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# Standing Committee on International Trade

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Chair: The Honourable Judy A. Sgro





## Standing Committee on International Trade

Monday, April 4, 2022

• (1540)

[English]

**The Chair (Hon. Judy A. Sgro (Humber River—Black Creek, Lib.)):** I'm calling the meeting to order.

This is meeting number 12 of the House of Commons Standing Committee on International Trade. Today's meeting is taking place in a hybrid format pursuant to the House order of November 25, 2021. Per the directive of the Board of Internal Economy on March 10, 2022, all those attending the meeting in person must wear a mask, except for members who are at their place during proceedings.

I need to make a few comments for the benefit of the witnesses and members.

Please wait until I recognize you by name before speaking. For those participating by video conference, click on the microphone icon to activate your mike, and please mute yourself when you are not speaking. For those participating via Zoom, you have interpretation options at the bottom of your screen of either floor, English or French. All comments should be addressed through the chair.

Pursuant to Standing Order 108(2) and the motions adopted by the committee on Monday, January 31, 2022, and March 21, 2022, the committee is resuming its study of the modernization of the Canada-Ukraine Free Trade Agreement.

We have with us, as an individual, Andriy Shevchenko; from the Alberta Labour History Institute, Winston Gereluk, treasurer; from the Canadian Chamber of Commerce, Mark Agnew, senior vice-president, policy and government relations; from the Canadian Institute of Ukrainian Studies, Jars Balan, director, Kule Ukrainian Canadian Studies Centre; from STAS, Louis Bouchard, president, who I believe has not quite tuned in yet virtually but will be joining us shortly; and, from the Western Canadian Wheat Growers Association, Clayton Kotylak, director.

Welcome, all of you. We will start with five minutes of opening remarks and then proceed with rounds of questions from the members.

Mr. Shevchenko, I invite you to make an opening statement of up to five minutes, please.

**Mr. Andriy Shevchenko (As an Individual):** Madam Chair, on a personal note to begin with, as a former member of the Ukrainian parliament and diplomat, I apologize for breaking the dress code of this meeting. I have not worn a tie in the last 40 days, and I don't

think many Ukrainians have done that, because of the Russian invasion and because of the war.

I'm a reservist officer right now, currently coordinating the Ukraine Crisis Media Center, and I want to reassure you that I'm deeply honoured by this invitation and feel that it is a very important meeting.

I am in a very unusual position, because on this, the 40th day of the Russian invasion, and just days after we learned about the Bucha massacre and other Russian atrocities, my heart screams to talk about the war, the genocide inflicted on Ukraine by Russia, the courage of Ukrainians and the genuine support of Canada.

It is also clear to me that if we want to overcome this, and we will, we must think about the future. We must think about how we can modernize the world in the future. We believe that the freedom and justice we are fighting for will be accompanied by prosperity and growth, and we want to be there with Canada. My message, Madam Chair, to you and to the committee is very simple. It is long overdue to modernize the Canada-Ukraine Free Trade Agreement.

We have built a very impressive base for the rapid growth of trade between our countries. The Russian invasion interrupted this, but I am absolutely sure that we will continue growth, and that, wherever possible, we should use every opportunity right now to remove trade barriers. We need that to benefit our businesses. New opportunities under this agreement were found in places where no one would expect them.

As of 2020, Ukraine bypassed Japan to become the third-biggest buyer of Canadian fish and seafood. At the same time, 25% of the apple juice supplies in Canada were coming from Ukraine. We have other reasons to expect our trade to be boosted even further once we modernize the agreement and extend it into services and investments.

I can give you just one field of co-operation in which we expect major growth, and that is the ICT sector. Ukraine is well known for its human talent in IT, and even today, as we speak, major Canadian companies rely on Ukrainian IT specialists. We need to modernize CUFTA to make sure we meet all the global challenges. We need to go ahead with this to respond to the food security challenge caused by the Russian invasion.

Let's think about the future. We will win the war. We will start a major recovery program. Whether we talk about enormous infrastructure procurement in Ukraine going ahead, whether we talk about new investment opportunities that the Ukrainian government is going to introduce, or whether we talk about the enormous hunger for all sorts of supplies, we want to see Canadian companies benefit from those opportunities. It will be good for Ukraine and it will be good for Canada.

Let's look at the big picture. We are building a space that will be comfortable for our companies and for our extraordinary human talent. We should see this agreement as working alongside the excellent technical assistance programs, with amazing defence co-operation, great connection among academics, and people-to-people ties. Once we modernize the agreement, it should be accompanied by a visa-free regime, a mobility agreement and a customs agreement. We are very close to building an exemplary foundation for mutual economic growth and co-operation.

I'll stop there, Madam Chair.

• (1545)

**The Chair:** Thank you very much, Mr. Shevchenko, for spending a few minutes with us here at this committee meeting, and for those valuable comments. I think you know that all of Canada is praying every day for an end to this terrible war, and to stop the bloodshed.

It's very interesting to talk about the future, the free trade agreement, and how we can make it better for a better future. Thank you again for being with us.

Next, we have Mr. Gereluk for five minutes.

**Mr. Winston Gereluk (Treasurer, Alberta Labour History Institute):** Thank you, Madam Chair.

I'm honoured to make a few comments to this panel on the Canada-Ukraine Free Trade Agreement.

I am the son of immigrant homesteaders who came to Alberta before the First World War. They came as children. The events in Ukraine have really occupied a lot of my attention for these years.

I retired after spending most of my working life in investor relations, at both the practical level, working for trade unions, and the academic level. I worked a lot at the international level on projects involving labour law and sustainable development. I am telling you this because I want to focus on the sometimes unpopular topic of labour standards.

Labour provisions in the new free trade agreement must ensure that workers in Ukraine are well protected against some of the negative effects of liberalization that have been taking place since independence, and in particular since its leaders turned its trade policy toward the west.

I'm aware of some of the challenges facing workers in trade unions in Ukraine because I continue to receive accounts about reforms that its government has been pursuing. I'm naturally loathe to criticize a nation and a government that is defending itself against an attack, so much so that for a while I thought I would withdraw my intervention. I am going to proceed on the presumption that

Ukraine will survive and that it will emerge as an independent nation. Otherwise, if it does not—God forbid—I guess all would be lost and academic.

First, I would suggest to this panel that you follow up on reports made by Ukrainian trade unionists, their central bodies, Ukrainian NGOs, the International Labour Organization and other international organizations, such as the European Trade Union Confederation, about the way workers in Ukraine are being impacted by changes in labour law, as well as about administrative action—or inaction—on the part of the Government of Ukraine.

George Sandul, a lawyer with the Ukrainian workers' rights NGO, Labour Initiatives, is definitely one who should be consulted. There are others. They will tell you that changes introduced by the Ukrainian government in the last two decades in many cases worked directly against the rights of workers and their trade unions. Chapter 13 in the 2017 agreement has done little to change this.

Many of the negative developments in Ukraine occurred after it joined the WTO in 2008, when it apparently stepped up the liberalization of the economy and proceeded with privatization of state-owned enterprises. Along with this was the growth of the gig economy, in which large companies are apparently taking advantage of tax breaks and a mismatch between the very high skill levels of Ukrainian workers and the low-paying jobs that are offered. This is also a highly vulnerable workforce, because such a large percentage is undeclared or informal and lacking any protection under labour law. A new law that was introduced just before COVID could actually make matters worse, according to my sources.

Canada should not be part of any agreement that contributes to a neo-liberal economic strategy that sacrifices labour standards. I know none of us want that. Trade policy does not just affect the economy; it impacts quality of life. Unfortunately, the Washington consensus is still alive and well. Most policy is still premised on a supposed disconnect between trade and the protection of labour rights.

Second, I suggest that you make it a prime objective of any future labour agreement to strengthen worker rights in Ukraine to levels prescribed by international labour law. This will happen only if strong enforcement procedures are in place. For this, I recommend the labour provisions that were negotiated into the United States-Mexico-Canada agreement that replaced NAFTA in 2020. It was given very high marks by the Canadian Labour Congress for several reasons, but primarily because it was brought into the main body of the text and made the provisions enforceable through a detailed, state-to-state dispute settlement process in chapter 31. It would be a step forward and could be a model.

• (1550)

**The Chair:** Give your closing comments, please.

**Mr. Winston Gereluk:** I suggest that any future free trade agreements in Ukraine be based on a positive approach to workers, in which they're viewed as partners and not adversaries in any plan to rebuild the economy.

I had a few comments to make about that, based upon Canada's experience with the Wagner act in the United States after the New Deal, but I won't make them because I don't have time.

In closing, I would like to say that the world has seen too many attempts by governments to promote prosperity by joining a world-wide race to the bottom. I don't believe that's the plan in Ukraine. I would like to see Canada take a strong stand against this trend when it goes to the negotiating table for a new agreement.

Thank you very much.

**The Chair:** Thank you very much, Mr. Gereluk.

Next is Mr. Agnew, please, for five minutes.

**Mr. Mark Agnew (Senior Vice-President, Policy and Government Relations, Canadian Chamber of Commerce):** Chair and honourable members, it's a pleasure to be back at committee. Thank you for having me.

