—rather than cut it back as it did in the last budget—as demand for this program increases from exporters and competition from our foreign suppliers also increases.

We also use the services of the Canadian embassies and consulates throughout the world. They support our market development programs by providing information on local markets and buyers. They provide assistance with arranging meetings with industry associations and local government and regulatory agencies, and they also provide assistance with solving import obstacles that we might encounter, or with troubleshooting in a local market.

My comments about this program are that generally I'm very satisfied, although some consulates or embassies are better than others, obviously. It's very dependent on the time the local trade commissioners have available to dedicate to your particular industry and whether the focus of that particular consulate or embassy is on agriculture or other industries.

My recommendation, obviously, is for the continued support of this program, which is very helpful for us. I would recommend providing more staff and financial support for embassies or consulates where there's a very high demand for services, especially those in markets that are growing strongly, like China.

I also would like to see more support of outreach programs for local trade commissioners to study Canadian export industries, and also export-ready companies, in Canada.

• (1715)

We also use Export Development Canada, but only the accounts receivable insurance program, which protects our open account sales on exports up to 90%. We would like to use the lines of credit on export financing that are available through EDC, but they're not so acceptable to financing livestock products, in my experience.

I'm very happy with the accounts receivable coverage. It provides additional security in our export sales. I would like to see access to the lines of credit and export financing programs for the purchase of breeding livestock by our foreign customers.

The Canadian Food Inspection Agency is very important for our company. It issues phytosanitary certificates to ensure compliance with importing countries' sanitary requirements. It's a key agency for livestock and all agricultural product exports. We're generally very satisfied with the services provided, although some of the regional offices and veterinarians need to be better trained and have better knowledge of current disease challenges facing the livestock industry. I find that some of the people are close to retirement, and

they're just not interested in learning more about the current environment.

The Chair: Would you repeat that part about veterinarians for me? I thought I heard something. I just want to hear it again.

Mr. Albert Eringfeld: I just said that I believe some of the regional offices of CFIA and their veterinarians need to be better trained and have better knowledge of the current disease challenges that face our livestock industries.

I also believe the CFIA should be more aggressive in negotiating phytosanitary certificates with our foreign affiliates. There is not enough credit given to Canada's very high health status in our livestock industries. A good example of that is China. We can export various products to China but it's very difficult, and I believe not given enough credit is given for our livestock producers and the sanitary programs we have in place.

Just to close, there are a few other high-priority areas that I believe the government should continue to support. One in particular is our livestock genetic improvement programs. For example, in the swine industry it's called the Canadian Centre for Swine Improvement. These programs have allowed Canada to become a world leader in livestock genetic development and sales of genetic materials. There's also the multiplying effect and value-added effect on our meat industry as well. Canada is now the number-one pork exporting country in the world, with sales of over \$1 billion. This has a lot to do with the fact we've been able to develop very good genetic improvement and development programs in Canada, not only in pork but also in beef and other livestock products.

Support for these programs has been cut back substantially over the last ten years. Many breeders are finding it hard to maintain genetic improvement due to higher costs and user fees for these services as they become privatized and less government support is available. This has lost some of Canada's advantage, as fewer breeders participate in the program, and the quality of our genetic products decreases or does not stay competitive with either foreign countries or foreign multinational companies involved in this industry.

I also think the government should support the livestock identification and traceability program, which is a key program to control any foreign animal disease outbreak that would devastate our livestock and meat exporting industries. This is a key to regaining consumer confidence in our food supply and negotiating reaccess to foreign markets.

Finally, as Mr. Gouk mentioned—and I also find this a problem especially with China—there's the visa application process. Many of our customers have a hard time visiting Canada or sending a delegation of their key people to Canada, just because of the very difficult process they're faced with to apply for their visas.

I thank you very much for the opportunity to make my comments.

• (1720)

The Chair: Thank you, sir.

We'll go to Mr. Lin.

Dr. Chi Lin (President, Canada-China Society of Science and Technology Industries): Good afternoon, Chair Cannis and members of Parliament. Thank you very much for the opportunity. My name is Chi Lin, and I'm the president of the Canada-China Society of Science and Technology Industries.

The society has been established since 1998 to advance and promote the technology exchange between Canada and China. We've already established relationships with about 15 government offices and non-governmental offices and companies.

I was born in China and worked there for five years. Then I went to Norway and got my PhD in robotics. I worked in offshore and hydro power. I set up and did marketing, joint ventures, and project consulting. I moved to Canada in 1997 as a senior systems architect working in IT. I did consultations on international projects, helped companies go to Nigeria—that's one of my latest projects—and tried to export cattle genetics to China.

One of things I have tried to do is enhance trade both ways between two countries. China exports basically anything to Canada, but Chinese imports from Canada are mainly the basic products—cereal products and wheat.

I have some data on Chinese trading. China has already become the third-largest trading country in the world, at \$1,164 billion a year. Canada is at \$866 billion now. China does most of the business in Asia. It has \$665 billion in Asia, and imports \$300 billion from Asia. But total trade with Canada was only \$15 billion last year. We exported to China only \$7 billion.

