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Chair

Mr. Kevin Sorenson

Standing Committee on Foreign Affairs and International Development

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● (0900)

[*English*]

The Chair (Mr. Kevin Sorenson (Crowfoot, CPC)): Good morning, everyone. This is meeting number 51 of the Standing Committee on Foreign Affairs and International Development. It is Thursday, April 26, 2007.

In our first hour today we have a briefing session on the government's annual report on the Bretton Woods and Related Agreements Act, 2005. We have two witnesses. We apologize for working you in around a television set. We have a videoconference in the second hour.

Our witnesses this morning are Mr. Roy Culpeper, president of the North-South Institute, and Mr. John Dillon, program coordinator, Canadian Ecumenical Justice Initiative, KAIROS. We look forward to your comments.

Yesterday in our committee meeting we had approximately three cellphones go off. I didn't complain too much because one of them was mine, but today I just remind you all to turn off your cellphones before we begin.

Welcome here. In this committee we usually enjoy what the folks who come have to say and then we go into a question period. We'll give you an opening statement, and then we'll go to the Liberals for the first round of seven minutes.

Welcome. Please go ahead, Mr. Culpeper.

Mr. Roy Culpeper (President, North-South Institute): Thank you, Mr. Chairman. Good morning.

I'd like to thank the committee for inviting the North-South Institute to offer its views on the issues raised by the government's annual report on the Bretton Woods organizations, the IMF and the World Bank.

Let me start by saying why multilateral organizations such as the International Monetary Fund and the World Bank are so important.

We live in a world facing a number of complex problems, some of which present emergencies and others are crises in the making. These include the HIV/AIDS pandemic and other health emergencies afflicting the world's poorest people and countries; the spectre of devastation from climate change; local conflicts and the threat of regional wars, or worse; huge and escalating balances of payments, among the United States, Asian countries, and Europe, that threaten the financial stability of the international economy; and enormous and growing disparities between the rich and poor, which are a consequence of inequitable globalization.

It is not possible to resolve any of these problems through bilateral aid, diplomacy, or military intervention. They are too large and complex even for the United States, the world's richest and most powerful country. Problems of such global magnitude demand multilateral solutions. In other words, today's most pressing problems demand that multilateral organizations, such as the United Nations and the Bretton Woods institutions, play key roles in their resolution. They do so by mobilizing resources from those around the world endowed with the greatest ability to help and by allocating resources to those facing the most pressing needs.

There is, of course, a catch. In order to be effective and efficient, the multilateral organizations have to be constantly monitored, evaluated, and made accountable for their activities, policies, and results. For that to happen, member countries must exercise constant vigilance and due diligence through their representatives at the organizations and through the officials who support them in capitals.

But accountability of multilateral organizations only starts with our officials, for example, with the Department of Finance's report on the Bretton Woods organizations. It certainly does not end there. Indeed it is essential that these reports be used as a platform for wider discussions, not only on the effectiveness of the institutions but on their very purpose and legitimacy.

Parliamentarians and civil society in member countries must be engaged in these discussions to ask not just whether the multilaterals are doing things right, but more fundamentally, whether they are doing the right thing. Typically, officials do not ask such questions.

Let me give you two examples. The report points to the fact that many fewer countries are now borrowing from the International Monetary Fund, undermining the financial viability of that organization. Most of the fund's remaining borrowers are the poorest countries, which need long-term development assistance, not the kind of short-term, balance-of-payment support for which the IMF was created. Yet the IMF does not consider itself to be a development agency. This has led to significant tensions between the World Bank and the IMF and coordination problems between those institutions—problems that we do not hear very much about in the report.

The reports alludes to the search by officials for financial solutions to the IMF's deficits, but the officials are not posing the more fundamental questions: Should the IMF continue to exist at all? If so, should its mission and mandate be drastically altered?

My second example relates to the turmoil currently engulfing Paul Wolfowitz's presidency at the World Bank. The issue I want to raise is that of the selection process for the World Bank president and for his counterpart in the IMF, the managing director.

Although the report states that Canada favours an open, transparent, and merit-based selection process, when push comes to shove, traditions die hard. In this case, traditionally the United States hand-picks the World Bank president and other countries rubber stamp the American candidate. Paul Wolfowitz, nominated two years ago by President George W. Bush, was a very controversial choice and hardly the best man for the job.

If Mr. Wolfowitz steps down, as many believe he should—and I agree with their assessment—the next president must be chosen through an open, transparent, and merit-based process. But it will take a considerable amount of pressure to make this happen, and that pressure must come from parliamentarians and civil society in member countries. Officials in Washington, Ottawa, and other capitals are unlikely to make this change happen without such external pressure.

● (0905)

Finally, I'd like to add that Canada has an opportunity to make a different sort of contribution at the IMF and World Bank from what it is able to do in UN agencies and other multilateral organizations. The boards at the IMF and World Bank comprise 24 executive directors, most of whom represent a grouping or a constituency of a number of countries. Canada's executive director represents Ireland and most of the Commonwealth Caribbean states as well as Canada itself. Similarly, our finance minister represents his counterparts among our Irish and Caribbean constituency members when he speaks at the policy-making committees at the spring and fall meetings of the fund and bank.

In other words, Canada has a north-south constituency consisting of both developed and developing countries. This enables Canada, if it so chooses, to play a more inclusive role by articulating and endorsing the positions of our developing country constituents. Other chairs at these organizations typically cannot do this. Nor can Canada speak for other countries at the United Nations, where it represents only itself.

Let me conclude. We welcome this opportunity to engage in a discussion on the international financial institutions, but the issues are many and complex. To do them justice, the standing committee should ensure more regular opportunities to have such discussions and provide sufficient time to allow greater depth in the discussion. Perhaps a standing subcommittee on international financial institutions should be re-established, or even more broadly, a committee that oversees all multilateral institutions dealing with economic and social cooperation. Multilateral institutions, in my view, are too important to be left wholly in the custody of our officials, as competent and conscientious as they may be. If these organizations are to do the right thing, as well as do things right, parliamentarians and civil society need to play a more active role in shaping their policies, activities, and impacts.

Thank you.

● (0910)

The Chair: Thank you, Mr. Culpeper.

We'll go to Mr. Dillon.

Mr. John Dillon (Program Coordinator, Global Economic Justice, KAIROS: Canadian Ecumenical Justice Initiatives): Thank you, Mr. Chairman.

To begin, I want to commend the Department of Finance for its very informative report on the operations under the Bretton Woods Act and also the staff of the Halifax Initiative for the report card that gives credit to the Department of Finance for much improved work.

In the time available, I propose to comment on three of Canada's objectives as chronicled in that report.

The first point deals with the contradiction between Canada's goal of improving aid effectiveness and the policy advice that is routinely dispensed by the IMF. Last June I was reading an article by an African colleague concerning IMF policies. In one sentence left off the report it reads:

> In the case of Zambia, the government was not allowed to employ more health care workers by IMF despite the willingness of the Canadian government to foot the wage bill for the next five years.

I was astonished. Could this be true? Was the IMF actually denying the ability of Canada to pay for health care workers in a country with an HIV prevalence of 17% of the adult population?

I undertook to inquire into this and contacted a number of colleagues in Zambia. What I discovered was disconcerting. Not only was our own CIDA having difficulty dispensing aid, but so was the United Kingdom's Department for International Development, the United Nations Children's Fund, and the World Health Organization. This was part of a broader problem.

I asked myself if Zambia is perhaps an exceptional case. Unfortunately, that is not the case. The IMF itself commissioned a study by its own independent evaluation office to examine allegations that IMF programs were blocking the availability of aid in Africa. The report examined the activities of the IMF in 29 African countries over the years 1999 to 2005. The results of this study I think are very shocking. They show that the IMF has allowed only 28% of anticipated aid increases to be spent, while the other 72% is held back as public savings. In other words, only about $3 out of every $10 in annual aid increases was allowed to be spent. The other $7 was set aside as international reserves or domestic savings.

The prime reason why the IMF does not allow more public spending, even when it could be funded by international donors, is its overzealous commitment to combatting inflation. Countries with inflation below 5% were allowed to spend $8 out of every $10 in aid. Countries with inflation above 5% were restricted to spending just $1.50 out of every $10 in promised aid. Most economists will tell us that moderate inflation, that is inflation in the range of 10% to 20%, is not harmful to economic development. However, IMF programs that are overly restrictive of government spending in the name of fighting inflation are harmful to development. I think a weakness of Canada's report on the Bretton Woods institutions is that it does not deal with this issue, and we do not know what position Canada is taking internally in debates within the Bretton Woods institutions on this issue.

The second area I would like to comment on is the priority that Canada states for promoting sustainable development. This priority is contradicted by World Bank support for fossil fuel extraction in developing countries, which is leading to increased greenhouse gas emissions because of climate change. Canada, along with other G-8 countries, has called upon the World Bank to develop an investment framework for clean energy development. The good news is that the World Bank is making progress in this regard. However, they are starting from a very difficult position. Over the years 1992 to 2004, the World Bank dispensed some $28 billion in financing for fossil-fuel-related projects. This was 17 times as much as the financing for energy efficiency and renewable energy projects.

● (0915)

The good news is this has begun to change. In fiscal year 2005, the World Bank actually dispensed more money for energy efficiency and renewable energy than it did for fossil fuels. However, in fiscal year 2006, we again saw retrogression; the spending for fossil fuels went up by 93%, while for renewable energy and energy efficiency it went up by only 46%. So we still have a long way to go.

Canada, I would hope, would identify itself with the advice given by the World Bank's own extractive industry review, which called for phasing out spending for fossil fuel extraction and devoting the World Bank's resources to renewable energy, to conservation, and to clean energy technologies.

The third and final area I wish to comment on is the Canadian priority around reforming the IMF to strengthen the international financial system. Roy has already touched on this.

What I want to do is put this in a somewhat broader context. Precisely because of the way the IMF conditionality is restrictive of the ability of sovereign nations to make their own decisions, we're seeing a trend in Asia, in Africa, and in Latin America toward the development of new institutions that would not be under the Bretton Woods umbrella. For example, in Asia they're talking about an Asian monetary fund that would be controlled by Asian countries. In Africa they're talking about an African currency and an African central bank. In Latin America, five countries have already moved to develop a bank of the south, which will take their own currency reserves and devote them to their own development priorities.

The Governor of the Bank of Canada, Mr. Dodge, has observed that the IMF is viewed with so much suspicion that it's no longer the best organization to foster a stable monetary environment. That's why we're seeing developing countries taking these initiatives.

Far from being alarmed about this, Canada should welcome these southern initiatives and encourage sovereign countries to take control of their own finances and to build institutions that serve their own needs.

Thank you, Mr. Chairman.

The Chair: Thank you very much, Mr. Dillon and Mr. Culpeper.

Certainly this committee in the past has had the opportunity on occasion to visit with representatives from the IMF and from the World Bank while we've been in Washington. We've even met with the head of the World Bank. It's good to have you come to give us a little bit of a review of some of the work of the Bretton Woods institutions.

We'll go to Mr. Eyking for the first round.

Hon. Mark Eyking (Sydney—Victoria, Lib.): Thank you, Mr. Chair.