I want to share at the outset the Canadian Chamber's profound shock at the human tragedy currently unfolding in Ukraine, which is certainly nothing short of a strike against the international norms that underpin our democratic societies. Through the chair, I'd like to express our sympathy and solidarity to Mr. Shevchenko, everyone in the Ukrainian government and the Ukrainian people who are currently there right now.

In the few moments available, I want to cover both what the conflict has meant for Canadian businesses and what we should do on the path looking ahead. Besides the obvious geopolitical uncertainty that has been disruptive for Canadian businesses, there are a number of specific impacts that have arisen from the conflict.

Foremost among these has been the aggravation of inflationary pressures on companies. According to the most recent Canadian survey on business conditions, half of businesses expect rising input costs to be a challenge over the coming three months, which is up 8% from the previous quarter. This includes the impact of commodity prices in a variety of products across the market.

There are also the impacts that we've seen on commercial shipping through the Black Sea. Recent reports from various media outlets have highlighted work by Turkey, for instance, to disarm mines in the Black Sea, but there are more reports of other mines that have been placed there. Put simply, this places commercial shipping at risk today and in the future, after the conflict ends.

As reported in the media, there are a number of companies that have pulled back their operations from Russia. The Canadian Chamber has also made its contribution by ceasing to issue certificates of origin for Canadian exports that are bound for the Russian market.

The committee's motion of March 21 asked what we should be doing in response to the conflict from an economic standpoint. I would like to mention five items briefly today.

The first is sanction symmetry. Sanctions mean that western countries will feel pain in order to do the right thing. Therefore, Canada should continue to press its allies to ensure they maintain a high standard and consistent approach in the application of sanctions within their domestic frameworks.

Second, the federal government needs to continue to ensure a clear and regularly updated flow of guidance to businesses. We are in a fluid situation, and I would like to acknowledge the tireless work of the trade commissioner service in keeping up with the flow of announcements. I urge the TCS to continue to do so, to provide companies with the latest information.

Third, Canada should actively support efforts to ensure safe navigation through the Black Sea for commercial traffic.

Fourth, we need better integration between our defence policies and our defence industrial policies. This conflict has underscored the importance of a strong defence industrial base, and an increase in investments in defence will need to be done wisely going forward. We have a once-in-a-generation opportunity with the modernization of NORAD. We need to see stronger government and industry collaboration.

Finally, we need to increase our efforts to contribute to global energy security. The path to net zero becomes feasible only with access to a wide range of energy sources, and we have to step up to the plate if we want Europe to reduce its dependency on Russia. There is equally an opportunity for our critical minerals sector as the world turns away from Russia, but we need to build out more robust supply chains domestically.

In closing, what is happening right now is nothing short of a seismic event whose implications have yet to be fully understood. The conflict presents serious choices for the government, parliamentarians and businesses, in addition to all of our allies. More than ever, Canada needs to project strength at home and abroad. This is a genuine chance to be a leader on the global stage.

I want to thank the committee for initiating this timely study, and I look forward to your questions.

● (1555)

**The Chair:** Thank you very much, Mr. Agnew.

We'll move on to Mr. Balan, please, for five minutes.

**Mr. Jars Balan (Director, Kule Ukrainian Canadian Studies Centre, Canadian Institute of Ukrainian Studies):** Thank you, Madam Chair.

Having been privileged to be present at the July 2016 signing of the Canada-Ukraine Free Trade Agreement in Kyiv, and after having earlier followed for several years the progress of the CUFTA negotiations in my capacity as the Ukrainian Canadian Congress's representative on the Canada-Ukraine advisory council, I am happy to share some of my thoughts on the two motions being put forward in relation to the study on the modernization of the Canada-Ukraine Free Trade Agreement.

First, I would like to say that as a proud Canadian of Ukrainian descent who has always been concerned about the fate of his ancestral homeland, I was thrilled to see Canada take steps to expand its trade relations with Ukraine by opening up sectors in both economies to a freer flow of goods and services. Canada has been a stalwart friend of Ukraine since it achieved independence in 1991, committing millions of dollars and extensive human resources to myriad projects providing invaluable practical support for Ukraine and to facilitate the development of its democratic institutions and a free market economy.

While all of the aid provided by Canada over the years has been important and hugely influential, notwithstanding challenges and setbacks met along the way, particularly in the realm of combatting corruption, the fostering of improved trade relations with the negotiation of CUFTA has been especially significant for three reasons. First, it recognizes that helping Ukraine to achieve greater prosperity is critical for its long-term stability, which in turn is essential for maintaining regional geopolitical stability. Second, it contributes to Ukraine's further integration, culturally and economically, into the family of western nations. Third, because CUFTA serves as a symbolic vote of confidence in Ukraine's future by laying the groundwork for continued engagement, it sends a strong signal to Putin's Russia and the world at large that Ukraine "is, was, and always will be", to refute a notorious Russian chauvinist formulation from tsarist times that seems to have acquired new currency in Moscow.

Some five years after CUFTA first came into effect, it makes sense that it is time to review the original agreement with the aim of possibly updating its scope and some of its provisions. Changes happen quickly in the modern world, and they have been especially accelerated in Ukraine since the 2014 Euromaidan, or the Revolution of Dignity, initiated a generational change in Ukraine's political establishment. Although the modernization initiative was launched in advance of the 2022 Russian invasion that has wreaked havoc on Ukraine, it is nevertheless useful to examine the impact that CUFTA has had so far and to identify possible options for improving trade with Ukraine, which statistically remains relatively modest.

Assuming the Ukrainian side's willingness to participate in a CUFTA modernization process, I think it is important for discussions to proceed, despite the turmoil that has been unleashed by Russia's unprovoked military assault and its large-scale violation of Ukraine's territorial integrity. The business of governing Ukraine cannot be allowed to stop completely, lest Russia be seen as making Ukraine look ungovernable with its current authorities. Obviously, the widespread destruction wrought by Russian forces on Ukraine's infrastructure and the brutal toll being exacted on Ukraine's civilian population and armed forces will pose enormous difficulties for any short-term implementation of a modernized trade agreement. Nevertheless, it is critical at this juncture to show confidence in Ukraine's ability to withstand Russia's aggression and to be prepared for the time when Ukraine emerges from this dark chapter in its history.

In terms of expanding the study to include the examination of possible economic repercussions that the increased sanctions on Russia will have for countries standing in solidarity with Ukraine, it follows that improving trade with allies of Ukraine could help to

mitigate some of the collateral damage caused by the punitive measures being directed at the Kremlin. At the same time, improving trade with Ukraine's friends would not only benefit Canadian exports abroad by expanding our trade relations and opportunities, but also help to draw western allies closer together at a time of growing crisis in the international order.

Finally, knowing how long it can take to reach agreement on complex issues related to trade, undertaking a study in the present circumstances is a constructive first step toward creating the conditions for addressing what lies ahead in what are sure to be major changes in the landscape of international relations. I therefore support both resolutions adopted by the standing committee and look forward to learning the results of the study to be undertaken.

I will have other remarks, of course, in the discussion that is to follow. Thank you.

• (1600)

**The Chair:** Thank you very much, sir.

Mr. Bouchard...

**The Clerk of the Committee (Ms. Dancella Boyi):** Madam Chair, I'd like to inform you that Mr. Bouchard is still not logged on. He had some technical difficulties. I will inform you as soon as he is able to log on.

**The Chair:** That's fine.

We will go on to Mr. Kotylak, please, for five minutes.

**Mr. Clayton Kotylak (Director, Western Canadian Wheat Growers Association):** Madam Chair and members of the Standing Committee on International Trade, thank you for the opportunity to appear before you today.

Hello. *Dobry den*.

As a farmer of Ukrainian heritage, I find the current incursion by Russia very sobering. My grandparents immigrated to Canada from Ukraine under eerily similar conditions in the 1920s, fleeing a genocide that began to be inflicted on the Ukrainian people and culture by orders from Moscow. It is very sad to watch it happen all over again. My grandparents would wonder if we've learned anything from history.

I recognize that the 2017 CUFTA is not an old document. However, given current circumstances, it is appropriate for this committee to study the agreement.

We have all witnessed the Russian scorched earth policy in the territory of eastern Ukraine. Normally at this time of year, Ukrainian farmers would begin to plant their crops. Instead, the farmers are working the land in a very different way—defending it, protecting it, offering safe passage to those who are fleeing, and towing a broad range of Russian military equipment away from their invaders.

I don't profess to be an expert on the ins and outs of this particular trade agreement. Early research shows that the trade of goods and services has risen for both countries. That sounds like a win.

Given the damage being inflicted upon Ukraine, this committee may wish to consider how best to support the Ukrainian economy. Unless the war ends within a few weeks, the Ukrainian crop will not be planted, likely placing millions at risk of food insecurity and shortages—in other words, another Holodomor. The starvation of the Ukrainian people in the 1930s is remembered by every descendant, and while the circumstances are somewhat different, the outcome could be equally devastating. It's mind-boggling that a country that was, only a few months ago, a net exporter of wheat, sunflowers and other agriculture products is now potentially facing famine.