From my experience, I think Canada has a lot more to export to China than currently. Canada should diversify its trading partners to include more than just the U.S., because Canada does almost 80% of its trade with the U.S. and very little with other countries. It's too dependent on one single market, and that can cause instability.

We have tried to find out what the need is in China through those markets, and what Canada can offer. We have discovered that Canadian manufactured goods should have a very good market in China, but one of the problems for Chinese companies is they don't know the products. Most of the Canadian companies are fairly low key and don't like to put out money for advertisement. They don't like getting involved in those high-profile events. They normally like to go there on their own.

Canada was one of the first countries to invest in China since its so-called reformed open-door policy. They said 80% of the companies failed in China. That was because they were medium-sized or small companies. At that time the Chinese market was not that mature, and people's acceptance of foreign capital was not as good as it is now.

• (1725)

The best thing for Canadian entrepreneurs is they can easily identify those opportunities. They have gone in, but the problem is they don't know how to do it exactly. Many of the big companies

stay there for ten years without a contract, but they can sustain it. But the Canadian companies say, "I have a very good product. You should know me." That is the mentality. When we talk with them about marketing, they normally say, "My product is good enough. I don't need to do anything. Just ask my buyers. They know it's so good."

The problem in Chinese markets is they know the person first before they buy from you, but normally the company doesn't have the chance to survive that long before they are dead; they run out of funds. They spend hundreds of thousands of dollars before they get any projects, but maybe when they turn around, they've got a contract waiting. That has actually happened.

One of the suggestions we would have.... I have been talking with senior trade commissioners in Guangzhou, the embassy in Beijing, and the Alberta offices in Hong Kong and in Beijing. Last year we formed a Team Calgary to attend events in China and show them some of the surroundings so they start to learn something different. One of the big challenges we are facing, as they said, is the movement of people. This is a visa problem. From my experience, there are so many more people now in China. They have enough resources to invest. They want to expand their businesses overseas. Investment outside of China is encouraged by the Chinese government. Canada is one of the favourite countries in Chinese people's minds. Product from Canada has one of the best reputations. It's reliable. It's good. It's human friendly.

Canada has the best relationship with China because of the history of Norman Bethune and his involvement in the 1930s in China. Everybody knows Canada. There was an English program called *Visitors from Vancouver*; so they like Canada. They want to go to Canada. They want to do business with Canada. What has stopped them are the problems with getting visas. It's not because the requirements are so difficult. The problem is it's not really enforceable.

I have invited a lot of delegations to come. They are government officials and business people from different levels, different economic backgrounds and with different passports. They have two different passports. One is called a business passport and one is a private passport. The problem we had with the embassy is that there is a list of required documents. Everybody filled in the forms properly and attached the documents that were required. But they often come back from the embassy saying the comment is, "I don't think you are going to leave Canada after your trip." Then we try to contact them and say, "Can you tell me what is the problem, and what information is missing that would cause you to make that decision?" We can't get any answer. I have been in consultation with the ambassador in Beijing, have consulted with Mr. Peterson before the election, and consulted with the senior trade commissioners. Either they say that's a different federal department, so we can't get involved, or they say the immigration officer has the sole authority to decide what can be approved or not. Then we say "It's not the problem. If this person is not qualified, if there isn't any risk, can you tell us what the criteria are that would lead you to make that decision?"

• (1730)

There is never any answer for it, because people want to buy, they want to see your facility, they want to verify it. If you don't allow them to see your facility to produce it, how can they trust you that it's actually your product? There is fraud going on. He says, "Okay, I'm a very big company. I can show you pictures. I can show you some machines." Do you know that's theirs? No, you want to verify it.

They can establish a bigger contract with you, a stable contract, because as soon as people know each other they trust you. They don't have to see it any more.

For the people who want to invest, at least they want to see what is available. They're probably not big investors. Maybe they probably only invest \$100,000. Maybe they only invest a half a million dollars. For many of the projects, 80% of Canadian businesses are small businesses. For that kind of money they probably can do a lot of things. There are investment programs in Quebec. There are investment programs in some other provinces, not in Alberta...but even for that one now actually the processing time takes about three years. That information comes from one of the sessions in Alberta.

They are trying to get some skilled technical workers into an Alberta oil sands project. There is a recruitment company in China working with me on trying to bring qualified people to Canada to work on those projects. That's almost impossible, because after three years you don't even know if your candidate is still available. They're somewhere else.

On the fast-track program, it's eight months. That's even for the German one. It takes eight months to get a visa for the youth exchange program.

David Daly was talking about Chinese investment in the oil sands. I have been approached by PetroChina and Sinopec in China about those opportunities. They are very serious about it because they want to secure the oil supply. They buy it from anybody, anywhere. So the price is not stable. Now the price goes up to \$58; they have to buy it at \$58. If it goes up to \$60, they still have to buy it at \$60. If this

country has some problems, they don't have any supply. That's why they are very serious about investing in Canada.

The Canadian project has one problem. There's a budget overrun. If they're only putting in money and they have no control of the project, they will have hesitations. Many times they have their own construction team. If they can't bring their own construction team, then they will have some reservations, because they can control their own costs, but they cannot control the unions here. They cannot control the different—

• (1735)

The Chair: Could you wrap up so we could get into some questioning? I know you have a lot, but you're going to be asked several questions, I'm sure.