I'd like to thank the guests for coming here today. I have two questions. My first one is probably to you, Mr. Culpeper.

You mentioned needing a new boss at the World Bank, and that somehow we have to get involved and have a new process. Do you have a template for that process and how we can be involved with it? That would be my first question.

Mr. Roy Culpeper: Actually, this has been the subject of some internal discussion going back about five or six years, when there was a succession issue at the International Monetary Fund. The executive directors of the World Bank and the monetary fund came up with a template, if you will, a succession process. I can't give you the details, but it was basically geared towards a search to identify some of the best candidates for the position and then a selection process to choose the best one for the job. This doesn't actually have to be invented; it's already been given considerable thought.

The problem is what happened to that internal dialogue. It was basically suppressed by the Americans and by the Europeans, because they didn't want to upset the apple cart. The Europeans had this traditional right to appoint the managing director of the IMF, and in return the Americans would continue to select the president of the World Bank, so that's where it's remained stuck.

What I'm trying to say, in answer to your question, is that there already is a template out there, and it's one that has been discussed by the people inside the bank, the executive directors.

● (0920)

Hon. Mark Eyking: If Canada is left out of that process a bit, because the Europeans and the Americans seem to dominate it, couldn't we partner up with Singapore, Japan, and other countries so that we could have a balance in the decision-making process?

Mr. Roy Culpeper: We were part of the discussions I'm referring to by virtue of the fact that we have an executive director at both institutions.

And you're right. I think there are a number of other players around the table—the Japanese, for example—who have always resented the fact that they have been, in effect, removed from consideration for selection, or that one of their nationals has been. But that also goes for virtually all other member countries.

I think it's a particularly remarkable, perhaps even unacceptable, fact that a developing country candidate never seems to be considered for the presidency of the World Bank—this is the world's largest development agency—and you have to ask why. So there are a number of developing countries that would also endorse moving in this direction.

Hon. Mark Eyking: Thank you.

My second question would be to Mr. Dillon.

I don't know, Mr. Dillon, if you're familiar with the Senate report out right now dealing with CIDA and the results we're not having in sub-Saharan Africa. It's quite a report, and there are some bold ideas in there of how we should change the way Canada is doing aid.

Many other countries in the world have already re-evaluated their aid agencies and changed them around quite a bit, so that report has quite a bit in it.

My first question to you is whether CIDA needs a bit of an overhaul, and what you think of that report.

My second question is about the multilaterals, and you mentioned them. If we're not getting what we need or want, or we're not getting our voice heard in these multilaterals, should Parliament be evaluating them more and getting a report back to us so we can have some influence in the decision-making on how we're going to deal with them?

Mr. John Dillon: Thank you.

The Senate report has been widely discussed within the international development community. We feel largely that yes, there are problems at CIDA, but we wouldn't go so far as to identify with the recommendation in the Senate report that CIDA's responsibilities be turned over to the Department of Foreign Affairs.

We think CIDA needs to take a more proactive stance in a lot of its work. It needs to raise its profile.

And certainly, in terms of your second question, parliamentary evaluation of multilateral institutions would be very welcome. I think if you could call more witnesses with knowledge on more areas of these large and complex organizations, it would be very welcomed by the NGO community.

Hon. Mark Eyking: Is there any more time?

The Chair: Yes, you've got a minute and a half.

Hon. Mark Eyking: We have had witnesses here before, and sometimes they have said that when we give our money to these multilaterals, there is no accountability. It just kind of goes into a black hole. Sometimes it does a good job, but we don't know because the Auditor General can't get a grip on it. So it's kind of left out there, and we're assuming it's being done properly.

We also hear it from Canadians, regular citizens in our country, who don't realize where their money is going and how much effect it's having out there. So there is quite a disconnect between our knowing where our money is going and the average Canadian knowing what we're doing out there.

How can we better connect that?

Mr. John Dillon: One of the keys is to call for more transparency in the multilateral institutions. For example, minutes of the board meetings of the World Bank are not published. We don't know what Canada's voting record on key issues is.

We think that if there could be more transparency about the decision-making process inside these institutions, parliamentarians and the public could engage in a more informed debate.

● (0925)

Hon. Mark Eyking: Thank you very much.

The Chair: Thank you, Mr. Eyking.

We'll go to Madame Lalonde.

[*Translation*]

Ms. Francine Lalonde (La Pointe-de-l'Île, BQ): Thank you to both of you.

I think we are to be commended for holding this committee meeting today and I'd like to thank those people from the Halifax group as well as Mr. Culpeper for having pushed for this.

Indeed, I'm very glad that we have this opportunity because oftentimes, for many reasons, there is doubt about the real role played by the International Monetary Fund in the world. Given the ambitions it had at its inception and in light of what it has become today, including from a strictly economic and financial point of view, one may be justified in questioning its real role and indeed its very existence. I'd like to hear your opinion on this since you touched upon it in your opening remarks.

It might be a good idea to think about a standing subcommittee on multilateral institutions, given that they are so enormous and because it is really hard to know exactly what they do—it may sound a little strange to say that—in addition to simply relying on their reports to get an understanding of their role. I got to know the World Bank better through a friend who worked there. I also learned a lot through documents I read about the effectiveness or lack thereof of the World Bank.

I'd like to hear your ideas on the best ways of proceeding. Apart from this committee, there is also what you recommended. Is it possible to effect change without parliamentarians taking action throughout the world?

I have been privy to goings-on at the Council of Europe: OECD reports, visits by parliamentarians who took part in working groups at the OECD, and the resulting changes. The OECD has changed a lot, although it is a long way from—It is not exactly the same thing, but I think you can still draw comparisons.

Is there some other type of relationship with parliamentarians which would improve the way these multilateral associations work or indeed, at another level, the objectives of these associations.

[*English*]

The Chair: Thank you very much, Madam Lalonde.

Mr. Culpeper.

[*Translation*]

Mr. Roy Culpeper: Thank you, Ms. Lalonde.

To begin with, I'd like to reiterate what I said. We need multilateral institutions, but we also need to have mechanisms to coordinate the action they take and the policies they implement, and to have a way of regulating these institutions. You suggested a dialogue between parliamentarians and members of these various institutions. That was a very good idea.

I've often noticed that African parliamentarians did not have an opportunity to debate the HIPC and the PRSP which their governments had approved. There is a dialogue between Africa's Finance ministers, the IMF, and the World Bank in Washington, but there's no debate at the parliamentary level. Here, in Ottawa, the Parliamentary Centre has a network of African parliamentarians asking for this very opportunity.

I would suggest that there is a need for dialogue between Canadians, Europeans and even Americans. You should be having these kinds of discussions with your colleagues in Africa as well as those in developing countries. It is really important.

● (0930)

[*English*]

The Chair: Mr. Culpeper or Mr. Dillon, do you want to respond to the question?

Mr. John Dillon: Yes, I do.

Thank you, Madame Lalonde.

I have in front of me a petition with a collection of over 1,000 signatures from parliamentarians around the world demanding more accountability from the World Bank and the International Monetary Fund. These are particularly parliamentarians in the south who want to be involved in making national decisions on what their priorities should be.

To take the example I gave of Zambia, all of the interaction took place between the Zambian ministry of finance and the representatives from the International Monetary Fund. Elected parliamentarians were not involved in that debate.

I'm just going to read a key quote from the petition:

[*Translation*]

> As a result, we are calling on the Bretton Woods institutions and their primary shareholders to ensure that the democratically elected representatives of countries receiving loans and financial assistance ultimately be the real brokers of their countries' economic policies.

Ms. Francine Lalonde: Do I have any time left?

[*English*]

The Chair: I'll give you a little more time.

[*Translation*]

Ms. Francine Lalonde: Thank you.

That's interesting. Framed in that way, I don't think that there is much chance of that succeeding unless there was a fundamental transformation. However, if parliamentarians do meet, reach a consensus and push this line in their respective home countries, we could certainly sign on that.

If we do want to effect change, even in relation to what I referred to, it won't be easy, nor will it be quick. And yet, I think that it is absolutely crucial because otherwise we'll find ourselves in a situation where these two big institutions may end up contradicting each other and challenging the policies adopted by their countries, policies for which we, and other parliamentarians involved with CIDA, have passed resolutions.

Now, all of this may mean that the funds, instead of being used to fight poverty and promote development, may not be targeted enough, and as such, have their intended effect negated.

Thank you very much for having reminded us of that.

[*English*]

The Chair: Thank you, Madame Lalonde, for that closing statement.

Mr. Goldring, please.

Mr. Peter Goldring (Edmonton East, CPC): Thank you, Mr. Chair. I'll be sharing my time with Mr. Casey.

Thank you for appearing here today, gentlemen.

I'm looking at the report, at the preliminary conclusions of the IMF, and it goes into some detail on the tax burden and taxation, even to the point of discussing the GST and the appropriateness of further reductions or cuts to that. If a report is done like this on various countries—and I would imagine that it is on all countries—then an essential ingredient included in that might be for commentary on some of the countries that are classified as tax havens, and that could impact Canada itself just by the fact that it's well known that a major shipping company is based in Barbados for the sheer purpose of taxation. The flagging can really be from any country.

Would it not be appropriate to have some commentary in there on how that affects countries that engage too heavily in those kinds of endeavours because it impacts what we are able to do with our taxation?

Second, many of the countries that are the tax havens—or the tax-free countries, as they claim to be—have fees upon fees. A country like Turks and Caicos, for example, which says it's tax free, really isn't. You pay an annual fee for your property, which in effect is really a tax.

So in the combination of the two, I think it's important to know, what really is impacted by tax-free tax havens and the offshore locating of businesses for taxation benefits?

● (0935)

The Chair: Mr. Dillon.

Mr. John Dillon: I would agree with you; commentary on the issue of tax havens would be a very welcome addition to the report. By the very nature of the problem, we don't always have sufficient data to evaluate where the money is going and who is hiding what from whom. Since September 11 there has been some more transparency in the global system, but I still think we have a ways to go.

On the issue of taxation within developing countries, one of the problems is that the kind of policy advice the IMF gives is that they favour value-added taxes, such as our own GST. In my opinion, those are more regressive taxes when we need progressive tax regimes, where the wealthy will pay their fair share.

Here's another area where I'm quite critical of the IMF's advice.

The Chair: Thank you.

Mr. Culpeper.

Mr. Roy Culpeper: To add to that, Mr. Chairman, I think this is a very important and legitimate issue that needs a lot more attention. I think it's worth pointing out that since September 11 there has been a lot of activity among tax authorities and revenue authorities to monitor the flow of funding to terrorist countries. In other words, there is already an infrastructure, so to speak, among revenue and tax officials to track the money. The question is, why can't this be expanded to include the leakage, as it were, of tax revenue to tax havens?

There is an increasing body of opinion among civil society organizations that the leakage of tax revenue because of tax havens and other leakages in tax systems is really undermining the revenue base of governments around the world and reducing their ability to do things, to be good governments. You can't have good governance without governments that have a revenue base that is dependable.

So I think the point you're making is absolutely right on. It points in the direction of encouraging not only the international organizations, such as the IMF and the OECD, to take this issue far more seriously, but also departments of finance in each member country, including our own.

The Chair: Thank you, Mr. Culpeper.

Mr. Casey.