I note, through the Canada-Ukraine trade and investment support project, that agriculture products are listed as one of the top commodities exported from Canada to Ukraine. Ukraine will need both short-term and long-term support. In the short term, emergency food will need to be provided directly to Ukraine and likely the surrounding countries for Ukrainian refugees. Food security is something that Canadians take for granted. Ukrainians have as well, yet today catastrophe seems imminent. In the long-term, Canada can and should, one, assist with agriculture equipment, seed and crop inputs; two, remove bottlenecks in the Canadian grain transportation system, with a focus on the port of Vancouver; and three, create an environment to establish nitrogen fertilizer manufacturing independence.

The Western Canadian Wheat Growers Association believes that this is how Canada can play a significant role in re-establishing a vibrant Ukrainian economy. Canada has the expertise. Given significant lead time, we will be able to assist with many of the needs of Ukraine as it suffers from the Russian invasion.

Thank you. *Dyakuyu.*

• (1605)

**The Chair:** Thank you very much, sir.

We will go to members for questions. If Mr. Bouchard is able to access us, we will give him his five minutes at a different time.

I believe we have Mr. Baldinelli, for six minutes, please.

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

Thank you to our witnesses for being with us this afternoon. Thank you for your presentations. I'd like to begin by directing my comments to Mr. Agnew, from the Canadian Chamber of Commerce.

Just looking at some of the particulars with the Canada-Ukraine Free Trade Agreement, perhaps you could provide some additional information with regard to the sectors of Canada's economy that are benefiting from this agreement. Perhaps you could elaborate on that. Mr. Shevchenko mentioned fish products, but I was wondering if you could elaborate a little.

**Mr. Mark Agnew:** I have to confess to the honourable member that this is an agreement that we haven't heard a whole ton from our members on in a broad-based sector association way.

There is admittedly a small market for our companies, but certainly some of the sectors that Mr. Shevchenko alluded to are ones that stand to benefit. People who are in the manufacturing groups

and some other agricultural products have also seen a bit of an uptick.

I would have to triple-check the numbers on that.

**Mr. Tony Baldinelli:** Thank you for that.

Maybe I'll direct this to Mr. Shevchenko and to Mr. Balan, who made some comments with regard to the agreement itself. I am just wondering if they could talk about some of the areas in the trade sector from which both countries benefit tremendously.

**Mr. Andriy Shevchenko:** We usually speak of Ukraine as a country of brains and grains, and that tells you something about our trade priorities.

My point is that actually, in the case of Canada and Ukraine, we still have very low numbers for trade. If we look at the numbers and if we think about Ukraine, which is a 47 million strong market, and if we think about Canada as one of the G7 economies, we'll see that trade at the moment is peanuts.

I think it's quite obvious that there is a huge potential to grow, and if we are thinking about the future fields for success, then I would definitely look at the ICT sector. Ukraine is known for having enormous human talent when it comes to IT specialists, and I would be happy to talk more about that if there is interest in that.

There is also public procurement. When we think about the major future recovery operation that Ukraine will be going through, I think that opens enormous opportunities for Canadian companies that will choose to participate in these major infrastructure procurement operations.

• (1610)

**Mr. Tony Baldinelli:** Thank you.

Mr. Balan, do you have anything you would like to add to that? You were talking about the modernization of the agreement, and I was just wondering if there are any particular sectors you think could benefit.

**Mr. Jars Balan:** Obviously Ukraine has a tremendous brain trust. Our institute is involved with the academic community, and we know that Ukraine has a very highly educated workforce with lots of skills, and that some of them are already participating in the worldwide economy. Some of those people have now left the country and are working from outside of Ukraine because of the circumstances.

In terms of its intellectual capital and investment in it by Canadians, I think that offers one area of potential growth.

Former ambassador Shevchenko is right that trade levels, even though they've improved, are still very modest considering the size of the two countries, so there is potential for growth. I think especially now, in the rebuilding process that's going to have to follow this war, there is an obvious opportunity for Canadian investment in Ukraine and for developing the relationship further.

I suppose one of the challenges is that Ukraine exports products that Canada also exports—cereal grains and agricultural products in particular—so we're competitors on one level, though Ukraine's markets are quite specific.

**Mr. Tony Baldinelli:** Thank you for that.

With respect to that and to the comment of Mr. Kotylak from the Western Canadian Wheat Growers Association regarding the implications of Ukraine's inability to get its wheat to market, what can we as not only a nation but a fellow wheat-growing country do to assist, and what can our western allies do to assist?

As he indicated, we could be facing some severe food shortages.

Mr. Kotylak.

**The Chair:** Could we have a brief answer, sir?

**Mr. Clayton Kotylak:** Yes, absolutely, the export of Ukrainian products is not happening at this point. That leaves tremendous gaps in global trade, in particular in Africa, Asia and the Middle East.

We have to do everything we can to keep our products rolling in to those areas, because it will not just be Ukraine; it will also be the surrounding countries that depend on Ukraine.

**The Chair:** Thank you so much.

Mr. Virani, you have six minutes, please.

**Mr. Arif Virani (Parkdale—High Park, Lib.):** Thank you very much, Madam Chair.

I want to thank all of the witnesses for the very important testimony they're providing.

I want to specifically address some questions to Mr. Shevchenko.

Andriy, first of all, *duzhe dyakuyu*. It's great to see you. Thank you for being here. I wish we were seeing you in different circumstances, my friend. Thank you for all of your service on behalf of Ukraine here in Canada and the important work you did over many years as the ambassador of Ukraine here. I very thoroughly enjoyed working with you.

You mentioned that Ukraine is the country of brains and grains. I would add "brawn" as a third moniker, Andriy, to give it a natural hat trick. It's a country of brains, brawn and grain. Clearly, you've shown with your courage what your country is capable of in terms of standing up to Russia. You have our unanimous view that is similar to yours about Bucha. We just passed a unanimous consent motion in today's Parliament about the massacre at Bucha.

Andriy, you know that we've been stepping up in ways that I thought I'd never see, to be candid, in terms of incredible military assistance; an immigration program; humanitarian aid; sanctions against no less than 700 entities and individuals, including Putin and his inner circle, including Belarusians; aspects of the SWIFT system—the list is long.

What I want to ask you about is in terms of taking this next step with the trade agreement. You mentioned ICT a couple of times. Where can we specifically harness that? I know what I learned in the time I was there and you entertained me and others in 2018. There were such things as cyberwarfare, the knowledge that you have on the ground in the IT sector and how to deal with cybersecurity in Ukraine. Is there potential collaboration that we could see in that area with the expansion of CUFTA?

It's over to you, Andriy.

• (1615)

**Mr. Andriy Shevchenko:** Mr. Virani, thank you so much for the way you care about Ukraine and for this very precise and thoughtful question.

Yes, I'm absolutely sure that Canada can and will benefit from this very close co-operation with our ICT sector. I can give you just one number. Today, when we're in the middle of this war, 89% of the Ukrainian ICT specialists are fully paid in terms of their salaries. That means that even under these absolutely tragic and difficult circumstances, they keep doing their work. Most of them complete their contracts, which are coming mostly from North America, from Canada and the United States. After they're done with their everyday job, they go and unload humanitarian cargo or they do cyberwar, protecting Ukraine from cyber-attacks from Russia and fighting back.

I'm telling you this in such detail just for you to imagine the IT sector in the Ukraine—how strong it is, how resilient it is and how sustainable it is. For those people, it's not just about brave and very professional Ukrainians are. I think it's priceless when it comes to partnerships and to business contexts. We want Canada to greatly benefit from this partnership, and you're in a very good position for that.

**Mr. Arif Virani:** Thank you, Andriy.

Building upon that, and working Mr. Agnew into the conversation a bit, I find it a little puzzling, frankly, that everything we're learning about the impact of the various measures we're taking is that it's having a crippling impact upon the ruble, upon Russian interest rates, on defaults, etc., and yet we're seeing this disconnect between the impact it's having on the Russian economy and the nature of what's happening on the war front.

Can you explain that disconnect? A speculative concern is that the Russian people are hurting and Putin is just ignoring it. Can you walk us through the impact the sanctions are having and how we transit that impact into a direct consequence on the war?

Mr. Agnew, perhaps you could go first, and then Mr. Shevchenko.

**Mr. Mark Agnew:** I think part of it is that the sanctions take time to work. The impacts are not felt instantaneously. Particularly if you're looking at currency reserves, as I understand it, the Russian government still has some of its reserves at its disposal.

Of course, there's the reality that not every country has placed sanctions on Russia. Unfortunately, there are a lot of large markets that have not gone down that route. Canada, NATO and the western alliance have done it, but as long as you have countries willing to do business with Russia and not place sanctions, there will be an additional funding route for the Putin government.

**Mr. Arif Virani:** Andriy, could you add to that?



**Mr. Andriy Shevchenko:** I have two thoughts, Arif. First, those sanctions do work. Even before the invasion, there had been a tremendous impact. In 2013 the GDP per capita in Russia was about \$16,000 U.S. annually. In 2021 it was \$10,000 U.S. per capita—40% less for every Russian. It is working, and it will work in the future. The sanctions take time.