Dr. Chi Lin: Okay, I'm finished.

The Chair: We'll start with Monsieur Paquette.

[Translation]

Mr. Pierre Paquette (Joliette, BQ): I am really glad that the last two speakers, Mr. Eringfeld and Mr. Lin, raised this issue, because it is a real problem, but one that the Department of Citizenship and Immigration does not seem to be aware of.

My colleague, Pauline Picard, wrote to Minister Volpe. He simply replied as though there were two categories of immigrants or visitors: a person comes here either as a tourist—and the question is whether the person will leave or not—or as an immigrant investor. As you said, there are 2,000 of them waiting to come to Quebec. However, the department appears not to recognize the existence of investors who want a visa to come and see their clients, their suppliers or their facilities.

For example, there are Chinese people who are willing to invest \$100 million in the Drummondville area. They have been waiting for six months for a visa to go and see the site where a plant would be built. Why would they invest \$100 million in Quebec and in Canada if they are not even allowed to go and see what Drummondville looks like? And yet the vast majority of workers they will be hiring are from the area.

So you have raised an extremely important problem. I would perhaps have liked you to give us, in light of your experience, some ideas for suggestions that we could make as a committee to solve this problem. As I said, we had proposed that it be possible for a person to come to Canada for a very short period of time, sometimes a few days or weeks, if the forms were filled out, if the business was recognized and if the person had no criminal record. I do not know whether you have given any thought to the type of solution that we could put in place, without running afoul of the security rules. These people do not want to do any sightseeing and they are not here to stay, they just want to do business.

I do not know whether you have any suggestions to make, but I think it would be very important for the committee to make some recommendations on that.

• (1740)

[English]

Dr. Chi Lin: We have given a lot of thought to that question. I understand the concern of the immigration officers in making sure there is no risk of the people burdening the country economically, politically, or in regard to security. It is very important for them to do their due diligence and check, but the problem is that now there is no set of publicly available rules for the people to follow, a document that is standard and is applied to all countries.

So you say okay, you need an invitation, for example. Of course, there are some documents that are not needed for people from other countries—for example, your bank statement. If I invite you to visit me, I need to deliver my bank statement for the last six months to show that I actually do have some money to support your stay.

That's fine, as long as you have the rules there. If I give you the satisfactory documents and I have no problem, I should be allowed to come into the country.

The problem now is that the immigration officer on duty has too much freedom and authority to make the decision based on almost nothing. It's based on their mood, many times. They've had experience. If it's close to one of those holidays, normally it's easier for you to get a visa. If something is not very happy for them, you have nothing. That day, the rejection rate is probably 50% or higher.

In Beijing, the rejection rate used to be 20% on average a year, but in the last one and a half or two years it has gone to almost 80%.

[Translation]

Mr. Pierre Paquette: So it would be a matter of putting in place rules that are more transparent as to the stages and documents necessary in order to get a visa quickly.

[English]

Dr. Chi Lin: The speed for them to get a visa just for the visit is sometimes quick. Normally you give it in the morning, for the business one. It is a week, so it means five to ten business days. For the private visit, it can go in the afternoon, so the time for those short visits is really not the problem. The problem is the inconsistency and the unforeseeable ways of determining if you can get a visa or not.

I had a personal experience. Last year, I was inviting my sister to come to Canada in July with her son. That year was my father's 70th birthday. My father was 70, I'm 40, and my daughter is 10. It was to be a big family gathering. I was leading Team Calgary in China. At that time, I was in Beijing, so I issued the invitation. We prepared all of the documentation. Then she got rejected. They just think "I don't think you are going to come back".

I said that even if she wanted to stay—she is eligible to apply for immigration—she is working in the tax office, which is a really good job in China. It's government work, so you don't have to.... Her son just went to a new school. It's a really good school. There is no reason for her to stay here longer. She actually wants to go back early, and just stay 20 days. Then she has to go back to work. She got all the approved papers because...they said she needed a paper from her company saying her leave was approved, so everything was there.

I sent an email to the ambassador in Beijing, but he could not help because that's immigration. Those are the things that made it really difficult. I said we were trying our best to show people the best of Canada, and we can't even get our own problems solved. We have no way to go back and ask what the problem is. The question is what the problem is. If they tell me, I can show you and I can guarantee you, in any way you need, she will go back and her son will go back, but we do not have the opportunity to do that.

Not to say the other people want to invest...because there are so many people now, either because of their security concerns in China.... They make the money and they pay the tax, but they still want to secure their money. There are different kinds of concerns and different ways of thinking to invest. One of the people I know is actually now the president of China National Animal Breeding Stock Import and Export Corporation, the national company. He used to be the president for a private company. He, himself, applied for an entrepreneur visa—he wanted to go to Canada—three years ago. Just right before BSE broke out, he purchased, signed a contract with Alta Genetics Inc. for 1,500 head of cattle to go to China, but his application is still—somewhere.

People think it normally takes a year, but for those guys.... Now, of course, he doesn't even want to come here any more. He already bought a house for \$300,000 in The Hamptons in Calgary.

• (1745)

[Translation]

Mr. Pierre Paquette: I do not know if anyone else wanted to add anything.