Mr. Bill Casey (Cumberland—Colchester—Musquodoboit Valley, CPC): Mr. Dillon, I wanted to ask you questions about the IMF, and it just struck me, wasn't John Dillon the famous bank robber?

Mr. John Dillon: It must have been another branch of the family.

Voices: Oh, oh!

A voice: It was Dillinger.

Mr. Bill Casey: Dillinger, right. I knew it didn't sound right. He was the man who, when asked why he robbed banks, said, “Because that's where the money is.” I always thought that was a good answer.

Moving right along, you said in your paper that many countries have said they will not borrow again from the IMF. Where do they turn now for money? Who do they turn to?

I understand there are countries that loan money with very little in the way of terms and requirements in order to gain access to resource and influence. Where do countries turn now for the replacement of the IMF money?

Mr. John Dillon: Most of the borrowing is from the private sector, for the middle-income countries.

I want to come back to the example I gave of the Latin American countries that are setting up their own bank of the south with an initial capitalization of about $7 billion U.S. This kind of initiative I think is quite laudable because then they will be able to set their own priorities.

A little known fact is how enormous are the foreign currency reserves that are held by developing countries, particularly in Asia. They outweigh in total the foreign debt. What we have now is most of these foreign exchange reserves are in safe investments, like U.S. treasury bonds.

We're beginning to see a trend away from that, where countries are choosing to lend their foreign exchange reserves to each other. This is a model of financing that I think we need to approach with caution, but welcome it. There are some questions, then, about what political leverage might come with those loans. I think models where countries pool their reserves and through peer review ensure that they're well used are to be welcomed.

● (0940)

Mr. Bill Casey: My researcher has noted that Matt Dillon was the sheriff on *Gunsmoke*.

I understand that China provides money with very little strings attached in order to access resources and political influence, especially in Africa. Am I correct in that?

Mr. John Dillon: That's correct, and there's a huge debate around that.

Mr. Bill Casey: Do you support that approach?

Mr. John Dillon: I think we have to listen to some of the African voices. Some of them are cautious because they're not naive to think that the present regime in China is doing this totally as a charitable endeavour. As you alluded in your question, they're doing it because they want access to resources.

There are some disconcerting stories. For example, there was one out of Mozambique about practices that were not ecologically responsible that were being sponsored. We should look with some caution on a case-by-case basis about what that is doing. However, in principle, who are we to say that the people of China, the Government of China, should not make investments abroad when we make investments abroad?

The Chair: We're a little short on time here, but you should have an opportunity to answer that, Mr. Culpeper.

Mr. Roy Culpeper: I just have a couple of points to make, in addition to what John said.

First of all, the international imbalance that John is alluding to is the more than $2 trillion worth of foreign exchange reserves being held in Asian banks. Those are being generated by something, and that something is the huge and growing balance of payments deficits by the United States.

Here is a problem where the IMF could play a role, and there's been some discussion of that under the rubric of multilateral surveillance. In other words, the IMF should find ways of engaging with the key partners to these imbalances—the Americans on the one side and the Asians and the Europeans on the other side—to stop this careening toward a financial crisis of huge magnitude.

The problem is that the IMF doesn't have the leverage this would take. You could almost say that the IMF is now too large to handle the small problems it's looking at, and it's too small to handle the really large problems it should be looking at concerning international financial crises and instability. There's a good piece on that in today's *Globe and Mail* by Eric Helleiner, who has written a book and just won a prize on this.

On the China issue, I would add that the Chinese aren't just giving money away; quite often they're lending it. So we've come out of a period of debt forgiveness for the poorest countries, we've come out of the tunnel, and, all of a sudden, they're starting to borrow again. And who are they borrowing from? Well, among others, they're borrowing from the Chinese and the Indians. So in addition to all of the other concerns that John mentioned, there's also the issue of the rebuilding debt, which is recreating the problem we thought we had resolved. But I would also say that it's actually important for developing countries to have some competition in the field when it comes to looking for resources for development. That's a factor I wouldn't dismiss lightly.

The Chair: Thank you, Mr. Culpeper.

Madame McDonough.

Ms. Alexa McDonough (Halifax, NDP): Thank you, Mr. Chair.

Thank you very much for sharing your expertise and experience today on this immensely complex subject. Of course, the time is too short to get to the heart of the problem.

I'm sure committee members welcome your favourable comments about the better aid legislation, which has been driven very much by the many civil society spokespersons who've come before the committee and by the committee in moving it to what is nearly the final stage of adoption.

I think your comments added to the excellent report card done by Halifax Initiative, and they really do pose a challenge to us to try to think through what kinds of public accountability mechanisms and processes could actually get at some of these problems. I'm sure the Halifax Initiative report is welcomed by the government, and probably the previous government as well. Fair enough. There have been some complimentary references to some improvements. But it remains a serious, serious problem that the very countries most in need of the Bretton Woods institutions serving them are actually dropping out—and the perverse results of that are astounding, really. They're accelerating their repayments, which is probably a killer thing for them to be doing, in order not to come under the heavy heel of the punishing policies required of them.

I'm wondering if we can ask you to turn your attention a little bit to the question of what accountability mechanisms...and here, I'm really asking you to focus on Canada and our responsibilities as parliamentarians. Clearly, there are the big issues of needed reforms at the Bretton Woods institutional level, but it's also clear that we have very extensive public accountability processes, and so on, through the Auditor General, with respect to our domestic operations. But it seems that when it comes to the Bretton Woods institutions—which involve a lot of money, but also have a massive impact on the lives of the most vulnerable people on the planet—our institutions and processes are very, very frail and very weak.

I'm wondering if you can talk a little bit about two things, really. What would these mechanisms look like, ideally, and how do you see us as a committee engaged with civil society in moving through a process to get us to where we need to be to actually do the job?

● (0945)

The Chair: Thank you, Madam McDonough.

Mr. Culpeper.

Ms. Alexa McDonough: I know those are easy questions with easy answers.

Mr. Roy Culpeper: Well, perhaps I can start. As the excellent Halifax Initiative report points out, it's been about 15 years since the Auditor General had a look at Canada's involvement in the IFIs. So one can begin there by saying it's time for the Auditor General, who has resources to bring to bear on this, to have a look again and to do this as a more regular activity. I think that would be one mechanism that should seriously be considered.

Other than that, as I mentioned in my remarks, there's no substitute for continuity. You can't solve this in one swoop. There has to be continuous engagement and dialogue. I would suggest re-forming the subcommittee that existed in the 1990s to look at the IFIs, and perhaps broadening that to look at multilateral organizations dealing with economic and social cooperation, because there is an issue of how the IFIs and the UN cooperate. Minister Flaherty himself made an appeal for better coordination among the UN and the World Bank and the IMF.

Now, how you do that is actually more difficult than it sounds, but it requires focus and constant debate. To have a subcommittee that looks at these issues and calls witnesses from academia and from the private sector, as well as from civil society, cannot but help.

The final thing I would say is that one hears that many people think of money going into a black hole when they think about the World Bank, or the IMF, or multilaterals. Well, it's actually more to the point to say that the multilateral organizations have some pretty good mechanisms of oversight. The independent evaluation office at the IMF and the independent evaluation group at the World Bank produce some excellent reports. Those reports need more dissemination and reading, and if we had an IFI or a multilateral subcommittee of this committee that would afford time for committee staff and witnesses to engage in the debate using that material, which is out there....

In many ways, I would like to say that there's much more material available to feed this debate on the oversight than we often give credit to the institutions for.

● (0950)

The Chair: Go ahead, Madam McDonough. We'll give you more time.

Ms. Alexa McDonough: I wonder if Mr. Dillon wants to comment as well.

Mr. John Dillon: Yes, I'd like to add just one point. I agree with everything that Roy has said. There's another role the Auditor General could play, and that would be to do an audit of the bilateral credits that are owed to Canada from the global south.

One of the constant refrains we hear from our colleagues in the south is that much of the debt they owe on paper is illegitimate because the loans were made to dictatorial regimes, and they were not spent on the purposes for which they were lent.

Norway set a very important precedent when it did an audit of its overseas loans, decided that some of them were indeed not legitimate, and cancelled those loans. If our Auditor General could do a survey of Canadian bilateral debt and this committee then could review it, that would be a very good step forward.

The Chair: You aren't saying cancel the debt; you're saying cancel the loan.

Mr. John Dillon: I'm saying audit. Audit the debt that's owed to Canada and determine how it was used, and then those that are deemed to be illegitimate because they were not used for the purpose they were sent—The creditor as well as the lender both have a co-responsibility.

The Chair: In those situations where we aren't getting paid back and we're frustrated because the dollars weren't going to the places they should be, you aren't saying—We have to get the money back, right?

Mr. John Dillon: I think an audit has to look at what is legitimate, yes, that's owed to us, but if it's not being paid, why is it not being paid? It has to look into all of the reasons. Has it been stolen and put in one of those tax havens, or is it because of the fiscal constraints on the borrowing country? How was it used?

The Chair: Just to be really clear, you aren't suggesting that we cancel the debt.

Mr. John Dillon: I'm suggesting that we cancel some of them that —

The Chair: You said the loan, though; cancel the loan, not cancel the debt.

Mr. John Dillon: Well, I mean the debt. Sorry, Mr. Chair.

The Chair: All right. There's a big difference, in my opinion.

Thank you, Madam McDonough. If you want a closing comment, go ahead. You're at eight minutes, but we'll let you.

Ms. Alexa McDonough: It may not be a quick answer either. If there's further information—you are frustrated yourselves, and you don't have time to share it with the committee—we'd sure appreciate having it.

You gave a very clear example of the perverse effect on Zambia, and I'm wondering if you can indicate, even in a word or two, are we talking about a few countries where this kind of thing is happening, or is it extensive? How many countries should we be aware are having really serious problems with current policies?

Mr. John Dillon: It's quite extensive. The independent evaluation report looked at 29 countries, and in almost all of them this kind of behaviour was happening where aid was not getting through.

The Chair: Thank you.

Mr. Goldring, very quickly.

Mr. Peter Goldring: I'll be sharing my time.

When we discussed the taxation earlier, you used the term “leakage”, and it brings to mind a couple of other methods that possibly should be monitored as well, not only for the taxation benefit or the return to the country, and that's the gambling income and other forms of tax deductible write-offs for non-profits or charities and how that can impact. That's taxpayers' money that's being used, ultimately, and what is the social impact of doing some of those things too?

But I suppose my question is more towards Haiti, and it's mentioned in here under the failed states and failing states. Would an in-depth report like this have been done on Haiti, or on Afghanistan too?

I would think that when we were discussing Haiti earlier, it would have been beneficial to have looked at some of that, and particularly for its commentary on financial impact of its ongoing national debt load. What positive steps are being taken for removing that, and how largely is that impacting or impeding their progress in moving forward?

● (0955)

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

A very quick answer, please. Mr. Khan has a question, and Mr. Patry as well.

Mr. John Dillon: Yes, on Haiti, I think an audit should look at how taxpayers' money was used. To their credit, when the Inter-American Development Bank looked at extending debt relief under the multilateral debt initiative, they included Haiti in that. But the problem is that Haiti has to wait for four to five years of IMF approval before it will actually receive multilateral debt cancellation. I submit that's a long time to wait when the need is now.