The other thought is very simple. Putin in many ways is not the source of the problems we face. He is a reflection of Russian society. He is a reflection of the Russian elite and of the Russian white population. That means that this threat is existential not just for us. It will stay with us for decades and maybe generations to come.

That is why we have to do sanctions very seriously. This is no time for half measures. Thanks to Canada for being a true leader in bringing this international coalition together.

**Mr. Arif Virani:** Thank you.

I know Minister Joly has been working tremendously hard on this.

**The Chair:** I'm sorry, Mr. Virani, you're—

**Mr. Arif Virani:** I believe I had nine seconds, Madam Chair, but thank you.

Thank you very much, Andriy.

Thank you, Mr. Agnew.

I had my timer on, Judy. Thank you.

**The Chair:** Good. In nine seconds, whatever you can get in, go right ahead.

Mr. Savard-Tremblay, you have six minutes, please.

[*Translation*]

**Mr. Simon-Pierre Savard-Tremblay (Saint-Hyacinthe—Bogot, BQ):** Madam Chair, since our guest witness Mr. Bouchard is experiencing technical difficulties and can't access the meeting, may I switch turns with someone scheduled to speak later?

If the problem can't be resolved, I will adjust my questions accordingly and ask another witness. I'm trying to save some time.

[*English*]

**The Chair:** Okay, we will go to Mr. Masse.

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

To follow up with regard to cybersecurity, Mr. Shevchenko, we have had here on the Hill and we will again have Ukrainian interns. I think there will be another group coming in very soon.

There seem to be a lot of young people with good qualities and capabilities who could be part of cybersecurity in the future.

Is that something you would agree with? We have probed this a little before, but I think that's one of the things we could really enhance, not only just for military operations, but also for banking, public institutions and other types of vulnerable infrastructure, whether attacks be from Russia or elsewhere.

• (1620)

**Mr. Andriy Shevchenko:** I think it's very interesting and very important that we have focused so much on human capital when it comes to the Canada-Ukraine Free Trade Agreement. I think it's a very fair approach.

When it comes to Ukraine, it is number one in terms of literacy on the European continent. That explains a bit about why we care so much about human capital and about labour rights.

When it comes to ICT co-operation and the IT sector, I think, yes, Canada is in a very good position to benefit from this co-operation, in particular because of excellent technical assistance programs that Canada has been working on with Ukraine.

You have invested a lot into creating very good business contacts and business networks between Ukraine and Canada, and that will pay off.

**Mr. Brian Masse:** Canada has a program called “coding for veterans” to help Afghanistan veterans go through that. It's a working model where we have been quite successful. Do you think there would be interest from individuals to take up such a program?

What ends up happening, without getting into too many details, is that they are enrolled in a program, and the program is sponsored by the government. They get into cybersecurity training that leads them to the private sector. There are former military individuals and some who are there if they have had a family member in the military before. They go through about a one-year process. They get paid for it. Then they become professional in cybersecurity, authenticated through the University of Ottawa and other universities.

Is that something you think there would be an uptake for on the part of Ukrainians, if there was a mission or some type of program developed on that?

**Mr. Andriy Shevchenko:** Yes, and on a broader scale, I have a feeling that, when it comes to services, Canada under-trades with Ukraine. There is a huge potential wherever you take a look.

**Mr. Brian Masse:** Thank you for that.

The next question I want to ask is just in general. With regard to other nations, can we help offset some of the negative consequences from the different types of sanctions that are taking place? Does anything come to rise stronger than anything else in terms of a sanction that's affecting a neighbouring country of Ukraine—whether it's Poland or somewhere else—that is something that's low-hanging fruit, so to speak, that Canada could do to improve our access to markets and support them to help you?

I will just put it out there in general. I'm looking for any nations, products, or services that we could help with right away that would be low-hanging fruit, so to speak—easy to do right away, to help the citizens of Ukraine.

**Mr. Andriy Shevchenko:** When it comes to sanctions, my short answer would be: Follow the money. I think Canada is doing the very right thing when it goes ahead with all the sanctions that deal with the financial institutions of Russia and the soaring debt with SWIFT. You are doing the right thing, and I think we should continue.

Yes, this is the way we can put proper pressure on the Russian economy. We should make sure that it stops and that it cannot finance its work.

**Mr. Brian Masse:** Would any other witnesses like to intervene? Okay.

I have one last question, then. With regard to the oligarchs and the sanctions, would it be a stronger position for Canada to have a duration of time for actual sanctions, or should we just leave them indefinite? Should we be looking at five years, 10 years, or a recovery period of the effects they have had in terms of full recovery and then further?

**Mr. Andriy Shevchenko:** I think it's so early to talk about that. We still need to do so much to make sure we stop this war.

Again, I have a feeling that the nature of this war is not just about personal crazy steps by the leader of this country, but more about what the Russian public believes in. It makes it an existential threat for all of us, and we'll have to deal with this for decades to come.

The questions you asked are very fair, but maybe we need more time to answer that.

• (1625)

**Mr. Brian Masse:** Madam Chair, I'll just finish by saying that since I've been doing this, the person who runs the coding for veterans service said this is actually a perfect fit for training further Ukrainians with cybersecurity. Hopefully we can follow up on that possibility. Thank you very much.

**The Chair:** That sounds very exciting.

Mr. Savard-Tremblay, Mr. Bouchard is still not able to connect.

Do you want to go ahead now, or do you want to hold back?

[Translation]

**Mr. Simon-Pierre Savard-Tremblay:** I will go now, but first, I have a question for you, Madam Chair.

[English]

**The Chair:** Okay. Go ahead.

[Translation]

**Mr. Simon-Pierre Savard-Tremblay:** If we don't hear Mr. Bouchard's testimony today, can we be sure he will be invited to attend a future meeting?

[English]

**The Chair:** Certainly, given the interest on the committee, if he is not able to connect, we will do our best to try to get him to come for our next meeting.

[Translation]

**Mr. Simon-Pierre Savard-Tremblay:** Okay. Of course, if he manages to connect, we will hear his testimony today.

My question is for Mr. Shevchenko.

Mr. Shevchenko, you seem very well versed on the sanctions that were imposed and you say they have been applied. Can you update us on what's been done with respect to the Russian banks?

[English]

**Mr. Andriy Shevchenko:** Well, it is very important to understand that in Russia, many sectors of the economy are used as part of the imperialistic state machine. They are part of this major threat that we are dealing with, and that refers specifically to the financial sector of Russia. There is always a major challenge of corruption, and there is a huge role of the financial sector specifically when it comes to the prosperity and safety of Putin, his environment and the oligarchs.... That's why it has been so important to specifically target the financial institutions of Russia.

[Translation]

**Mr. Simon-Pierre Savard-Tremblay:** In any event, trade between Canada and Russia is relatively minimal, all things considered.

However, we have heard that some Canadian businesses are being penalized by the banking sanctions. For example, it has happened that customers' transfer payments for services they have received could not be completed due to the sanctions.

I understand that the sanctions are necessary and required in a conflict situation like this, but do you have any thoughts on how they could be mitigated so as not to penalize Canadian and Quebec businesses?

[English]

**Mr. Andriy Shevchenko:** First, I think it's very important that Canada shows an example to the world, even when your trade with Russia is not that huge and even when the impact of your sanctions is not as huge as we would like it to be. The example that you set to the world is very important, and it goes not just to the sanctions, but also to the finance corporations and to many other fields.

On a broader scale, yes, sanctions are the way we can make the Russian economy suffer as much as possible. If we are looking for some ways to compensate, I think a modernized CUFTA is one of the many tools we should think about. We should think about and create some better, wider opportunities for our businesses in the future, once we can stop this terrible war.

[Translation]

**Mr. Simon-Pierre Savard-Tremblay:** Could you tell us more about possibly using this tool in the near future?

Imagine a company whose sales depend in part on that interaction. A large percentage of its business is linked to Russia.

As elected officials, we have a duty to meet with these companies, offer them solutions and try to help them. That's only natural. Of course, these companies were only looking to do business; they didn't want this situation.

Can you tell us a little more about how this tool can be used to mitigate fallout from these sanctions?

• (1630)

[English]

**Mr. Andriy Shevchenko:** First, I'm happy to say that Quebec and Quebec's companies have contributed to the success of CUF-TA. Actually, you might be surprised to learn that Quebec was number one in provinces in terms of its share in trade between Canada and Ukraine.

When it comes to the sanctions and to the overall effect, look, I think we have to see the war that is happening right now as a global war. If we think about the chemical attacks that Russia has inflicted on the NATO territories, if we think about the cyber-attacks, including those in Canada, and if we think about what Russian propaganda says right now, which is that they are challenging the west and they want to fight with NATO, I think we should realize that we're dealing with a global war. That means we should prepare our businesses for that and that each of us will have to pay some price and, yes, together we have to co-operate to make sure recovery comes as soon as possible.

[Translation]

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

[English]

**The Chair:** You have less than one minute.

[Translation]

**Mr. Simon-Pierre Savard-Tremblay:** I have no further questions for this round.

[English]

**The Chair:** I understand that Mr. Bouchard is logged on.

[Translation]

**Mr. Simon-Pierre Savard-Tremblay:** I see. In that case, can I add the minute I have left to my next round? That way, we can ask Mr. Bouchard some questions.