[English]

Mr. Rajendra Gupta: Yes, I would like to.

The way I understand it, you are asking what we should do so this procedure could be more streamlined. I would say yes, these are the problems, but what is the solution? To me, it appears the solution would be that we have put too much responsibility in the hands of immigration officers. If he gives the visa and there's a problem with the person who is visiting here, it goes on his record that he gave him a visa, and perhaps didn't do a proper check, and now this guy is not returning.

How we resolve this thing is maybe to create some kind of security or bail-type system. I'm sure people who are only coming for a certain business will be willing to provide some security that they are coming back—\$20,000, \$30,000, \$50,000, whatever—or in their currency—whatever is the bigger amount.

They provide this kind of thing, and he can still say he won't let him go, but then somebody could override it based on certain other criteria. If immigration officers find it not satisfactory, for whatever reason, then there has to be a process of appealing, and some kind of method to allow these people to come.

I feel this thing is a problem also in training. Most of the time when you are doing business, people have to come for training. I had this kind of experience in India. These people who come for training are often younger people. You don't bring older people of 50 or 60, who get visas more easily. These people get visas, but how about the younger people? We want to train the younger people in those countries, and they will never get visas. That's for sure.

The Chair: Mr. Gupta, I have to interrupt you because of time constraints. I'm going to Madam Jennings.

Hon. Marlene Jennings: Thank you, Mr. Chair.

Thank you all for your presentations.

I'm not going to ask any questions on immigration or on the difficulties that representatives of foreign countries have in doing business with Canadian companies. In my office, half of our the immigration files are on that issue. So I'm very well aware of it, and I'm trying to get the government to make changes to the system.

I want to ask some questions regarding federal government policies in the industrial sector, in the export sector. Some of you, Mr. Kieran, Mr. Gupta, talked about how there were CIDA programs that facilitated your companies in reaching out and growing. You said that those programs have either been modified or no longer exist. So that there is now a barrier to your companies and other Canadian companies that want to establish markets in foreign countries. I would like you to give us a bit more information about what these programs were and how they operated. If you don't have enough time, you can always do it in writing, through the clerk, to the chair. It will then be disseminated to us.

Mr. Eringfeld, you raised some important points about the programs under Agriculture Canada that are good for your membership and for companies involved in livestock. You also raised two points that I found interesting. One is that federal support for genetic improvement of livestock programs in Canada has declined, and that this has resulted in a diminished role for Canada in this field. What were the programs previously, and have they been changed or eliminated? Where are we now in terms of world leadership?

On the EDC, we heard that its model is not fitting for companies that deal in livestock. They're not ready to give access to lines of credit and other investment programs that are available to industrial manufacturers. They'll work with hard, inanimate objects but not with livestock and livestock exports.

I'd like a little bit more information about that. One of the roles of this committee is to go back to the government, through a report, and identify gaps or problems in government policy or programs that Canadian companies view as weak or unsuitable.

• (1750)

The Chair: Who would like to respond?

Mr. Peter Kieran: Why don't we divide it up according to the programs? I can talk about the CIDA industrial cooperation program.

The Chair: May I remind you that you have six and a half minutes for responses.

Mr. Peter Kieran: This program assists Canadian businesses who want either to invest overseas or export professional services. As of

April 1, the contribution arrangement has been changed so that the eligible cost, which used to be two times salary, is now salary plus 12%. So they've reduced their contribution considerably. The program pays either 70% or 80% of the cost, requiring quite sensibly that the organization make an investment as well.

They've also established a minimum project size, which you're chasing, of \$3 million. While we would all like to be chasing \$3 million contracts, unfortunately a lot of contracts, especially the introductory ones that small businesses are trying to get, don't reach \$3 million. So this program has become much less attractive.

Hon. Marlene Jennings: Thank you.

Mr. Rajendra Gupta: I think I would like to say a similar thing about this CIDA-INC program. We have been using one of those programs, but I would say in fact perhaps we need something in between the CIDA and EDC programs. The CIDA program provides a certain kind of assistance to explore the business possibilities there rather than to help establish the business there. EDC, the same way, will provide assistance to export your goods, and if you want to establish your business there. And this is very important because normally when you go to a new country you have no financial assistance available if you are a new company there. So I think we need some program in between, a hybrid of the CIDA-INC and EDC programs, which can provide assistance, so we can expand business in the emerging markets.

• (1755)

Hon. Marlene Jennings: Thank you.

The Chair: Okay.

Mr. Albert Eringfeld: Regarding the genetic improvement program on livestock, traditionally, until the 1990s, the Canadian government was supporting our genetic improvement programs, I think, almost 100%. Then slowly they started to cut back and cut back and to make them, I guess, industry-funded programs, which I understand.

The industry does need to support its own genetic improvement programs. But it's come to a point now where the funding has been drastically cut. Whereas before Canada could always be a leader in genetics—and we haven't lost necessarily too much—the problem is, a lot of the small breeders in Canada, smaller livestock producers who participated in these programs, who could always maintain a very high level genetically and export their products throughout the world, now are not willing to pay for these services as their margins become more slim.