The Chair: Mr. Khan.

Mr. Wajid Khan (Mississauga—Streetsville, CPC): Very quickly, Mr. Dillon, you suggested that financial assistance be held back for fossil fuels and increased on renewable energy. There are some developing countries that are finding fossil fuels. How would their economies be impacted, their development, in these developing nations that might be dependent on these new discoveries?

The Chair: Mr. Dillon.

Mr. John Dillon: The extractive industries review under the World Bank talked about the phasing out of funding for fossil fuel development, and that implies over a time period when reinvestment would take place in alternatives.

Our partners in the global south tell us that they are very anxious to get ahead with ecologically responsible investments and that they often find fossil fuel investment benefits only a small stratum of the population, whereas a diversified clean energy type of development would reach down to more of the population.

The Chair: Mr. Patry.

[*Translation*]

Mr. Bernard Patry (Pierrefonds—Dollard, Lib.): Thank you very much, Mr. Chairman.

Thank you, gentlemen.

In the statement prepared for the Development Committee of the Boards of Governors of the World Bank and the International Monetary Fund, on April 15, our Finance Minister, Mr. Flaherty, focused on a number of different components. One of these was much closer collaboration between the IFIs and the United Nations.

My question is very straightforward. What sort of collaborative relationship is needed?

[*English*]

The Chair: Mr. Culpeper.

[*Translation*]

Mr. Roy Culpeper: There are discussions between ECOSOC, the United Nations Economic and Social Council, the World Bank and the IMF on an annual basis. One such discussion was held in New York three weeks ago. But it is just the tip of the iceberg.

[*English*]

It's important to have discussions in the home country between the Department of Finance, the Department of Foreign Affairs, and CIDA. That's where the problem lies. As long as there are differences of opinion between the officials and the ministers who actually participate in these organizations, it's not going to be possible to have better coordination between the UN and the Bretton Woods institutions.

So I submit that the problem is rooted in the member country capitals. We need to talk about these issues here at home, and not as though they're far away. We can start by having a discussion with our Finance, Foreign Affairs, and CIDA officials to get them to concentrate on this problem.

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

Mr. Dillon.

Mr. John Dillon: One step forward would be to bring United Nations bodies like the United Nations Development Programme into the picture when it comes to making policy advice. This need not be the exclusive realm of the Bretton Woods institutions.

The Chair: I want to thank you for coming here. It's a fascinating study. We don't spend a lot of time looking at the Bretton Woods institutions and the different IFIs and how they play into humanitarian development. We appreciate your being here today.

We're going to suspend for a few minutes while we get the teleconferencing video set up.

● _____ (Pause) _____ ●

● (1000)

The Chair: I call this committee meeting back to order. In our second hour we are very pleased to have by videoconference an update on views and the situation in Afghanistan.

Our witnesses include Mark Sedra, research associate, from the Bonn International Centre for Conversion, and Scott Gilmore, executive director of Peace Dividend Trust.

At the close of this meeting we will take a bit of time to adopt the steering committee report so the clerk can start working on the guests for next week.

We welcome you this morning. It's good to have you both here—Mr. Gilmore in our committee room and Mr. Sedra by videoconference.

Perhaps we'll go to our video relay first. Welcome to our committee. We look forward to what you have to say. Then perhaps you can take questions from our committee members.

Mr. Mark Sedra (Research Associate, Bonn International Center for Conversion (BICC)): Thank you very much.

First of all, I'd just like to thank you for allowing me to speak in front of you today and say what an honour it is.

As many keen observers of Afghanistan have recognized in recent months, the Afghan state-building process is facing a tipping point. Most Afghans have yet to receive the peace dividend promised them by Afghan and international leaders following the collapse of the Taliban regime. Talk of a Marshall Plan for the country was heard by ordinary Afghans, buoying hope for a break with the violence and endemic poverty that characterized life in the country over the past two decades. However, by 2007 the most noticeable change in the lives of most Afghans has been a rise in insecurity and the growth of a public administration increasingly seen as predatory, obtrusive, and corrupt. This has fed a growing sense of pessimism and disillusionment that has emboldened spoiler groups such as the Taliban.

Today, many Afghans, from Kabul to Kunduz to Kandahar, assume that the Taliban will return to power, not because of a renewed belief in the Taliban fundamentalist ideology, but due to a feeling that momentum is on their side, that international actors are losing interest, and that the Karzai regime is weak and faltering. Afghans are pragmatists. After 23 years of civil war, they have learned to pick the winning side. As the Taliban becomes bolder, more and more Afghans will gravitate towards it as a coping mechanism. We are already seeing this in the south, where some Afghans have begun to speak nostalgically of the relative peace and security of the Taliban period.

Of course, the reason for the Taliban's initial popularity, when it came to power in 1996, was its provision of security and its disarmament of the same warlords who reconstituted their fiefdoms on the heels of Operation Enduring Freedom and who are entrenched in the government today.

As the media coverage of Afghanistan clearly illustrates, the security situation now defies classification as a "post-conflict environment". Contrary to the situation in previous years, the violence is no longer contained within the Pashtun belt, the Taliban heartland. In a disturbing trend in 2006, heretofore stable areas of the country, such as Wardak province in central Afghanistan, experienced a sharp rise in insecurity. Wardak province was one of the most stable areas of the country in 2003 and 2004. By 2006, however, the United Nations was forced to halt all travel on major roads due to threats of armed attacks.

One need only compare statistics for 2005 and 2006 regarding the insurgency to grasp the extent of the problem. By September 2006, an average of 600 insurgent and/or terrorist incidents were occurring on a monthly basis, up from an average of 130 per month in 2005. There were 139 suicide bombings in the country in 2006, a significant increase from the 27 that occurred the previous year. Finally, the insurgency resulted in more than 3,700 fatalities in 2006, a figure more than four times greater than that of 2005.

Poor governance, particularly at the subnational level, an area which received very little attention by donors up to 2006, has been a major driver of insecurity. The police, who represent the main interface between state and society, exemplify the failure of the contemporary Afghan state. There is no more corrupt and dysfunctional institution in Afghanistan than the Afghan National Police. Since 2002, the police have been a source of insecurity for communities across the country, rather than a solution to it. A significant proportion of Afghans view the police with fear and resentment. When they interact with the police, it is often to pay bribes or illegal taxes. The police are increasingly the perpetrators of crimes ranging from kidnapping for ransom to bank robberies. In November 2004, the Afghanistan Independent Human Rights Commission claimed that 15% of all human rights violations reported were perpetrated by the police. The most common offences reported were torture, theft, and the failure to prosecute murder cases.

● (1005)

Corruption is rampant throughout the police, with up to 80% of the force involved in the drug trade. A majority are loyal to local commanders rather than to the Ministry of the Interior. In a telling expression of the depth of corruption and factionalism in the police, one senior Afghan police official told me in June 2006 that he trusted only 27 of the approximately 1,500 police stationed in all of Helmand province.

The Kabul riots provided the clearest signal yet of the failure of the internationally supported police reform process. Not only did the police fail to quell the mob, which ransacked the capital—causing in the process at least 17 deaths, over 190 injuries, and millions of dollars in damages—but they joined them. The few officers who did confront the rioters were shown to be grossly unprepared, lacking basic crowd control training and equipment.

This brings me to what will be the main focus of my talk, the security sector reform process, or SSR, which is the effort to reconstruct the security architecture of the state. Not only is SSR a cornerstone of the state-building process, but it also provides the exit strategy for the international community. Only when the Afghan state has a monopoly over the use of force across the whole national territory will the conditions be present for international forces to withdraw.

Although significant strides have been made to advance the process over the past five years, including the training of over 30,000 Afghan National Army soldiers and the disarmament and demobilization of 60,000 militiamen, severe problems remain, and I will touch on three of them.

The first problem is what I refer to as the slide toward expediency in the implementation of reforms.

SSR is not merely a process to train and equip the security forces; it is also intended to instil modern democratic principles such as respect for human rights, to ensure that the security institutions are accountable to democratic civilian authority, and to institute the rule of law. However, in Afghanistan the process has been almost entirely dedicated to enhancing the operational effectiveness of the security forces. Efforts to rebuild the judicial system and reform the ministries intended to manage and provide oversight of the security forces, the ministries of defence and interior, have been treated as an afterthought. We are already witnessing the damaging implications of this approach, with deep-seated corruption in the ministry of interior infecting every corner of the police service.

The second overarching dilemma is what I refer to as the political will problem.

The Afghan government has not always demonstrated the necessary will to undertake the difficult reforms necessary to advance the state-building process. This is most clear in relation to corruption and the drug trade. It is widely known which government officials—some up to the level of minister—have links to the drug trade, yet they remain in office. This is also true in reference to the issue of illegal armed groups. The international community has funded the most expensive disarmament, demobilization, and reintegration process in history, but numerous prominent members of the government have retained their private militias. According to some estimates, up to 60% of the members of Parliament have links to illegal armed groups, despite a provision of the electoral law that should have barred their candidacy for having these links.

What message does this send to the Afghan people about the counter-narcotics and demilitarization campaigns? Afghans will not take these processes seriously, or place their faith in the government more generally, unless the same rules apply to all. Perhaps the key to advancing the counter-narcotics and demilitarization processes and expanding the state's legitimacy in the eyes of the people is to go after the big fish, the high-profile targets. The problem is that such an approach conflicts with President Karzai's leadership style, which can be described as accommodationist.

● (1010)

Instead of confronting deep-seated problems within his own government, President Karzai has sought to place most of the blame for the country's security crisis on the doorstep of Pakistan. Pakistan certainly does represent one of the paramount threats to Afghanistan's security. The Talibanization of the federally administered tribal areas, which provide a base for insurgents to attack governments and international targets in Afghanistan, coupled with the Musharraf regime's duplicitous position on the Taliban, condemning them publicly while providing them with clandestine support, has been a major driver of the insurgency.

It is clear that greater pressure must be brought to bear on the Pakistani government to bring an end to its double game in Afghanistan. However, perhaps it's also time for the international community to demand more of President Karzai's government. The bogeyman cannot be used to distract attention from the failures of the Karzai administration and Afghanistan's homegrown security problems.

Aid and assistance to the Afghan government has largely been provided unconditionally. Perhaps it is time to condition aid in a manner that will promote difficult reforms. One thing that is clear is that dedicating vast resources to assist them where the commitment of the political leadership to the fundamental principles of the process is tenuous is not only wasteful but could exacerbate corruption and instability.

The final problem, which I will discuss today, can be described as the justice gap. The rule of law is absent in much of Afghanistan today due in large part to the decrepit state of the judicial system. It is a truism in the field of post-conflict reconstruction that regardless of how well-trained the police are, without a functioning judicial system they will not be able to perform their duties.

Lord Paddy Ashdown, who served as the high representative for Bosnia from 2002 to 2006, has stated that one of the primary lessons he learned from his time in Bosnia was that justice should come first. Without a functioning justice system, you cannot have security, combat corruption, or establish an efficient regulatory system for the national economy.

Afghanistan's state builders seemingly failed to heed this lesson. By 2005, and this situation continues today, less than 3% of the funds allocated to the SSR process were channelled to the justice institutions. It is of little surprise then today that more than 90% of legal matters in the country are taken to the informal or customary legal system rather than to state courts.