Would that be okay with you, Madam Chair?

[English]

**The Chair:** Yes, that's fine. We're going to do a sound check.

I'm going to suspend for a moment, while we do a sound check for Mr. Bouchard. Then he will have his five minutes to do his presentation.

• (1630)

(Pause)

• (1630)

**The Chair:** Since Mr. Bouchard did not have a chance to do his opening remarks, we will go to him for five minutes and then go back to Monsieur Savard-Tremblay, who has 50 seconds remaining in his time.

Mr. Bouchard, you have five minutes, please, to speak to the committee.

[Translation]

**Mr. Louis Bouchard (President, STAS):** Good afternoon, Madam Chair.

I'm pleased to speak to you today about the impact of the Russian-Ukrainian war and economic sanctions on my company, STAS, in Saguenay, Quebec.

I had prepared a document but unfortunately I can't present it to you due to technical problems.

I will briefly introduce my company. STAS is a provider of high-tech equipment and solutions to the global aluminum industry. We're headquartered in Quebec and we have a subsidiary in France. Before COVID-19, we had 220 employees and sales of over C\$60 million. We are active in 40 countries with extended service points and global suppliers.

Over the past 30 years, we've delivered over 2,000 pieces of equipment and completed tens of thousands of projects around the world. We have a presence [*Technical difficulty*] in all sectors of the aluminum industry, including carbon, electrolysis, casting centre, secondary processing and recycling.

Things are different today. In Canada, STAS has been significantly affected by the pandemic. Our sales are down over 40%. Our total sales are now \$35 million, including \$10 million in Russia, which receives 85% of our exports.

We have a global footprint in North America, South America, Africa, Europe, Asia, the Middle East, Australia and New Zealand. We regularly monitor all global projects in the aluminum industry. For the past 20 years or so, we've been active in the Middle East, India, China, Saudi Arabia and Russia, which I will come back to later.

We have a diverse, specialized workforce. More than 120 people work at STAS in Quebec.

This crisis, this war, is having a very significant impact on us. Here are the main factors involved.

First, Russia was our only stable market during the COVID-19 health crisis, and this led us to look more to that market.

Second, the crisis was unforeseeable and it came out of nowhere. We carry out our projects over an 18- to 24-month period. We had already made commitments to our Russian customers a long time ago.

Third, the banking sanctions are now keeping our client from paying us for work we've already completed.

Fourth, it's impossible for us to ship equipment we've already assembled because of the ban on cargo shipping between most Western nations and Russia.

The final factor relates to supervising construction projects in Russia. It's now very dangerous for us to send skilled labour to Russia to do the work needed to install our machinery and equipment.

We believe that the impact of this crisis on labour and production will be felt by our company for two to three years. So we're dealing with a very significant crisis. We've determined that financial impact of us shutting down Russian projects is approximately C\$4.4 million. We stand to lose several years of growth and diversification.

• (1635)

[English]

**The Chair:** Thank you very much, Mr. Bouchard, for your time. The committee is very anxious to ask you lots of questions.

Mr. Savard-Tremblay, we are going to add your 50 seconds to round two, as you requested.

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

[Translation]

**Mr. Richard Martel (Chicoutimi—Le Fjord, CPC):** I thank the witnesses for being with us.

Mr. Bouchard, I'm glad that you were able to resolve your Internet connection issues, because you're the president of a large company in my constituency. Of course, what's happening to your business in Russia is unfortunate. Now we have an even better understanding of the risks that entrepreneurs take every day.

Mr. Bouchard, how important are your activities in Russia to the viability of your business and your workers?

**Mr. Louis Bouchard:** Thank you for your question, Mr. Martel.

As I said, our activities in Russia are very important to us. We've been working in the Russian market for over 15 years, and the Russian-Ukrainian war and the sanctions that were imposed are going to have major consequences on our company's operations.

We believe it could affect about 20 obs.

• (1640)

**Mr. Richard Martel:** Mr. Bouchard, I'd like to know if you have made efforts to diversify your activities geographically and run less risk.

**Mr. Louis Bouchard:** Mr. Martel, STAS is a global company. As I said, we do business on five continents and we serve a global market.

The current situation can be attributed to the COVID-19 health crisis, which shut down all markets. Russia is the only one of our markets that continued to operate during the critical period of the last two years.

**Mr. Richard Martel:** Mr. Bouchard, do you know of any other companies like yours that are in the same situation?

**Mr. Louis Bouchard:** We know of very few companies in this situation, because the market for exporting to Russia and Ukraine from Canada is very minimal. To my knowledge, only a few companies are affected. That said, those that are have been significantly affected.

**Mr. Richard Martel:** My next question is for Mr. Agnew.

Mr. Agnew, you represent a huge number of Canadian businesses. Do you know of any companies experiencing the same issue as Mr. Bouchard's company?

[English]

**Mr. Mark Agnew:** Without getting into specifics in a public forum, there certainly have been a number of companies that have had issues, both those with an investment presence in Russia and those who have been doing business there. Certainly, seeking payments in the current context has been difficult. Without knowing the future pathway of sanctions, we anticipate that, as time goes on, it will become more difficult for Canadian companies to receive payments from Russian counterparts if they were to decide to keep doing business in that market.

[Translation]

**Mr. Richard Martel:** In that case, Mr. Agnew, what are you saying to your members who do business with Russia?

[English]

**Mr. Mark Agnew:** As much as Canadian companies are always looking for opportunities to diversify, I don't think we should be under any illusions that Russia, before its military activities started in February, was not a risk-free market, by any means. There were already a number of sanctions in place. I know it's a difficult thing for any Canadian company that's gone through this disruption, but certainly it was a market that had risk before the most recent outbreak of hostilities.

**The Chair:** You have 40 seconds remaining, sir.

[Translation]

**Mr. Richard Martel:** Mr. Agnew, this question is also for you.

In 2014, when Russia invaded Crimea, the finance minister at the time, the Honourable Ed Fast, did not provide any assistance to Canadian companies being hit by Canadian economic sanctions against Russia.

What would you recommend in this situation?

[English]

**Mr. Mark Agnew:** We are not seeking any financial assistance from the government for Canadian companies.

**The Chair:** Thank you very much, Mr. Agnew.

We'll go to Mr. Sheehan, for five minutes.

**Mr. Terry Sheehan (Sault Ste. Marie, Lib.):** Thank you very much to all our presenters for your testimony.

To our presenters of Ukrainian heritage, we could hear the pain in your voice. People all across Canada are with you. Whether you're Canadian or Ukrainian, we're with you.

Canada has the second-largest population of Ukrainians outside of Ukraine, after Russia. Sault Ste. Marie has a number of them, too. They're well established. A lot of them came over before IT and worked in the steel mill. It was about labour. It was about people coming to work and sharing their skills with us, so I thank them for that. The Ukrainian church in Sault Ste. Marie is well over 100 years old. We share that with you.

My question is going to continue on. The first part of it is this. Since the invasion, we have sanctioned 700 individuals and entities in Russia for this unjust and illegal war. On March 15 and March 24, we furthered that and sanctioned more Russians.

At the beginning of it, we also served notice that we were withdrawing Russia's most favoured nation trade status. They're now in the same boat, I believe, as North Korea. They share that. Canada is a trading nation, and we continue to trade, which has resulted in a 35% tariff.

I'm going to start with Mark Agnew on the question. What other economic trade sanctions do you feel Canada could levy or consider against Russia?

• (1645)

**Mr. Mark Agnew:** There is a whole host of options out there. Some of the ones that have been talked about are further sanctioning Russian financial institutions. As I understand, the current sanctions package is not exhaustive in its coverage, if I can put it in those terms. That's something we've been reading about in the public commentary that may be on the table at this point.

**Mr. Terry Sheehan:** To the former Ukrainian ambassador, I'd like your thoughts on that, please.

**Mr. Andriy Shevchenko:** Oil and gas is another very obvious sector to go ahead with on sanctions. Canada should have a very strong interest in that. For decades, we saw Europe being heavily dependent on Russian oil and gas, and I think it's time to stop that.

I have one more comment on the sanctions. I have a lot of sympathy for Canadian companies that might lose money because of the sanctions, but right now, as I'm talking to you, there is an air-raid siren where I am. That means that Russian rockets are flying here. They were built on the tax money that was paid by local companies in Russia. We can all pretend that we can still do business as usual, but sometimes, good contracts lead to terrible circumstances.

All the good people and the good companies should finally correct the wrong decisions of the past. I hope there will be some good decisions for Canada to substitute the losses.

I'm sorry for taking more time to answer this question.

**Mr. Terry Sheehan:** Thank you for that. Please stay safe.

In 2020, Canada's trade commissioner service suggested that CUFTA had increased Ukraine's exports to Canada by 6.5%. We've been talking about the numbers, and I looked them up. Over the last few years, we've seen that CUFTA's been very successful in increasing them. How might this growth...?

One of the things when we enter into trade agreements with a certain country is that we also enjoy that country's position in their trade agreements, as well, and a lot of opportunities.