As multinational breeding companies through the world get larger, they put more money into research and development, into genetics, molecular genetics, and genetic improvements. Our Canadian government has less support for our programs. And always the farmers are stressed financially. They have to cut back however they can, in terms of the user fees. So what I'm seeing is that quality therefore is deteriorating in their genetics. And therefore, just as small breeders in Canada, they cannot compete as effectively on the world stage as maybe they had in the past.

Dr. Chi Lin: Actually, for that I have some suggestions.

As I said, Canadian businesses are normally fairly low-profile. They can do the work really well, but they don't do that well at presenting themselves, or at giving a long-lasting image of the Canadian advantage. One of the problems I find in those commercial offices in Beijing is that they have a few brochures on canola oil, say, but it's really difficult to get into their offices. You have to go through guards and all that.

My suggestion is for a low-cost solution: Canada should set up a showcase, a showroom, or even a small market to sell or present Canadian products. Chinese people want to buy Canadian products, but they don't know where to buy them. Many of the products they buy are actually Canadian, but they come from the U.S. because the contracts have been signed with U.S. companies. So some of the exports to the U.S. probably eventually go to China.

If the government had a location outside the diplomatic area, with some products changing periodically, it would give many Canadian businesses a very big help. They would save money on marketing, because they wouldn't have to go to China for three or five days for a show. Every show costs money—even just to go there and visit costs money—so at \$3,000 to buy a booth, you need a budget of \$10,000.

Many companies don't want to spend that kind of money, so if you could just send a product, or the government just collected it for that market, then the Chinese people would learn about it, learn about what you have. It would be way easier for people to buy your products then and to make a decision, or even just to say, okay, maybe I should think about buying this product over the other ones. Otherwise, the Chinese people just go for the big name because they don't even know the other stuff. So it would help put many of the Canadian businesses into a very good position.

Once I gave a speech in Hainan province to their private entrepreneurs association about doing business in Canada. I did some research and found out that so many of the inventions we thought came from the U.S. actually came from Canada. Nobody knows, and probably not even Canadians know, about many Canadian technologies.

So I think that would be a very important task for the government, to assist in promoting the image of Canada as a technologically advanced country. Canada is not just resources. Canada has everything else. But you have to let people know.

• (1800)

The Chair: Great. Thank you.

We're going to go to Mr. Goldring.

Mr. Peter Goldring: Thank you, Mr. Chair.

Mr. Kieran, could you possibly comment on your feelings, your observations, on whether or not the corporations in Asia, in Japan or China, are truly private enterprises or corporations, or are they more government organizations?

As well, what type of prime growth areas can you see for Canadian enterprises—technological, genetic, oil fields, aerospace? How would you classify them, and what types of opportunities do you foresee?

Mr. Peter Kieran: I think China is one place where it's somewhat difficult to tell the difference between the private and the public sector, but I think the private sector in China and in many other countries is expanding very rapidly. In the transportation area, a private airline recently opened in China. All the new toll roads in the eastern half of the country are being built by private investors.

In most other countries, it's the private sector that's really driving things. So I think it's genuinely private sector, although China still has a large overhang of huge, industrial government corporations that are taking a while to wind up.

In terms of opportunities, our focus is on the transportation area, so I'm aware of the opportunities for Canadian businesses in the transportation area. Canada has a major position in terms of diesel locomotives, through General Motors down in London, Ontario, and in the provision of urban transit equipment, through Bombardier. Those are the two huge business areas in the transportation area.

In the aerospace area, the young lady who was here before was talking about Brazil. Obviously, Bombardier is a heavy competitor in that area, but they're facing some strong competition in the aviation area.

Mr. Peter Goldring: And there were your earlier comments, and I forget exactly who had mentioned it, that trade should be a two-way street. Your endeavours in the transportation development sector... In a visit that I made through the Caribbean to a number of countries, there seemed to be a common interest there. Many of the countries need the assistance to develop things like deep-water ports, and they're looking for Canada to develop more its maritime trade. A hundred years ago, the trade in the Caribbean was from Halifax; it was from Canada's maritime provinces. There is a general overall feeling that a lot of Canada's trade is north-south to the United States, and very little of it filters through into areas like the Caribbean if they try to have their marketing set up through the United States.

Does your organization work with countries like that? Who funds them? Is this an activity that a country like Canada should look at engaging in and assisting? As has been pointed out, if they have the facilities in order to receive Canadian goods and products, and if you have deep-water ports, for example, and many of these countries have products that they grow or produce themselves that Canada could take by return, so that you're having this return transportation with the ships.... But for the ports themselves and the facilities themselves, does your company work with the countries? What are the arrangements that your company has?

Mr. Peter Kieran: We help countries to bring in private investors to build those facilities. Unfortunately, there are no Canadian companies that bid for those opportunities. None of the Canadian port operators are interested in the international side of the business. Canada has a role in exporting specialized equipment, cranes and so on, but it's basically professional services like ours and like engineering. There are no hard goods or long-term assistance or investment coming from Canada.

• (1805)

Mr. Peter Goldring: Are there any major facilities that you've been engaged with in the Caribbean area?