To the average Afghan, the courts are expensive, corrupt, and out of touch with local realities. The courts are barely able to function in some parts of the country as the system lacks basic infrastructure, equipment, and trained jurists. I've come across abundant anecdotal evidence of criminals being apprehended by the police only to be released shortly thereafter because there was no court to try them or jail to keep them.

In my remarks today I have tried to show that a foundation has been built for a democratic state in Afghanistan, but it is fragile and teetering. Afghans are becoming increasingly disaffected with a government that is incapable of delivering basic public goods, that is dominated by warlords and drug traffickers, and that is endemically corrupt. The 2006 Kabul riots not only showed the depth of frustration of many Afghans with the slow pace of change, but demonstrated how easily the entire state-building process could implode.

Combatting growing insecurity in the year ahead will be one of the main challenges for the Afghan government and international community and will require renewed attention to the security sector reform process. The recent U.S. commitment of $8.6 billion for SSR will provide a vital boost to the process, but the problem with the Afghan security sector is not just one of insufficient resources. A change in strategy is needed that will balance the short- and long-term goals of the process. Efforts to enhance the operational effectiveness of the security forces must be accompanied by steps to strengthen the government's ability to control and manage them and create a legal and judicial framework within which they can work.

● (1015)

At present, the system, in many respects, is merely making corrupt and factional security forces more efficient and effective. The process must seek to change the culture of this sector, which is a long-term process.

The uncomfortable reality for most donors is that intensive engagement will be required in Afghanistan for another five to ten years to consolidate the gains that have been made and to prevent the state from once again slipping into failure.

This does not mean that international military forces will be fighting an insurgency of the intensity seen today for another decade; rather, with the necessary investments in development, governance, and SSR, the security element of the state-building project could be gradually scaled down and phased out in favour of its development and diplomatic dimensions.

The Chair: Mr. Sedra, can I just interrupt? You mentioned “phased out”, and I'm going to have to phase you out pretty quickly.

Mr. Mark Sedra: Okay.

The Chair: How much more do you have? We're at 15 minutes.

Mr. Mark Sedra: I have one more paragraph.

The Chair: Go ahead and read it quickly, please.

Mr. Mark Sedra: Canada has paid a heavy price for its engagement in Afghanistan, and the reticence among some to maintain the current military commitment, especially when so many other NATO member states are watching from the sidelines, is understandable. But a Canadian withdrawal, in the absence of another state to pick up the slack, will deliver a significant blow to the state-building process. The reality is that if international troops were withdrawn tomorrow, or even a year from now, the likelihood that Afghan forces would collapse is high. They simply need more time to develop.

Despite the immense challenges I've outlined, I firmly believe that the mission in Afghanistan is ours to lose. With the right investment and the right changes in outlook and approach, the process can achieve its goals.

Thank you very much.

● (1020)

The Chair: Thank you, Mr. Sedra.

We'll move quickly to Mr. Gilmore.

Mr. Scott Gilmore (Executive Director, Peace Dividend Trust): Thank you, Mr. Sorenson.

I have a relatively short statement. I'll go through it quickly.

My views on Afghanistan that I'm bringing to you today have been formed by my relatively unique experience working on Afghanistan, both inside and outside of the Canadian government.

I'm currently the executive director of Peace Dividend Trust. It's a not-for-profit foundation founded by a group of diplomats, entrepreneurs, and aid workers whose sole and unique focus is to work with the UN and other international agencies in New York, Afghanistan, Sudan, and other peacekeeping missions to make peace and humanitarian operations more effective, more efficient, and more equitable.

Prior to this, in 2002-04, I was the deputy director of the South Asia division at Foreign Affairs, where, you could say, I was present at the creation, so to speak, of the three-D approach to our work in Afghanistan. In that role my primary focus was on the coordination of the efforts of the Department of National Defence, Foreign Affairs, and CIDA in the establishment of our embassy in Kabul.

PDT has two projects in Afghanistan right now. Both are focused on the problem that only a very small portion of the money that the international community spends on Afghanistan is spent in Afghanistan. There is a massive lost opportunity to use the operational spending of the donors and international agencies to drive economic recovery through local procurement in the hiring of Afghan staff. This is supported by the emerging consensus in the development world that economic growth is the foundation of peace and stability.

Our procurement marketplace project, which was originally funded by CIDA and is now also funded by the U.K. and the United States, has a simple task. We match the procurement needs of the coalition forces, international agencies—including Canadian agencies—that are currently being filled outside of Afghanistan, largely in Dubai, to local Afghan businesses, and we train Afghan entrepreneurs to bid on international contracts.

This may sound mundane, but I assure you, by increasing local spending, it has a massive economic impact; it creates jobs. Boys who would be planting IEDs are working in factories and paying taxes to the struggling Afghan government.

Our second project is just wrapping up, and it's a groundbreaking economic impact research project that we're undertaking for the Afghan Ministry of Finance. It's being funded by the British government. Donors, including Canada, have pledged in the Afghanistan Compact to meet several commitments, including increasing the use of Afghan staff and Afghan business, but to date no one has ever attempted to actually measure how much money is entering the local economy.

We now have produced the first benchmark comparisons of the donors, which will be tabled next week at the donors' Afghanistan Development Forum by the Afghan Minister of Finance.

I'd like to make four quick points regarding the situation in Afghanistan and Canada's role.

First, Canada is making a difference. This is the right place for Canada to be, but we must be prepared, as Mr. Sedra has said, to commit to the long term, and there are still areas where we can improve.

First and foremost, Canada is making a difference, and success stories abound. Earlier this week the Minister of Development and IDRC hosted a meeting in Ottawa that gathered all the major Canadian NGOs operating in Afghanistan. To sit in that meeting, you would think we were talking about a different country from the country we read about in the papers every day. The message that these organizations that are operating in Kabul and Kandahar and elsewhere are bringing to the table is a uniform one, and that's that every day, Canada's investment is producing a tangible and direct and positive impact on the lives of Afghans. Whether it's microcredit, health care, justice, or private sector development, CIDA money and Canadian agencies are making an impressive difference in Afghanistan.

Our own project, the procurement marketplace that I mentioned earlier, is a remarkable success story too. We initially set a target of increasing local spending in Kabul by $5 million. I'm happy to report that after nine months we've been able to redirect $46 million into the local economy, for example, by helping the U.S. Army buy its water in Kabul as opposed to Dubai. This means thousands of new jobs for the people of Afghanistan. And if I could be a little cheeky, it would also place us as the sixth largest donor in Afghanistan in terms of direct economic impact—bigger than the Netherlands.

CIDA's overall impact in Afghanistan is another success story. I mentioned the report that we've produced for the Afghan Minister of Finance on the economic impact of donors. It will show that among the donor community, CIDA has one of the largest impacts on the local economy per dollar spent.

Unfortunately, these success stories are not being heard, and they're being overshadowed by political controversies.

This is the right place for Canada to be. Canada's relative influence in Kabul is unique, and I can say this as a former diplomat. This influence is multiplying the impact of our investment.

Unlike most other post-conflict missions, Canada is one of the lead players in Kabul. This is partly due to the size of our commitment, but it's also due to the effectiveness of the three-D approach and the leadership of such people as our former Canadian ambassador, Chris Alexander, who has now left the foreign service to work for the UN; General Hillier; and General Andrew Leslie.

● (1025)

If you believe that Canada has a unique value-added to bring to the world and to bring to development, this is the place where we are influential enough to deliver that value. We will not have a bigger impact elsewhere. But as Mr. Sedra said, we must be prepared to be there for the long term, to see this impact turn into lasting progress.

Nation-building is, by definition, a quagmire. Peace, order, and good government cannot be built in a single fiscal year, or even several. It is a painful process. It's going to suffer setbacks. It's going to cost money. It's going to take time. It's going to take generations. If we leave too early, there will be consequences and our investment will be lost.

The recent events in East Timor are proof of this. I was part of the UN mission in Timor that saw it through to independence in May 2002, and I'm afraid to say I was part of the crowd that rushed to the airport like a "fall of Saigon" the day after independence to leave Timor. Now the international community has been forced to return to Timor with more people and more money to replicate the work they had done in 1998 to 2002. General Leslie has warned that Canada will need to be in Afghanistan for 20 years. I believe the job we have set for ourselves will require the international community to be there in some form for much longer. Frankly, if it was going to be easy, we wouldn't be there now.

Canada can take steps to enhance its impact in Afghanistan. The three-D approach—development, diplomacy, and defence—must continue to move forward. Recent plans to co-locate civil servants and staff from CIDA, DND, and DFAIT in the same place in the next few months should be applauded. But it must also be noted that this was done by the British government in the early days of post-September 11. In fact, at the end of September 2001, the British government brought together the Foreign Office, the Ministry of Defence, DFID, all together in one room, and we're doing that now. Likewise, the appointment of David Mulroney at DFAIT and Stephen Wallace at CIDA as the lead coordinators in Afghanistan will make a big difference in rationalizing and improving Canada's impact. This too should have happened a long time ago.

It is important to note that CIDA, DFAIT, and DND are not large bureaucracies with large resources and large numbers of people to put towards Afghanistan, like, for example, USAID, the Pentagon, and the State Department. However, I'd like to emphasize that there is an advantage to being small. When you're small bureaucracies, you can coordinate faster and better, and you can be nimble and quickly able to react to a shifting and dynamic environment in Afghanistan. But—and this is the big "but"—if we don't coordinate, if we're not nimble and fast, then we're simply just small.

I would also like to encourage Canada to increase its use of Afghan goods and services in the delivery of its aid in supporting our military operations. Canada has a good record to date, in terms of its economic impact, but it can still increase local procurement and the channelling of assistance through Afghan agencies.

In conclusion, I would like to say that this is the right place and this is the right time for Canada to make a difference in the world. We are on the right track, and we must be prepared to see this through to the end. It will take a long time, but our efforts will be worth it.

Thank you.

The Chair: Thank you very much, Mr. Gilmore and Mr. Sedra, for your introductory comments.

We'll go to the first round.

Mr. Patry.

Mr. Bernard Patry: *Merci beaucoup.* Thank you very much. I'll share my time with Mr. Wrzesnewskyj.

First, Mr. Sedra, I must say that you were very straight, talking about Afghanistan, talking about corruption at all levels of government, including the police. But at the end you were a little bit positive, in the sense that you mentioned that it doesn't mean if there is that much corruption that the Taliban will win the war in a sense, because it's more located down south.

But my question is concerning Pakistan. You mentioned Pakistan. There is a lot of oppression in Pakistan. Even President Musharraf sent more than 80,000 troops over there. Seven of his soldiers died over there in the FATA, or in Waziristan itself. You know much more than me about that. They didn't succeed over there. They are out over there.

Knowing that Pakistan cannot control that area, and the Brits were unable to control that area many years ago, my question is, is it not time, if we want to have Pakistan changing its opinion, because in a sense Pakistan's friends are the Taliban—? Musharraf, as a military man coming there from a *coup d'état* has much more affinity with the Taliban than he has with the secular oppositions at any time. You don't feel it's time that the international community tries to get a real conference about the geopolitical area, including mainly India, Russia, China, the P5, and the European Union, things like this, because it doesn't seem that we're going to find any solution if we don't go that route?