How might this projected growth be impacted by the ongoing conflict and sanctions that are being imposed right now? In what ways has the Ukrainian economy been negatively affected? Do you anticipate an increase in Canadian exports to Ukraine following Ukraine's successfully winning this unjust war? If so, in what industries will they be?

I'll start with the former ambassador.

**Mr. Andriy Shevchenko:** We will use this war to modernize our country in the future. This is our major chance to do that. I hope Canada and Canadian companies will use the major recovery and rebuilding opportunities that will come with that.

I would specifically mention again that public procurement is going to be huge. We need good Canadian companies. We need good Canadian contractors. We need good technology.

**The Chair:** Thank you very much.

I'm sorry. You have one second left. Thank you.

**Mr. Terry Sheehan:** Thank you. Can I add that to the nine from Arif?

**Some hon. members:** Oh, oh!

**The Chair:** We'll move on to Mr. Savard-Tremblay for three and a half minutes, please.

[*Translation*]

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

Mr. Bouchard, I'm glad that you were able to join the meeting. Thank you for your opening statement. I hope that the connection is reliable and that you can hear everything.

I think it's important to make clear that these were necessary sanctions. In the face of such aggression against Ukraine, sanctions were unavoidable. Now, we can take a step back to see how we can make things better for companies like yours that are feeling the effects of the sanctions.

You did a good job of explaining how you had partly been a victim of the sanctions. You rely on certain companies in Russia for 30% of your business, which is pretty substantial. That's also the case for some Russian companies.

As members of the Standing Committee on International Trade, we are meeting with business leaders who are experiencing these consequences.

My question for you is what can we do to help you.

**Mr. Louis Bouchard:** Thank you for your question.

Like you, I completely agree that sanctions against Russia were necessary. At the same time, though, I want to draw your attention to the following analogy: when the Canadian government signs a free trade agreement, it provides compensation to help Canadian businesses adjust to the changes.

In the case of the sanctions against Russia, I think the Canadian government should take the same approach it does when it signs free trade agreements with countries such as the U.S., as well as France and other European countries.

The government could also provide another form of compensation, something along the lines of the emergency wage subsidy. As in our case, some companies are harder hit than others. The minimum reduction in revenue for the emergency wage subsidy was 25%. As a result of the effects of the sanctions against Russia, we are currently experiencing a drop in revenue of more than 30%, and the consequences for us are very significant. Those are two measures the government could consider to compensate Canadian businesses.

• (1650)

**Mr. Simon-Pierre Savard-Tremblay:** Given your overall situation, you are already of the view that both of those options would be very helpful to your company under the circumstances.

**Mr. Louis Bouchard:** That's correct.

I think those forms of compensation could be especially helpful to our business in terms of getting us through this crisis.

Like the members of the committee, we fully support the government's efforts to address the situation in Ukraine, but the repercussions for businesses like ours should be taken into account as well.

**Mr. Simon-Pierre Savard-Tremblay:** I see.

Briefly, could you explain how the sanctions directed against the banking system have affected your business?

**Mr. Louis Bouchard:** The sanctions against the banking system have had severe consequences on our business. A client couldn't pay us for services that had already been rendered in Ukraine. Just like that, we couldn't get paid.

**Mr. Simon-Pierre Savard-Tremblay:** I see the chair trying to get my attention. Am I out of time, Madam Chair?

[English]

**The Chair:** You have 30 seconds.

[Translation]

**Mr. Simon-Pierre Savard-Tremblay:** All right.

The sanctions against the banking system have clearly impacted you, but why are you having logistical challenges when it comes to shipping your products?

**Mr. Louis Bouchard:** The global shipping companies have also stopped shipping and handling containers headed for or leaving Russia.

**Mr. Simon-Pierre Savard-Tremblay:** Thank you, Mr. Bouchard.

[English]

**The Chair:** Thank you very much.

Mr. Masse, you have two and a half minutes, please.

**Mr. Brian Masse:** Thank you, Madam Chair.

To Mr. Agnew, which financial institutions would you be willing to share that probably require further examination for sanctions?

**Mr. Mark Agnew:** I would need to follow up in writing with the committee on that.

**Mr. Brian Masse:** Thank you. I appreciate that.

I'm going to switch back to Mr. Shevchenko. With regard to the oligarchs, they are not just Ukrainian. There are Belarusians. Are there any others that are in our hemisphere? I mean, the oligarchs hiding and avoiding taxation is not a victimless crime even without a war. It's actually a significant problem for this world right now.

Do you have any suggestions as to others who might be complicated with the Ukrainian oligarchs? Perhaps we have some in the western hemisphere who require some greater attention.

**Mr. Andriy Shevchenko:** I'm not sure which Ukrainian oligarchs you're specifically referring to.

**Mr. Brian Masse:** I'm sorry. I meant Russian. I apologize.

Without getting into specifics, do you think there's a connection with some who are from other countries who are probably unwilling to untie some of their business interests as they should.

**Mr. Andriy Shevchenko:** Yes, and I think in many ways now we have to do the homework we did not complete in previous years. It was necessary to take many of these measures a long time ago.

**Mr. Brian Masse:** Thank you very much.

Thank you, Madam Chair.

**The Chair:** Thank you, Mr. Masse.

We'll go on to Mr. Baldinelli for five minutes.

**Mr. Tony Baldinelli:** Thank you, Madam Chair. I'll be dividing my time with my colleague, Mr. Aboultaif.

First of all, I want to build on some of the questions and issues that Mr. Bouchard brought forward.

I'm new to this committee. You talked about financial consequences, with about \$4.4 million at risk with your involvement in dealings with Russia. I'm wondering about the involvement and role of Export Development Canada and its program of insurance. Looking at the site, I see that if a customer doesn't pay, it provides up to 90% of your insured losses.

Was that looked at by the company as a means? You're talking about creating new programs like a Canadian emergency wage program. Has your company, STAS, looked into support through the economic development corporation?

• (1655)

[Translation]

**Mr. Louis Bouchard:** We absolutely have. We are in daily contact with Export Development Canada, or EDC, about its insurance program. Unfortunately, for political reasons, EDC stopped ensuring losses in Russia in 2014, so that was no longer an option for us.

It's important for the committee to understand that our presence in the Russian market is not the result of risk mismanagement; it's the result of Russia being the only available market during the public health crisis.

[English]

**Mr. Tony Baldinelli:** That was helpful for us to know.

I'd like to go back to Mr. Shevchenko. Looking at the importance of free trade agreements and future updates and the importance that agreements can play in helping to assist in the urgent rebuild and economic support that's needed as we move into the future, I was wondering if you could provide a quick update and your thoughts on that.

**Mr. Andriy Shevchenko:** If we are talking about the recovery and future rebuilding of the country, it's too early to talk about any specific numbers, but there are numbers that I can already see. GDP decline will range between \$500 billion and \$600 billion, and we are talking about 13% of Ukrainian roads being destroyed. That pretty much tells you the scale of the work ahead of us. Also, we want not just to get what we lost. We want to modernize our country and make it much better.

**Mr. Tony Baldinelli:** Now let's go to my colleague.

**Mr. Ziad Aboultaif (Edmonton Manning, CPC):** Thank you.

To Mr. Shevchenko and to Mr. Agnew, the trade balance between Canada and Ukraine is very humble, although we have a trade agreement. We're looking to modernize the agreement. There must be a reason this trade relationship hasn't grown as it's supposed to, although it's nice to imagine the community, the diaspora, here. The Ukrainian diaspora in Canada is the second largest outside Ukraine.

It would be interesting to know, for the sake of this study, why we haven't been able to grow these trade relationships.

Go ahead, Mr. Shevchenko and then Mr. Agnew, if you'd like to weigh in on this.

**Mr. Andriy Shevchenko:** I think it would be fair to recognize that there have been some very obvious problems and challenges. One of them was that Ukraine had been fighting corruption for quite a long time, and it was only after the Revolution of Dignity, when we introduced major changes in that sense, that we were invaded by Russia. That cut our economy by 20% in 2014, right away.

Having said that, I think it's quite obvious that there is a huge potential ahead of us. I think this is what we really should be focused on.

**Mr. Ziad Aboultaif:** Mr. Agnew, I'd like to hear your Canadian perspective on this.

**The Chair:** Could we please have a brief answer, Mr. Agnew?

**Mr. Mark Agnew:** In addition to the points that Mr. Shevchenko raised, I would add two points.

One is that I think the geopolitical uncertainty that came out of 2014 with Crimea has lingered for Canadian businesses.

The other thing is that linguistic differences are always a challenge. Not many Canadian exporters have Ukrainian language capabilities, and that's always going to be, I think, a thing that holds them back.

**Mr. Ziad Aboultaif:** Thank you.

**The Chair:** Thank you very much.

We go now to Mr. Miao for five minutes.

**Mr. Wilson Miao (Richmond Centre, Lib.):** Thank you, Madam Chair, and thank you to everyone attending here today on this important study. My heart goes out to everyone in Ukraine during this invasion.

The following questions are for Mr. Agnew.