Mr. Peter Kieran: Yes, there are several. In the Caribbean, what's happened there is that a number of countries like Jamaica and the Bahamas have constructed large ports primarily for transit traffic, so they're capturing a large share of traffic so that ships call in there and then unload. It's traffic that's maybe ten times as much as the country itself is importing, but it passes through the port, it's sorted there, and then goes through the Panama Canal or up into the southern U.S., or up into the eastern seaboard.

Mr. Peter Goldring: Or coming in from the Asian countries too.

Mr. Peter Kieran: It comes in and then gets sorted there. So there's been a very strong business for a couple of Caribbean countries there.

Mr. Peter Goldring: For example, I think it's St. Lucia that has an arrangement with China for a duty-free port area where products come in from China and they're taken in there to the land in a designated area.

Mr. Peter Kieran: Export processing zone.

Mr. Peter Goldring: Yes, re-exported throughout the area. I would think that this would be an area that Canadian enterprise would be very interested in doing.

In terms of your comments about immigration, I think that's common throughout. My office, too, receives it. If we think back, the construction industry in Toronto spoke Italian in the early sixties, and I'm sure that all of those who came over as new immigrants have gone on and they now are university professors and the well-educated children of today. That's been the basis of Canada. I have a strong feeling that for many companies and corporations, as somebody commented, you need the younger people to be coming in. You need to give them the opportunity in Canada to grow with it and raise their families too.

I know in my office and all the other offices we constantly have these decisions being made that we're finding hard to understand as to why certain people are not being allowed into the country when they have reasons to be. This will certainly be an impediment

towards what we do internationally on trade and economic development too. As Mr. Lin had said, for the difficulties coming from China, I'm sure that it's coming from other parts too. When we see the economic opportunities.... In the Ukraine, for example, there's a country that is really opening up and looking to having this transfer of knowledge and economic association, but it's going to be made very difficult unless we allow for these interested investors and people to be able to come into Canada as easily as we can go to their country.

I have a final comment, because I know we've been running late. From my own experience of being in business for 30 years, it's essential to go and check that company out. It's to get the sense of the entire organization. Yes, it's the plant and it's the equipment, to see whether they're not just putting small, value-added process onto it, and that they're actually doing the manufacturing themselves, but you also get a sense of the security and the balance and the healthiness of it. Even the office and the manufacturing itself, you get a sense of whether it is a pleasant place to visit and if it has the people in there who are participating openly and in a friendly atmosphere, and you have a better feeling about that company too. So it's essential.

The Chair: Thank you, Mr. Goldring.

We'll have a short question from Madame Jennings.

Hon. Marlene Jennings: It's not actually a question; it's just a comment.

The issue of immigration and visas is multifaceted. We have foreign investors, we have foreign business partners of Canadian companies, we have foreign workers, and the reasons for each are not necessarily the same. I believe the criteria that should determine whether or not that person is a genuine visitor should not necessarily be the same.

In 1998 or 1999 I made a recommendation to the Minister of Immigration at the time. This was for the high-tech industry, which at that time was suffering a shortage of highly skilled workers and was suffering the same kind of description that you're talking about, where it's nine months to a year for a temporary foreign worker visa. I said, "Why don't you go and meet with at least the big companies. The smaller ones may not have the means. I'll bet you anything that if you ask them how much time they need between the time they hire someone and the time they want them there, if they say they can afford to wait for a month and we do the calculation, the breakdown, of how much it's going to cost immigration to put the kind of resources necessary in place in order to be able to process the request within the 30 days, for instance, and are they prepared to pay that, nine out of ten of those companies would say yes, if it costs us \$10,000 in order to do one temporary worker visa in the 30 days, we'll pay it; if it's three months...and so on."

The minister at that time put into place a pilot project, which was based, if I'm not mistaken, out of France. We have never been able to get from the public servants what the heck happened with that pilot project. Was it successful or not?

So the frustrations that you have are frustrations that I believe members of Parliament, regardless of which party we're with, live with every day.

●(1810)

The Chair: That was a comment. Now it's my opportunity to maybe pose a question and make some comments as well, if you'll permit me.

I sat listening very carefully to all of your presentations, and a few things have intrigued me as we've had many witnesses, EDC being one. There were some compliments made towards EDC and also with respect to a comment you made, Mr. Lin, in terms of how our country is moving. You said something along the lines that we shouldn't just be a resource country, but a technology type of country.

There's no question that we've moved from a resource-based economy to an information knowledge-based economy. The problem is, how do we market that? How do we get out there?

That's one of the questions I'd like to pose. Do you think an organization such as EDC, for example, or some body within the government should look at how they can support these efforts when these industries or these people go abroad as individual business people or as companies, in terms of a loan or some kind of financial support so that they can invest in this promotion, if you will, or profiling, networking, and so on? That's one question on which I'd like your comments.

I also have to say to Mr. Eringfeld, on your comments, which I asked you to repeat, I am appalled to hear that you indicated that the veterinarians aren't trained enough, to use your words. That being the case, the people responsible for these people, then, are also abrogating their responsibilities. I believe you too, if you've detected this, have a responsibility to make this public and aware, not just when it gets to the damage and say, "Oh, we have a problem here."

We do have a problem here today, and we have to look at who along the chain is responsible. So I ask you and all the people involved to make sure this is identified for everybody's benefit.