Merci.

● (1030)

The Chair: Thank you, Mr. Patry.

Maybe we'll go to the answers first, very quickly.

We'll have Mr. Gilmore and then Mr. Sedra, if you want to make some comments.

Mr. Scott Gilmore: I agree. Pakistan is the elephant in the room, and it is an intractable issue. We, frankly, will not see long-term stability while we have a split policy, as the international community, regarding the way the Taliban insurgents are treated on one side of the Pashtun-speaking belt versus the Afghan side.

I believe that until we resolve that issue we are going to continue in the situation we are in right now. And it's not an easy issue to solve. The Afghan government, I believe, will need to be given more encouragement to split the Taliban. We lump all these various insurgents, from those who are just merely disgruntled to those who are religious fanatics, under one rubric—the Taliban—and that's simply not the case.

We need to be able to split them, to come to terms with some of them and isolate others. And I think that will be the solution, because we won't be able to get Pakistan to crack down the way we'd like.

The Chair: Thank you, Mr. Gilmore.

We'll go very quickly to Mr. Sedra.

Mr. Mark Sedra: Yes, I would agree with Mr. Gilmore and the comments in the question.

I think, certainly, that Pakistan has deployed troops to the FATA, the NWFP, and North and South Waziristan and has taken a number of casualties. But it's clear that they could be doing more. All reports are that the ISI, the Pakistani intelligence service, is providing clandestine support for the Taliban. Everyone knows that the Taliban leadership *shura* is based in Quetta in Baluchistan. Certainly, there is a lot more scope for Pakistan for action.

I would also reiterate what Mr. Gilmore said about splitting the Taliban. There is work that can be done in Afghanistan to try to bring under the umbrella the moderate Taliban. There's a need to reach out to the Taliban for perhaps some negotiation. President Karzai has alluded to this.

The fact is that there is a national reconciliation program under way in Afghanistan to try to bring in some moderate Taliban. It has brought in about 1,500 people. And I think more resources and attention should be brought to this process, although it's very controversial.

The Chair: All right.

We'll go to Mr. Wrzesnewskyj.

Mr. Borys Wrzesnewskyj (Etobicoke Centre, Lib.): Thank you, Mr. Chair.

Mr. Sedra, you said that Afghanistan will require intensive involvement for up to a decade. Do you have any cost projections on that?

Mr. Mark Sedra: No, I couldn't give you an adequate figure. However, I would refer you to the *Securing Afghanistan's Future* report, a report I was actually involved in, an Afghan government report released in 2004, which was basically a recosting study to determine the cost of the reconstruction process.

It determined that it would cost $27 billion over five years, from 2004. I imagine this figure is probably still somewhat accurate today, although that doesn't take into consideration costs associated with international troop deployments and any unforeseen circumstances that could arise.

Mr. Borys Wrzesnewskyj: One could assume that this is a minimal number. That was in 2004. The investments, to a large degree, have not been made.

Mr. Mark Sedra: Yes.

Mr. Borys Wrzesnewskyj: That was just for reconstruction. What about ongoing—? For instance, Mr. Gilmore said this is going to take generations. He put a much longer timeframe on this, but I think he was referencing a different type of Afghanistan that, hopefully, we'd have in a generation.

What about the actual security component? When you start adding up these numbers, what kinds of numbers are we talking about? Is it $27 billion just for reconstruction, and of a certain type, in major centres. Or is it just highways? What are we really talking about? Are we talking about $27 billion? Are we talking about $100 billion when you include the military and security components? Are we talking about half a trillion over the next 20 years?

Before you make commitments, and especially before you put some of your best in harm's way, you'd like to know what the costs, eventually, will be.

● (1035)

The Chair: We'll get a very quick answer from both.

Go ahead, Mr. Sedra.

Mr. Mark Sedra: I would say that the $27 billion figure I mentioned did not adequately consider the cost of security, and I agree with you there. That's why, for example, the recent U.S. contribution of $8.6 billion, just in the next couple of years, to rebuild and to sort of jump start the training of the Afghan security forces shows that the original figure was not adequate.

So I imagine that significantly more resources than that will have to be dedicated to the Afghan security sector alone. I feel reluctant to give an overall figure that we'll see. But it will certainly exceed that $27 billion significantly when you take into consideration security sector reform. When you consider the international troop deployments, we're talking about a significantly larger number.

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

We'll go to Mr. Khan and then Mr. Goldring.

[*Translation*]

Ms. Francine Lalonde: I don't mean to be bold, but what about me?

[*English*]

The Chair: Oh, no, no, I'm sorry; I've been away from this for a day.

We will go to Madame Lalonde.

I apologize.

[*Translation*]

Ms. Francine Lalonde: There's my colleague, too.

Thank you gentlemen. I should point out that I haven't learned anything new today. We have heard from many well-informed experts. My question is directed to Mr. Gilmore, but Mr. Sedra may also wish to respond.

What is happening in Afghanistan is part of a commitment made by NATO. It is one thing to consider all the problems from a NATO and United Nations standpoint, and another when you consider the military, reconstruction, and democracy-building efforts. There seems to be something out of kilter.

We're told that Canada must stay in Afghanistan. I have no problem with Canada continuing to help in reconstruction development efforts. And yet how long has it been since Canadians and Quebeckers started to have serious problems with Canada's involvement? The answer is, since Gen. Hillier himself called for Canada's participation in southern Kandahar which he knew was the most dangerous place of all. I read this in the *Globe and Mail*, so it must be true.

I suspect that he also had other intentions including ensuring Canada got military equipment with total disregard for the fact that this went against an undertaking made by the former government.

How can one conceive of a partnership within NATO without the possibility of other countries replacing Canada in southern Kandahar, the most dangerous region, in 2009?

[*English*]

The Chair: Thank you, Madame Lalonde.

Mr. Gilmore.

Mr. Scott Gilmore: I cannot speak to the motivations of either the previous government's cabinet or the current government's cabinet with regard to choosing Kandahar. I can say, though, as an observer, that it's clear there were many other reasons to go into Kandahar that were equally valid. It was where we were needed. And that's my response to the second point.

To use the analogy of Canada being a fireman who's going into Afghanistan to put out a house that's on fire—the Afghan house—yes, we may be upset that there aren't enough firemen there behind us or willing to come in, or that other fire halls haven't contributed as many trucks, but it would be a moral mistake for us to, in a fit of pique, wrap up our hose while the house was still burning just because the other fire halls hadn't contributed as much as we would have liked in putting out the fire.

● (1040)

The Chair: Thank you, Mr. Gilmore.

Mr. Sedra.

Mr. Mark Sedra: I would say this relates to one of the things I was discussing, and that's political will. Certainly there is a need for other NATO member states to make the necessary contributions to this mission, to relieve Canada perhaps in the south, to contribute to the southern mission. Although I don't think Canada should be considering withdrawing its troops from Afghanistan entirely, or from the south entirely, it is clear that other NATO member states will have to start pulling their weight.

This is a political issue that NATO has been grappling with for the entire mission. In my opinion, it's going to be a test case for the viability and the future of NATO as a whole.

[*Translation*]

Ms. Francine Lalonde: Thank you.

[*English*]

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

Madame Lalonde, you still have a couple of minutes.

[*Translation*]

Ms. Francine Lalonde: Thank you. Now, as far as Pakistan is concerned we both agreed [*Editor's note: technical difficulties*] which will decide whether the violence is quelled or not. You're both counting on the fact that the Taliban will not have as great an impact, even if it doesn't occur at the same pace.

By the same token, other experts have told us that we need to factor in what is going to happen in Iraq. If the Americans withdraw from Iraq Mujahedeen might leave the country, which is actually already the case, to go to Afghanistan, or which will once again become a hot spot. Given the geostrategic and geopolitical issues at stake, we are not convinced there will be a reduction in violence.

I'd like to hear what you have to say about that.

[*English*]

The Chair: Thank you, Madam Lalonde.

Mr. Gilmore.

Mr. Scott Gilmore: No, we're not sure, but we have to continue to operate at least with a certain measure of hope.

In reference to Pakistan and the Taliban, there are steps that we can take to improve matters. On the fear that the situation in Iraq could spill over to Afghanistan, I'm frankly not prepared to comment on that.

The Chair: Thank you, Mr. Gilmore.

Mr. Sedra, please.

Mr. Mark Sedra: In terms of Pakistan, there is a lot of scope for more pressure to be placed on Pakistan. Of course, the actor that has the most scope in that regard is the United States. The United States is in the process of selling sophisticated fighter jets to the Pakistanis, and Pakistan is one of the biggest recipients of U.S. aid. Canada is also providing aid to Pakistan. There is a need for western countries whose troops are fighting and dying in the south of the country to use more diplomatic capital in relation to Islamabad.

I would also say that from recent sources I have spoken to, cross-border insurgent attacks on the Pakistani border have actually decreased somewhat in the last couple of months, so maybe that's an indication that Pakistan is starting to respond and to take a more serious line there.

In terms of what many people are calling the "Iraqization" of the Afghan insurgency, it is certainly occurring. When we see the sophisticated IED attacks, such as the attack a couple of weeks back that tragically killed so many Canadians in Kandahar, strategic experts are saying these are tactics that are being imported from Iraq. We are seeing this jihadi pipeline from Afghanistan to Iraq and a sort of cross-fertilization of terrorist tactics. It's a very disturbing phenomenon that certainly we'll have to keep an eye on.

The Chair: Thank you, Mr. Sedra.

We will go to Mr. Khan.

Mr. Wajid Khan: Thank you, Mr. Chair.

Mr. Sedra, Mr. Gilmore, thanks for being here.

I have heard several of you say that we need to bring more pressure, that we need to do this to Musharraf, to point a finger at him and ask him to do more. But I tend to agree with my colleague, Mr. Patry. What none of you have said so far is what actually can be done. Shall we be making investments in the farther territories and not just in Afghanistan? I agree that the solution to Afghanistan rests largely in Pakistan, but by just saying "do more", you're not going to achieve anything.

There is a proposal on the table with the Government of Pakistan. I believe even the G-8 might have it and the United States is also looking at it. Perhaps it amounts to $750 million, I am told.

Do you think we need to make investments along the border areas, particularly in the FATA, in North and South Waziristan? Perhaps we're trying to settle the Afghans, we're trying to curb the insurgency. Do you think this would help?

● (1045)

The Chair: Mr. Gilmore.

Mr. Scott Gilmore: I believe there is a fortunate, or unfortunate, tendency in Canada to overestimate our influence in certain capitals around the world. I mentioned earlier that Afghanstan is the right place for us to be, and that's because in Kabul we actually do carry a big stick. We don't in Islamabad, and our allies that do have already been extraordinarily frank and aggressive behind closed doors with President Musharraf, and we have the results to show for that.

I believe we can't count on being able to change the modus operandi that has worked so well in the northwest frontier province —and in Baluchistan, for Pakistan—and we have to focus on the Afghan side of the border, where we do have influence. There again, I'd like to echo Mr. Sedra's words that we should look at splitting the Taliban, at coming to terms with those who are more moderate, and at approaching the problem from that direction.