Canada and Ukraine have a rich history, and we've always been supportive of Ukraine's development, economically and politically. In 1991, Canada became the first country in the western hemisphere to recognize Ukraine's independence from the Soviet Union. In 1994, Canada and Ukraine issued a joint declaration highlighting their commitment to strengthening bilateral co-operation, including in relation to international trade.

Here's my question. Considering Canada's long history of and ongoing commitment to supporting Ukraine, do you anticipate any long-term implications for international trade? Can you expand on what these long-term implications would look like and how they will impact it?

Thank you.

• (1700)

**Mr. Mark Agnew:** There are a number of things to unpack, but in the short time I have to answer the question, one point I would like to underscore, which I mentioned in my opening remarks, is about transit through the Black Sea, given there have been reports of mining through that passageway. It is a fairly important thing for both Ukraine's imports and its exports.

That will be an ongoing challenge. It's very risky right now to transit anything through the Black Sea. Even once the conflict ends, I think experience sort of shows that there will be, for instance, an ongoing need to clear mines and to ensure there is a safe passageway through there. That's something Mr. Shevchenko could speak to, I'm sure, in greater detail.

The other piece of it is that there's going to be a need to rebuild the basic economic infrastructure in Ukraine. A lot of rebuilding is going to have to happen. Certainly, to resume trade, the domestic Ukrainian landscape is going to have to improve.

Those are just two things, and certainly there are many others we could point to as well.

**Mr. Wilson Miao:** Mr. Shevchenko, do you have any comments you'd like to add?

**Mr. Andriy Shevchenko:** I just would like to underscore the importance of the food security aspect of the situation. It's not just about the food security situation in Ukraine. Ukraine has been a player on the global market, and we already understand that there will be customers in the Middle East, Africa and Latin America who will suffer from these broken chains of commerce.

**Mr. Wilson Miao:** Thank you.

Considering that many Canadian companies are voluntarily pulling their operations and products from Russia right now, do you believe that this is an indicator that Canadian companies that continue to operate or fulfill contracts in Russia will see negative reactions from Canadian consumers, which will negatively impact their bottom lines?

Maybe I'll ask Mr. Agnew to answer that.

**Mr. Mark Agnew:** Yes, and I think if you look at the companies that have pulled out of the Russian market proactively, doing that has certainly been in response to not only the risk and inability to get paid but also, I think, the pressure and the expectations from their investors and their consumers. You would have seen that particularly in the early days, when a number of large, well-known multinational brands were beginning to withdraw from the market.

**Mr. Wilson Miao:** Would you say that generally Canadian consumers and companies have been supportive of the way the Government of Canada has responded to the unjust invasion and attack on Ukraine?

**Mr. Mark Agnew:** Yes, I would say that on the whole there has been a fairly broad-based support in the business community for the sanction measures that Canada and its allies have taken.

**Mr. Wilson Miao:** Thank you.

Mr. Shevchenko, do you have any additional comments on that?

**Mr. Andriy Shevchenko:** I think we greatly appreciate these steps, both those that were initiated by governments and those that were kind of grassroots. In the 21st century, in good countries, governments do what the public wants them to do. It goes a very long way for us to see how widely the public has reacted to the events in Ukraine. We are grateful to Canadians who care about events in Ukraine and for their support for us.

Again, with the businesses, we greatly appreciate it, and I think they just follow the mood, follow the intention and follow the passion that the wider public has.

Thank you for that.

**Mr. Wilson Miao:** Thank you.

**The Chair:** Thank you very much, Mr. Miao.

We now go to Mr. Lewis for five minutes, please.

**Mr. Chris Lewis (Essex, CPC):** Thank you very much, Madam Chair. Thank you to all the witnesses this afternoon for your testimony. We certainly appreciate it.

I have just four questions, Madam Chair, and I want to say to Mr. Shevchenko, as did my colleague, Mr. Virani, earlier on, that our hearts are definitely with you all.

Mr. Shevchenko, you mentioned earlier on that of your labour force, 82% or 89%—and if my numbers are a little off here, I apologize—was still retained, but I believe it to be true that about 4.5 or so million Ukrainians have fled and, quite frankly, I don't blame them.

I wonder, Mr. Shevchenko, how has that affected the labour force in Ukraine?

• (1705)

**Mr. Andriy Shevchenko:** It has affected it dramatically. The specific number, 89%, was for one sector, which is IT or ICT, and that just tells you that we cherish our good IT specialists with their laptops just as much as our brave warriors with their weapons. When it comes to the labour market in general, at the moment, up to 15 million Ukrainians out of 47 million have had to change their location. It's the biggest relocation of citizens in such a short time in the history of Europe. There has been nothing in the history of the continent on this scale. Think about 15 million Ukrainians having to change their location.

Having said that, there are so many Ukrainians who, even under these circumstances, are trying to do their work, no matter where they are at that moment. When you look at the Ukrainians who have had to flee abroad, they try to be useful there. They try to find jobs, and it's a very good example of how to behave in such a situation.

**Mr. Chris Lewis:** Thank you very much for the clarification on the numbers, Mr. Shevchenko.

Back to you, sir, through you, Madam Chair, I'm just curious, then, with regard to grain. Understanding that Ukraine is somewhat of a bread basket, as is Canada, for the world's food supply, and just to stay on that line of questioning, what about the farmers, then? If they're fleeing, how is grain being produced and what about the labour market on your farms?

**Mr. Andriy Shevchenko:** The farmers who are in the territories occupied by the Russians cannot do anything right now. The same goes for the battlefields, but in other parts of the country, they have started their farming season. We want them to do that; it's very important.

If we talk about the food security situation, there has been a major destruction of Ukrainian and Russian crop production. Also, we should think about potash and that part of the food supply chain. I think it creates some new opportunities for Canada, and I think it's a major global challenge that we should think about together.

**Mr. Chris Lewis:** Thank you, Mr. Shevchenko.

I have a final question, Madam Chair, through you to the witness.

I know farmers here in Canada are really feeling the pinch on fertilizers. If you can get it, you're paying a whole bunch more money. I'm just curious, sir: What about fertilizers for your farmers? What about just the grain to plant the fields? What does that look like, and what can we do to help?



**Mr. Andriy Shevchenko:** It is a major challenge in this part of the world. A lot of fertilizers and potash have been coming from Russia and from Belarus. That is not a market we would like to buy anything from right now.

It is a challenge; it is a global challenge and again, I think it's one of the fields where Canada can be a very important voice.

**Mr. Chris Lewis:** Thank you, Madam Chair.

**The Chair:** Thank you, Mr. Lewis.

We'll move on to Ms. Dhillon, please, for five minutes.

[Translation]

**Ms. Anju Dhillon (Dorval—Lachine—LaSalle, Lib.):** Thank you, Madam Chair.

My first question is for Mr. Agnew.

How can the Government of Canada support other countries, and their industries, that have been affected by the sanctions against Russia?

In terms of industries that exported to Russia, can you give us examples of ones that Canadian companies could provide with goods and services to support Ukraine?

[English]

**Mr. Mark Agnew:** I think the most straightforward answer would be, actually, in our natural resources sector. We have, certainly, a wealth of resources in the oil and gas industry, as well as critical mineral products. Those strike me as being two areas where Canada should look to step up to the plate. Neither of them is a short-term solution. We need better infrastructure to get these products to market, but that would be an area that I would urge prioritization for, coming out of this conflict.

[Translation]

**Ms. Anju Dhillon:** Thank you.

Mr. Bouchard, my next question is for you.

I gather you are having problems because of the sanctions imposed on Russia as a result of its attack on Ukraine.

What other countries do you do business in?

Have the sanctions affected your business in other countries?

Which sanctions have been the most problematic for your company?

I hope you'll be able to answer all three of those questions.

• (1710)

**Mr. Louis Bouchard:** As I mentioned, STAS is an international company. We do business in more than 40 countries. The sanctions against Russia affected us immediately. This is the second time that STAS has been affected by a sanctions regime. The first time was in 2018, when sanctions targeted the big boss of Rusal, Oleg Deripaska, a known oligarch. [Technical difficulty—Editor] the sanctions do not impact the metal mining industry and Mr. Deripaska.

[Technical difficulty—Editor] In metal mining, we often operate in countries whose political systems differ from ours, including

Saudi Arabia, countries in the Mideast and China, so we are used to dealing with those types of issues.

**Ms. Anju Dhillon:** Thank you.

In response to Russia's invasion of Ukraine, the international community, including Canada, the United States and the European Union, have imposed sanctions on Russia. Some analysts describe the sanctions as the most comprehensive set of multilateral economic sanctions imposed on a major global economy.

Can you tell us why it's important for the economic sanctions to be multilateral and how that makes them more effective?

[English]

**The Chair:** Who would you like to answer that question, Ms. Dhillon?

[Translation]

**Ms. Anju Dhillon:** The question was for Mr. Bouchard.

[English]

**The Chair:** Mr. Bouchard, are you still with us?

[Translation]

**Mr. Louis Bouchard:** Yes, sorry. I'm back.

Multilateral sanctions have a very big impact. We have to abide by the Canadian, American and European sanctions. Not only does that make it incredibly complex for us to do business, but it also drives up the costs associated with compliance.