In terms of EDC and risk-taking, I'm glad to hear that on the insurance side they're helpful, but we've heard from other people that EDC has been known as a support for export, the typical export-driven type of commodities, but there's an entrepreneurial movement going on out there in high technology, genetics, and so on, that they're hesitating to take risks on and they try to move towards the banking support.

What can we do to encourage EDC? As much as we try as politicians, I think it has to come from your sector as well.

Those are my comments, and if there are any comments coming back, certainly I'd be very happy to hear them.

Dr. Chi Lin: Regarding how to raise the profile of Canadian business from being that of a traditional commodity- or resource-based country—at least in trading with China—to a more diversified technology-based producing country, one of my ideas, for example, was that the Canadian government sponsor some of the money for hosting a promotion centre. We'd call it the Canada Centre, for example. Businesses could go in and even pay a small fee, or for a certain period of time it could be free, to put in posters and brochures and have their people there. In that way, outside the diplomatic area, there will be more access to the general public and companies in

China, so that people will know, "Oh, we can buy from Canada directly".

For example, with the high-tech industry, I've worked for Nortel and TransCanada, and was working on my own, so I understand how U.S. companies are taking advantage of Canadian companies. Many of the businesses in Calgary have done U.S. contracts, and then China has bought a lot of system or programs from the U.S., because they are the only ones telling them they have those. In the oil business, the analysis program was actually done in Calgary.

●(1815)

The Chair: Mr. Lin, so what is the U.S. doing that we're not doing? Can you just pinpoint that for me?

Dr. Chi Lin: Marketing. They spend money on marketing; they go there, they put on trade shows, and they visit all of the businesses, because they do have the resources behind them.

The Chair: Is it the companies that are spending the money, or is it the companies, in conjunction with the American administration, state or federal?

Dr. Chi Lin: No, it is private companies doing that.

The Chair: So then it's the Canadian company that's not prepared to risk.

Dr. Chi Lin: Canadian companies, by tradition, are not doing promotion. They are very good at development; they are not very good at commercializing it. That is one of the problems.

If there's no government money, your company will probably not go to China to sell genetic products, even though you know those genetic products are the best in the world.

The Chair: But I'm puzzled here, sir. I'm really puzzled.

You said that American companies on an individual basis go and invest and promote themselves. You just said a minute ago that if the government...? Are you suggesting that it doesn't matter what the U.S. does, that company A, B, C goes and invests privately, but the entrepreneur or business guy here in Canada is out to lunch? He doesn't want to invest, but wants the government to put the investment.

I just want to clarify that.

Dr. Chi Lin: That's okay.

The problem with existing Canadian business is that they are very good at development. So my suggestion is that government do some sort of initiative to help them, because CIDA projects, for example, and of all that, are government or assisted money to promote your technology, but it's only to a very narrow area; the general public doesn't know.

The Chair: That's why I guess we have the Export Development Corporation.

Dr. Chi Lin: I have been talking with EDC; they had a session in Calgary. Their business is more like export insurance, rather than actual support.

A voice: We need an export marketing agency.

The Chair: I'm just trying to get you to that point. I think what you're trying to say, and I'm not going to put words in your mouth, but if I read you correctly—and this is a very interesting issue, as we're doing this study—is you are suggesting that EDC's mandate somehow has to change a little bit, or alter itself.

Is that what you're telling me?

Dr. Chi Lin: That's right. It should be doing development, instead of insurance. What they do now is, you pay me a premium in case you don't receive your money in 90 days, when I will pay you the difference.

The Chair: I know we have a really good thing going here, so before I go to Mr. Goldring, I do want to ask Mr. Eringfeld a very important question, and I say this with the greatest of respect to all nations out there that we're doing business with.

You obviously have a niche or specialty there, where you export technology, etc., but with respect to intellectual property rights, how comfortable do you feel and what measures do you take when you go abroad to different countries? We know the concerns we've heard from organizations, and maybe with our trade agreements with countries, sometimes the enforcement mechanism is there, but with the compliance aspect of it, we have to appeal and appeal down the road. So how do you protect your intellectual property rights when you go to China, for example, to ensure that the relationship is respectful and adhered to?

• (1820)

Mr. Albert Eringfeld: We really don't protect ourselves. Honestly, we don't. We'll provide our information to make our sales promotion; we'll provide training to try to get the sale; we'll sell our product, our livestock, our genetics with no strings attached.

We do see that in the future we need to protect ourselves better. That way, if we want to get into some type of royalty agreement when they purchase genetics from Canada and they multiply them—breed them in their own facilities and retain animals for their own program—we would receive some type of royalty back, under some type of contract.

The Chair: I only use China, Mr. Eringfeld, as an example.

Mr. Gupta.

Mr. Rajendra Gupta: I just want to make a very brief comment.

We have this kind of royalty arrangement from wherever we go. We say, "If you want exclusivity on the use of our technology, then you have to pay royalties. If you don't want it, then it's okay." Invariably, people want exclusivity.

About the EDC, I just want to make another comment. We say the world is becoming like a country these days—you might say, a global place where you can do business. The problem is the business financing community still sees these to be different places, so you can't get financing in a different part of the world. All we are saying is, if EDC, based on the strength of the company in Canada, can provide some support in the other countries for us to expand there, that would be very helpful, because no bank or institution wants to do it.