On investment, economic growth is the foundation of peace and stability, and investment on both sides of that border would help, where it is possible.

The Chair: Thank you, Mr. Gilmore.

Mr. Sedra.

Mr. Mark Sedra: Thank you for mentioning the U.S. proposal or plan to send $750 million in development assistance. This is precisely what is needed—that some development assistance be provided. This is certainly an area to which Canada could contribute. The recent plans were also introduced by the Afghan government to hold peace *jirgas*, to bring together people on both sides of the border to perhaps initiate some level of dialogue that's needed. The U.S. has also introduced a plan to provide preferential trade status for goods that are produced in the FATA.

Development, of course, is a key element of this process. It's not just using a hammer. It is necessary also to bring development assistance. There has to be more discussion about how to build linkages across that border, not to fence that border, as the Pakistanis are talking about, not to divide tribes and villages but to build connections across the border.

Thank you.

The Chair: Thank you, Mr. Sedra. Good point.

Mr. Goldring.

Mr. Peter Goldring: Thank you very much.

Mr. Sedra, you had mentioned at the end of your talk the fact that if Canada were to withdraw or if countries were to withdraw, it would return immediately—and I'm assuming it would return to a chaotic nightmare once again. This seems to be the one consistent and the one thing that we are all relatively assured of. We're talking about the progress that has being made, and we're hearing from many, and it has been very, very encouraging in the progress that we've been making with the number of some five million students in schools, medical facilities, and many other institutions, and having in mind, too, that that's being scheduled over a period up to the year 2010, to have substantial completion on the judicial reform, good governance, and other things. And that's not a guarantee that it will all be done by 2010, but at least it will be a substantial completion towards that.

Given that we're well under way on that, what would your comments be on the overall progress that is being made on it? Do you have any suggestion on things that could be done in addition to what we're doing already? A considerable effort is being done already.

The Chair: Mr. Sedra.

Mr. Mark Sedra: Thank you for your comment.

First of all, I'll speak on the area that my research focuses on most, which is on building up the security sector.

As I said in my presentation, I think there's a need for a substantial increase in investment in judicial infrastructure, everything from building courthouses at the district levels across the country to, at the provincial level, training judges. We're severely behind in this regard. There is a great deal of need to fill this judicial vacuum.

One of the big issues is the correction system. I know this is a big issue in Canada with the recent case of detainees being passed over to the national security directorate in Kandahar. The fact is that very little money has been dedicated to rebuilding the correction system. The coalition and the International Committee of the Red Cross did a survey recently, and they found that the vast majority of the prisons in the country are simply uninhabitable, by international standards. This is another part of this judicial apparatus that just is not receiving enough attention.

Obviously there's a need for more investment in the police, but even if we put a lot of investment there, if we don't fix this judicial part, it's not going to do the job. So I think that is absolutely essential, the whole rule of law component: justice, corrections, and police.

I think there is a need to focus again on this issue of corruption, because corruption is linked to the issue of governance—building up governance at the subnational level, going down to the district level and trying to encourage good governance, mainstreaming the issue of anti-corruption within the government, and putting a little bit more pressure on President Karzai to deal with some of the figures in the cabinet and some of the figures in his administration who are known to be corrupt, of whom there is ample evidence, at least that I've seen, of their corruption but little action is taken.

Those are some of the areas that I would advocate focusing on.

● (1050)

The Chair: Thank you, Mr. Sedra.

Mr. Gilmore.

Mr. Scott Gilmore: Mr. Goldring, this might be one of the rare points where I disagree with Mr. Sedra. I think these issues are critical and important, but in the timeframe that we have in front of us here, jobs and economic recovery are the first step.

One of the things we have gotten wrong in other post-conflict situations is that we've rushed in with human rights projects, with gender projects, with justice projects, and we haven't tackled the root of the instability, which is simply that if you're not being fed on a regular basis, if you don't have a regular job, then you turn to extremism.

In Afghanistan right now, the economy is a mess, and it doesn't have to be. I would encourage the Canadian government and the rest of the international community to get back to basics, which frankly aren't as sexy in the development community, but creating jobs in the next five to ten years will allow you to move on more successfully to the issues of justice reform.

That said, there is an absolute need in the short term to create a secure environment where we can create jobs, but that doesn't necessarily mean that we then move on to the second and third order of priorities.

The Chair: Thank you, Mr. Gilmore.

We'll go to Madam McDonough.

Ms. Alexa McDonough: Thank you very much, Mr. Chairman, and thank you, gentlemen, for being with us today. I just want to say at the very outset that my party and I are very much in agreement with the point you've driven home, as have many others, that there is absolutely a key role for Canada in Afghanistan today and far into the future, one that could well last twenty years or beyond.

The major concern that I think is shared by a great many Canadians, and certainly very much expressed by my party, is the mess that we've gotten ourselves into in Kandahar, which I think jeopardizes our effectiveness and our role in the many other aspects of the work desperately needing to be done.

I want to start first with you, Mr. Sedra. You stress that really the whole business of nation building—and I know your expertise is in security sector reform—is all about entrenching the rule of law and human rights and about achieving justice. Yet our situation in Kandahar is one of having tightly associated ourselves in the first instance with Operation Enduring Freedom, which is the antithesis of justice, human rights, and rule of law.

In fact, it is basically a mission of revenge and retaliation that we simply signed on to and in which we have become indistinguishable. We can talk all we want about being Canadians, having different priorities, having different values, having different ways of going about things. Now we've morphed into part of an international force and so on, but the reality is that it's very difficult to extricate ourselves from the very concerns that are driving more and more people into the arms of the Taliban.

Secondly, I think we also are very concerned that we've become so tightly associated with the corruption that is so massive, right up to senior officials in the Karzai government, that we end up again, for different reasons, being seen as associated with a great source of fear and insecurity in the lives of large numbers of people in Afghanistan, especially in Kandahar.

I guess I have two questions for both of you, having expressed those concerns about how we are seen in a way that jeopardizes the other important roles we need to play. I want to talk about our diplomatic effort, because you both really talked about the importance of the three-D approach and closer coordination of those and so on. Have we not made it extremely difficult for ourselves to be seen as a credible partner in robust diplomacy because of our association on the one hand with Operation Enduring Freedom and on the other hand with a corrupt Karzai administration, so that people don't see us as an honest broker, don't see us as having a balanced approach?

And secondly, I'd like to know what you both might have to say about the virtual absence of any meaningful comprehensive diplomacy that brings in the many different parties to these immensely complex conflicts. Is it not a problem that we have such a major exclusion of so many of the parties, both in the tribal sense—the Pashtun being a key one—and in the regional sense, so that there's nothing with which we can really be credibly associated as honest brokers in the diplomatic process, and there's not much going on that you can describe as comprehensive diplomacy?

I'm sorry. I know that's a big question, but I'd be very interested in your using up the time to address those two questions.

● (1055)

The Chair: Thank you, Madam McDonough.

We have only enough time for a “yes, no, or maybe” answer. That's just a little joke.

Go ahead, Mr. Gilmore, very quickly.

Mr. Scott Gilmore: I would not agree with your description of our current mission in Kandahar as one of revenge and retaliation. I disagree that—

Ms. Alexa McDonough: I didn't say that. I said we became associated so early on with that that it's hard to extricate ourselves.

Mr. Scott Gilmore: I would not agree with your belief that we are seen as being associated with corruption. The Afghans are a very sophisticated political people, much more so than your average Canadian is. They understand the multiple roles that the donors play, and I think we're seen as an honest broker still. I think that any diplomatic influence we have is due to the significant commitment in the military that we have brought to the table. If we didn't have it there, nobody would be picking up the phone when we call.

The Chair: Thank you, Mr. Gilmore.

Mr. Sedra.

Mr. Mark Sedra: Yes, I would agree with Mr. Gilmore. I don't think, in our military mission now, or at least at this moment, we are seen as wholly associated with the Operation Enduring Freedom mission. There is at least a sense in Kabul and beyond that we are now part of this UN-mandated NATO mission.

I think there is a need, unfortunately, at this time for more robust combat operations. That doesn't mean I support the use of air power the way it's been used. Obviously there have been many mistakes made with the euphemism "collateral damage", mistakes that have done a lot of harm to the reconstruction process and to the image of the international community in Afghanistan, including Canada. So I think there has to be more sensitivity to the types of operations being conducted.

But I think Canada is not necessarily associated with that now. And I agree with Mr. Gilmore's comments about corruption.

In terms of bringing together a broader group of actors, I think that's one of the issues, and I've touched on the need to bring some of the moderate Taliban around the table. One of the problems with Bonn is that it wasn't a classical peace agreement, because it didn't bring all the actors to the table. It was a victor's peace, bringing together the Northern Alliance and some other warlords in the country and some other political factions. So I think there's a need to start to talk to a wider range of people now. But the Afghan government, not us, not the Americans, has to lead that process. We can only support it.

Ms. Alexa McDonough: Thank you.

The Chair: Thank you very much, Mr. Sedra, and thank you, Mr. Gilmore, for your time with us. Our time is up.

We appreciate the input you have made into this comprehensive study this committee is undertaking.

We will now suspend for a few moments and then we will come back to committee business.

We'll cut our relay with you, Mr. Sedra. It's been a pleasure having you here today.

Mr. Mark Sedra: Thank you very much.

The Chair: We'll have a two-minute break, committee, and then we will go to committee business.

● _____ (Pause) _____

●

● (1105)

The Chair: Order, please.

This is committee business from meeting number 51 of the Standing Committee on Foreign Affairs and International Development on Thursday, April 26.

We want to take a look at the steering committee report. Does anyone have any problems with any item on this report? We have now been given a copy of the China report from our subcommittee. Maybe don't quote me on this, but as much as they would like to move this as quickly as possible, we need time to look at this report. I have difficulty signing onto it without giving you the opportunity to see this very good report. We would study this on May 10.

You also note that there is a parliamentary restaurant...for the delegation from the Czech Republic. We wanted to give our clerks the opportunity and time to get that set up.

The committee will meet on May 1, next Tuesday, to begin the report on democratic development. That means you're going to be working on the weekend. It's part 1.

Ms. Francine Lalonde: We always do.

The Chair: Yes, I know we always do.

The fourth item is regarding an issue that came up last week with the Mexican delegation that was here with regard to foreign affairs and the motion that was brought forward. All of a sudden television cameras appeared—only there for committee business—so we have asked for a little better definition of reasonable notice that the media have to give us for things such as that.

Do we have a consensus on adopting the steering committee report?

Some hon. members: Agreed.

The Chair: We were given notice of motion yesterday by Madame Lalonde, and this motion is in order.

Madame Lalonde, would you please speak to your motion?

[*Translation*]

Ms. Francine Lalonde: In consideration of the circumstances and this committee's duty, I hereby move this motion. The minister announced yesterday there was an agreement. That does not prevent us from passing this motion, on the contrary.

All you have to is take a look at this agreement to understand that it just confirms all our fears.

Given this, and several other factors which I could add and which you are aware of, I think it is crucial that we adopt this motion.

I know that Mr. "Orange", I'll go by that name—

● (1110)

The Chair: Mr. Borys—

Ms. Francine Lalonde: I know Borys, but I know him better since the *Globe and Mail*, he can tell you what he wants added.

Thank you.

[*English*]

The Chair: All right, he can, as soon as we go through our order here. We have Mr. Goldring, Mr. Patry, and Mr. Wrzesnewskyj.

Mr. Bernard Patry: Borys will bring a friendly amendment.

Mr. Borys Wrzesnewskyj: It's a friendly amendment, and it reads —

The Chair: Just one moment, please. Does this continue at the end of the motion?

Mr. Borys Wrzesnewskyj: Yes, it's at the end. It says “report”, period. Then it would continue:

> We also request that the Department of National Defence provide a fulsome monthly table of the number of prisoners captured during our Kandahar mission to date; how many have been passed on to Afghan authorities; and any records, if available, of their present status.

[*Translation*]

Ms. Francine Lalonde: May I correct something?

Mr. Borys Wrzesnewskyj: Yes, sure.

Ms. Francine Lalonde: It shouldn't say "Kandahar", it should say "since the start of our presence", because prisoners were being transferred before that. You'll recall that Mr. Eggleton previously had problems with this.

Mr. Borys Wrzesnewskyj: I see. Thank you.

Ms. Francine Lalonde: [*Editor's note: technical problems*] We're entitled to ask for this. If they can't give it to us, that would be unusual. We're asking for it.

[*English*]

The Chair: It might be important, but my question is whether it substantively changes the motion. You're asking now for a continuation of the defence. That is very different from the first part of the motion.

I'm going to go to Mr. Goldring.

Mr. Peter Goldring: I have two concerns with the original motion. One is that this report has involved a number of people in the mission in Kabul, and given that the mission is already stretched with regard to human resources, bringing them all here will put an unreasonable burden on the mission, I believe.

The second issue I have is the calling for the uncensoring or the removal of the censoring on the report. I want to question that. I wouldn't be comfortable with that for a number of reasons. We have a Charter of Rights, and the people deserve a reasonable amount of protection of their own. What are the liabilities for me to be part of a discussion or part of a report that has other consequences? So I have a concern on that. Do we need to know that information?

My overall concern is, what type of liability does that leave me open to, because under committee circumstances, how can we guarantee the confidentiality of that?

Those are my two concerns on it.

The Chair: We're still discussing whether or not this is, with the amendment, an acceptable motion, because it substantively changes this motion, in my opinion. I'm of the opinion that this motion is in order, but the amendment is not in order. The amendment would be in order if we were to present it and give notification that we would like to come with that motion. Give us the 24 hours and we could deal with it Tuesday. You can speak to it, but I'll make the decision.

Mr. Wrzesnewskyj.

Mr. Borys Wrzesnewskyj: Thank you, Chair.

What the amendment speaks to is just a portion of the original motion, and the intention is to provide clarity. So if you take a look at the second line of the motion, it says “urgently address”, and this is the part it speaks to, “the issue of the fate of Afghani prisoners captured by Canadian soldiers”. What this motion speaks to is providing the number, so are we dealing with 50, 100?

● (1115)

The Chair: No, it doesn't really deal with the number; it deals with the fate of those soldiers.

Mr. Borys Wrzesnewskyj: No, that's the motion. The motion deals with the fate. I'm just asking for the number, a table that would give us—

The Chair: No, you're asking for information as to the number of prisoners from this point on and the number that are there now and from this point on that are taken prisoner, taken captive—

Mr. Borys Wrzesnewskyj: No, no, maybe you misunderstood the amendment, Chair, with all due respect.

The Chair: Okay. Can you read the amendment again?

Mr. Borys Wrzesnewskyj: Yes.

> We also request that the Department of National Defence provide a fulsome monthly table of the number of prisoners captured during our Kandahar mission since its beginning—

[*Translation*]

Ms. Francine Lalonde: Take out the word "Kandahar". The soldiers are in Afghanistan.

[*English*]

Mr. Borys Wrzesnewskyj: —with the additional textual correction,

> to date; how many have been passed on to the Afghani authorities; and any records available of their present status.

You see, the motion itself speaks of the fate of Afghani prisoners captured. Are we dealing with two or three, or are we dealing with five? That's what this amendment does. It helps us to quantify the issue that the motion speaks to. How big is this issue? The only way to address that is to have the information available at that time to know what the scope of it is, so that's what the intention is.

The Chair: I know what you're saying and I understand why you're saying it, but when we come to a meeting like this where we're going to discuss a motion, and all of a sudden yesterday afternoon we say we can accept that motion, it's in order, but when it comes and it substantively changes, and then I have to rule whether or not the motion is still in order.... If this motion were resubmitted—Here's the deal. We could have done this on Tuesday anyway, and if the motion were resubmitted and we did it, and we'll make extra....

Do we have draft reports Tuesday?

The Clerk of the Committee (Mrs. Angela Crandall): Yes.

The Chair: So we would have lots of opportunity to discuss this on Tuesday. This motion would be in order, but I haven't heard any arguments yet that would say that now asking the defence department to do what you're asking doesn't change the motion substantively.

Madame Lalonde.

Ms. Alexa McDonough: We're having an identity crisis here today.

The Chair: Madame Lalonde was next, according to the list here, and then Madam McDonough.

[*Translation*]

Ms. Francine Lalonde: The notice of motion states: "That the Committee [...] address [...] the issue of the fate of Afghani prisoners captured by Canadian soldiers [...]"

This means by Canadian soldiers since they've been in Afghanistan. That's what it means. The purpose of Mr. "Orange's" motion is to specify the number. We can ask for the number on Tuesday, and the witnesses should expect us to ask this question. I think the amendment is in order, but you're chairing the committee, Mr. Chairman. In any event we'll have an opportunity to come back to this because the motion states: "That the Committee [...] address [...] the issue of the fate of Afghani prisoners [...]"

[*English*]

The Chair: We're going to go to Madam McDonough, but what this says is “urgently address the fate of Afghani prisoners captured by Canadian soldiers”. We can do that in one paragraph. “The fate of the Afghani soldiers is—”

It's not asking for an individual report of every solider. But now you're taking it another step. You're saying we now want another department to tell us the fate of the number, and we want to know—

Madam McDonough.

Ms. Alexa McDonough: With all due respect, Mr. Chairman, I simply don't agree with your interpretation. What we have here is a motion, the substance of which is that we urgently address the issue of the fate of Afghani prisoners captured by Canadian soldiers and turned over to the Afghani authorities. It then goes on to suggest several particular ways in which we do that

One is to invite officials for the report to be made available and to appear. Second, a full and uncensored version of that specific report be made available. Third, request some further information; in other words, to go deeper into the substance. It doesn't say some different matter or some different subject. Fourth, I want to make another brief friendly amendment. The point is for us to comprehensively approach this very serious issue, the substance of which is only about three lines here, and then the other parts of the motion talk about the particular aspects of this issue that need to be addressed and the manner in which they might be addressed.

I've already indicated that I want to introduce a friendly amendment, which has, I believe, been acknowledged by the movers of the previous parts of the motion. So number four is that the government table the three agreements into which Canada has entered with the Afghani government regarding treatment and handling of detainees. That's really to get a comprehensive view of what we're looking at.

The reason for not specifying which department, frankly, is when we saw the Keystone Kops routine that went on before this committee yesterday. We had the Minister of National Defence, the Chief of the Defence Staff, and the Minister of Foreign Affairs all basically saying, “It's not mine, it's his”, or “No, it's someone else's.”

What are the agreements, and in particular the one that was referred to yesterday? Now there's all kinds of confusion being created about it. I think we have a responsibility in this committee, in considering the fate of prisoners, to look at the agreement into which the government has entered with the Afghani government.

● (1120)

The Chair: I'm going to ask Mr. Khan and Mr. Casey—

I'm going to ask the opposition if there's some way that they would either adopt this motion and bring a second motion on the second part, or they would wait until Tuesday and redraft the motion today that covers everything and then submit it.

I do have a problem with a substantive change. You know, when I get the motion like this, yesterday afternoon, I look at this and ask our clerk if the motion is in order and did it come in on time. The answer is yes. When we have one friendly amendment, then another friendly amendment, and then extending quite substantively what the motion is going to call for.... All I'm asking for is an extension until Tuesday, and then whatever motion you want to bring forward...as long as it's in order.

Mr. Khan, Mr. Casey, and Ms. Lalonde.

Mr. Wajid Khan: You've essentially covered most of it, Mr. Chair, but I also want to point out that this motion, which is in order, refers to an existing report from Foreign Affairs. The amendment goes into DND.

If, as you suggested, they want to pull it together, we could look at it on Tuesday.

The Chair: Mr. Casey.

Mr. Bill Casey: I have basically the same thing. The amendment is not in order. It does not conform with the original motion.

This should be a separate motion—different departments, different people.

[*Translation*]

The Chair: Ms. Lalonde.

Ms. Francine Lalonde: To begin, I want Ms. McDonough to know that we have two of the three agreements. The agreement the minister referred to yesterday may not be available in writing, based on the information provided, but I quoted the other two because I had no trouble obtaining them. Instead of having three, we could say "the agreement on the amendment".

It's up to you, Mr. Chairman. We agree on the substance of the motion, but I'd prefer it if mine was adopted today, so that you can take any necessary steps, and so that we can get the report and hear from witnesses as soon as possible.

[*English*]

The Chair: Mr. Patry, please.

Mr. Bernard Patry: I have talked with *Monsieur*—not *Monsieur* Orange, or Borys, but Monsieur Wrzesnewskyj, and we've considered: we are going to withdraw our amendment and call the question on the main motion.

The Chair: Madam McDonough.

Ms. Alexa McDonough: I'm in agreement with that. We want to advance the first two parts. We'll go after the further issues on another occasion.

(Amendment withdrawn)

The Chair: The motion is still before the committee. The motion is in order.

Madame Lalonde has already spoken to the motion. Does anyone else want to speak to this motion?

Are we ready for the question?

Madame Lalonde.

[*Translation*]

Ms. Francine Lalonde: Is this a recorded vote?

● (1125)

[*English*]

The Chair: *Oui*, a recorded vote on the—

Some hon. members: No.

[*Translation*]

Ms. Francine Lalonde: That's fine, don't worry about it.

[*English*]

The Chair: Okay.

(Motion agreed to [See *Minutes of Proceedings*])

The Chair: Mr. Eyking.

Hon. Mark Eyking: Before you close the meeting, Mr. Chair, I have a point of order on procedure.

Because of your interfering yesterday with my exchange with the Minister of National Defence, I would like to state for the record my displeasure, and advise you that in future, if you want to voice your opinion on a witness, I would suggest you maybe remove yourself from the chair. That way you can voice your opinion. I found my exchange with the minister yesterday was taken out of context.

That's just some advice to you, Mr. Chair.

The Chair: I'll take that advice.

The other point on that is that when you look at the blues and when you look at what you were trying to say, it was contrary to exactly the quote you were quoting. My job is to keep an orderly meeting. Maybe in other ways we had a minor breakdown on this, but when someone is taking a quote and misrepresenting it, the chairman's job is to try to keep a little bit of order.

Hon. Mark Eyking: You interfered with my time allocated, and I didn't think it was in order.

The Chair: Okay. I'll take that under advisement.

Thank you very much.

We're adjourned.

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