The Chair: You also made a comment, Mr. Gupta, concerning developing countries, that if we're able to open and access these

markets, we either make a decision to stay away and not support, so that we'll never have any future, or we go there to be part of it from the beginning and help provide support, and gain as a result. I think that was the message you gave us earlier, if I'm not mistaken.

Mr. Rajendra Gupta: I didn't say we have to import before we have to export. That was another comment that was made by someone.

What I did say was that if we want to grow ourselves in Canada and have growth of Canadian business overseas, then we have to define some kind of support for that.

The Chair: I know Mr. Goldring wanted to add a comment.

Mr. Lin, did you want to say something before we go to Mr. Goldring?

Dr. Chi Lin: Actually, I could wait until you're done. I'll just make some explanations.

The Chair: Sure.

Mr. Goldring, please.

Mr. Peter Goldring: Thank you, Mr. Chairman.

I think it's interesting that when I've visited, for example, the Caribbean—and I've visited many countries—you see Canadians on the beaches; Canadians are very much present there for holidaying and for resorts. But if you look in the stores, you don't see Canadian products on the shelves. What's wrong with the picture here? There's such a good reception there in the Caribbean, and as you say, there is in China, too, for Canadian goods and services.

But I did have one incident that was encouraging. The high commissioner in the east Caribbean, in Barbados, gathered together business people from throughout the area to at least have a consultation with me. I'm wondering whether in concert with the EDC this maybe should be instituted as an entryway to be able to actively interest Canadian corporations in various countries around.

Somebody mentioned earlier that there doesn't seem to be consistency from one high commissioner's office or embassy to another on how they approach it. Certainly it sounds as though—and from what I've seen, even in countries in Europe—we're rather missing the boat here. We have good products. We need to have that marketing.

We're a smaller country, and our corporations tend to be smaller, too. Perhaps they can't afford to do the international travelling unless some precursor work has been done by our various establishments in the area. I think we have to recognize that we're one-tenth the size of the United States; we need a little bit of leverage to help in these areas. Maybe out of all of this there can be some consideration for improvement down that road.

The Chair: Thank you for that comment.

Mr. Lin, may we have your closing comment?

Dr. Chi Lin: I think Canada is not a small country. Canadian trading is ranked fourth or fifth in the world.

• (1825)

Mr. Peter Goldring: We have big resources.

Dr. Chi Lin: Yes, but still Canadian...most of the business is built up by smaller companies. So Canada can very proudly say it is actually a big country in trading. I'm just asking how we can help the smaller businesses to promote themselves. They have good products, good people, good technology. When I was in China, people even asked me about Canadian banking. They want to know about the Canadian banking system, because they feel it is a better system to use because it's moderate. There are two poles—the U.S. and Europe—and Canada is just in the middle. They have European culture and they have U.S. culture. That's basically why Chinese people are very interested in Canadian technology.

Regarding the state-owned or private-owned company, actually there is now another type of company, the share company. They think just like private people. They used to be state owned, but now they've changed. They call it reorganization, restructuring. They've started to try to sell a lot of those companies to foreign ownership, and Canada has never been part of that. It's never taken advantage of it. They are selling them really cheaply, and they are really good assets. U.S. companies are in there. They have approved seven of the financial institutions to invest directly in Chinese companies, to buy those assets right off the market. Five of them are U.S. companies. None of them are Canadian companies. And when Canadian companies make investments, they go through a U.S. company, because they do not trust themselves as a power.

But actually, if a Canadian company were to go there and try to invest, it would go through less trouble than a U.S. one, because people here are very nice, and they do not lie, so people trust them very easily and it's quick. And still there are very good names in there. We have to take advantage of it.

And for the visa, there is another thing. Tourist visas are not actually available in China yet. People ask me why don't they just apply for a tourist visa. There is no such class for China. They've started to accept tourist visa applications, but it's not a regular visa.

Canada is actually the first country to set up a tourist office in China, and they are going to be the last country to sign the tourism agreement with China. Of course, there are other problems, but that's not really the problem. So it's okay.

In the case of the opening of approval of the tourist visas, how can the immigration officers handle it? Because that will be a massive volume. Even without any agreement, there are 200,000 people visiting Canada every year from China, so if you open it up, it can be ten times that easily. Chinese people want to go to Canada. They want to go to Banff. They want to go and visit Norman Bethune's residence in B.C. Hundreds of people would go there because they know the name.

So there will be a lot of practical things that are not going to happen if there is no reform in the immigration side.

The Chair: We've been made aware of that by other presenters as well, Mr. Lin. Rest assured the members on this committee are cognizant of it and have been bringing it to the attention of the minister. Certainly I think it's going to be one area that will be reported in our report as well, because there's the other dimension to the visa aspect, and that has to do with education, where we have a good product here in Canada, and sometimes we run into some obstacles.

I want to thank you all very much for your constructive input and your suggestions. You heard from us some of the suggestions and ideas that we have. So thank you very much. I apologize again for being late. We ran a little bit late today due to scheduling with activities in the House.

Thank you very much.

I'll adjourn this meeting.

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