**Ms. Anju Dhillon:** Thank you.

That's all for me.

[English]

**The Chair:** Thank you.

We'll go on to Mr. Savard-Tremblay for two and a half minutes, please.

[Translation]

**Mr. Simon-Pierre Savard-Tremblay:** Mr. Bouchard, I think the situation calls for market diversification, and my sense is that you have come to the same conclusion.

Did you get the support you need on that front?

What would you like to see in terms of support?

**Mr. Louis Bouchard:** Thank you for your question, Mr. Savard-Tremblay.

Yes, market diversification is necessary. We are always on the lookout for opportunities. I would say that, today, STAS has an international presence in the aluminum market. We need to grow and strengthen our commercial presence in all of those markets and diversify into new technologies and products. That will require a tremendous amount of support given the extraordinary circumstances we are dealing with right now.

**Mr. Simon-Pierre Savard-Tremblay:** If I understand correctly, you haven't received that support thus far.

**Mr. Louis Bouchard:** No, none whatsoever. The Canadian government is taking the position that Russia accounts for a very minor portion of Canada's international trade. I agree with that, but the repercussions are very serious for some companies and the government needs to support them.

**Mr. Simon-Pierre Savard-Tremblay:** Have you looked into the matter from a legal standpoint, to see whether there are any precedents or some type of grandfather clause?

• (1715)

**Mr. Louis Bouchard:** No. We are in the process of looking [*Technical difficulty—Editor*] and we are trying to balance—

**Mr. Simon-Pierre Savard-Tremblay:** We can't hear you very well, Mr. Bouchard.

Could you please repeat what you were saying?

**Mr. Louis Bouchard:** We are in the process of looking into that. We are trying to see what our options are.

**Mr. Simon-Pierre Savard-Tremblay:** Very good.

Have you learned anything? Have you made any inquiries as far as government departments or agencies are concerned?

**Mr. Louis Bouchard:** We are trying to reach out to the various departments, but the chain of communication is a bit challenging.

No one in the government seems to be taking the lead on what the repercussions are or how the government can help Canadian companies.

**Mr. Simon-Pierre Savard-Tremblay:** You talked about market diversification supports.

I'm being told that my time is up.

Thank you, Mr. Bouchard.

[*English*]

**The Chair:** Thank you.

We'll go to Mr. Masse for two and a half minutes.

**Mr. Brian Masse:** Thank you, Madam Chair.

I would like to return to Mr. Agnew.

I'm just curious with regard to the financial sector. There's been some co-operation internationally. There's been a lot of attention, obviously, to oligarch yachts and stuff like that, but do you have any idea how we're doing as nation states, like Canada and the United States, with regard to, say, the retail, commercial and financial sectors, and whether or not we're matching up and aligning very well?

I haven't seen any analysis on whether or not we're actually on the same stream of things with regard to some of the retail and commercial sectors regarding sanctions.

**Mr. Mark Agnew:** I haven't done any line by line, because there are, obviously, many individuals who have been added to the list. One area where Canada does need to up its game, as it relates to individuals, is in terms of beneficial ownership. This is something that's been talked about since, I believe, 2012-13, if you were to go back to various G7 communiqués. Progress has been slow here, because it involves provincial jurisdiction. Certainly, that would be an area we need to do more work on, internally, to get our house in order with federal-provincial co-operation.

**Mr. Brian Masse:** That is music to my ears. I remember beneficial ownership on the industry committee. I actually lost a series of amendments on that. We're almost a rogue state, when it comes to the clandestine hiding that can happen with it. I really appreciate that commentary, because it really was evident, and we missed that opportunity about five years ago.

Thank you, Madam Chair. Those are all my questions. I appreciate the witnesses for being here on such a difficult day.

**The Chair:** Mr. Baldinelli, you have the floor, for five minutes.

**Mr. Tony Baldinelli:** Thank you, Madam Chair, and thank you to the witnesses for being with us today.

I'm going to split my time with my colleague.

I want to follow up on what my Liberal colleague mentioned and ask Mr. Bouchard some questions. I also want to follow up on my earlier questions regarding Export Development Canada, EDC.

You mentioned earlier that you have about \$4.4 million at risk. You mentioned that EDC would no longer provide insurance after 2014. When were the contracts you're engaged in now entered into? Were they after 2014, in the period in which EDC would no longer provide insurance? I'm trying to get my head wrapped around some of that. Could you provide an answer to that?

[*Translation*]

**Mr. Louis Bouchard:** Yes, absolutely. Most of the projects we carry out span two to three years. The projects we are working on today were approved after 2014, in or around 2018 or 2019.

[*English*]

**Mr. Tony Baldinelli:** In that case, you were aware you would not have the backstop of EDC providing any assistance, or insurance, for those contracts you were going to go forward with from a risk management perspective. I just wanted to clarify that, and I will pass it on to my colleague.

[*Translation*]

**Mr. Louis Bouchard:** Yes, we were aware.

[*English*]

**Mr. Ziad Aboultaif:** Thanks, Mr. Baldinelli.

The question is again for Mr. Agnew. The sanctions could provide an opportunity for Canada-Ukraine trade, and could also have the opposite effect. Would you be able to comment on that?

It's very critical if we are planning to move forward. Hopefully, the situation in Ukraine will settle soon, so we won't have to worry about that, but on the other hand, we need to know.

What do you think the effect of those sanctions is, whether negative or positive, on the whole trade relationship with Ukraine?

• (1720)

**Mr. Mark Agnew:** I don't believe that sanctions on Russian entities will have an impact on Canada-to-Ukraine trade flows. What I suspect we'll see is that, unfortunately, due to the conflict, trade between Canada and the Ukraine will collapse and there won't be very much happening, just because of the market uncertainty. That will start to increase, hopefully, when the conflict ends, regardless of whether or not the sanctions are still in place on Russian entities.

**Mr. Ziad Aboultaif:** Do you think we are well positioned on both sides to be able to do that upswing on the trade relationship?

**Mr. Mark Agnew:** Yes. I mean, not in the short term, because, as Mr. Shevchenko said, there's certainly an active conflict ongoing and there will be a need to rebuild. However, once the domestic Ukrainian infrastructure starts to be rebuilt, hopefully, after the conflict ends, then we will see trade start to increase. I think that's still a bit of a way off at this point.

**Mr. Ziad Aboultaif:** Can you name just one factor that is going to really be a game-changer in this whole thing?

**Mr. Mark Agnew:** Hopefully it will be the absence of a conflict. I'm not trying to be glib about it, but I think that when that conflict ends, then hopefully Canadian companies will see a reason to start to think about that market again.

**Mr. Ziad Aboultaif:** On the business and investment side, where's the hope?

**Mr. Mark Agnew:** We have the existing agreement in place. I would look at agriculture and fisheries as being one area. Ukraine's own domestic food production is going to be affected negatively by the conflict, so I think there's a risk of being, frankly, opportunistic about human tragedy. If you look at the economic realities, countries like Canada will have a chance to step in and help with Ukrainian food security coming out of the immediate aftermath of the conflict.

**Mr. Ziad Aboultaif:** There are sectors we can see being very promising that we haven't tackled yet. I'm sure, as we are planning to move forward on this trade relationship, we must have a plan on how to move forward and prepare ourselves, the business community, as well as the political and governmental side of it. In which areas do you think we can have the most hope to pick up the trade relationship further?

**Mr. Mark Agnew:** Again, not wanting to come off as opportunistic in a time of human tragedy—

**Mr. Ziad Aboultaif:** I'm not trying to either.

It's very unfortunate that we're having this discussion, but the conversation's on the table and we're trying to somehow modernize the free trade agreement.

**Mr. Mark Agnew:** One area, for instance, is going to be in engineering, construction and infrastructure services. Again, there's going to be a lot that's going to have to be rebuilt in the country. I think if you look at where Canada has expertise, infrastructure and engineering is one area where there's a complementarity, if I can use that term.

**The Chair:** Thank you.

**Mr. Ziad Aboultaif:** Thanks, Chair.

**The Chair:** We'll move on to Mr. Arya for five minutes, please. He will be our last questioner.

**Mr. Chandra Arya (Nepean, Lib.):** Thank you, Madam Chair. I appreciate it.

Mr. Winston Gereluk, you mentioned the labour issues in Ukraine, and your points are taken. However, if you refer to the Canada-Ukraine Free Trade Agreement, we have a chapter—chapter 13, I think—on labour. Both Canada and Ukraine will reaffirm our commitment to the International Labour Organization and we accept the principles on the rights of workers adopted by the ILO.

Specifically, we have considered all the aspects related to labour, whether it's the abolition of child labour, the abolition of forced or compulsory labour, the elimination of discrimination, or the minimum employment standards that we have to accept, such as minimum wages, overtime pay and obviously the issues related to occupational injuries, illnesses, etc. Those things have been considered in the current agreement.

However, there is always scope for improvement. I agree. If you have anything specific that you feel is left out of the current agreement and that we can consider in the modernization of the agreement, please let us know. The time is limited, though, for you to go into that. If possible, I'll come back to you, but please provide in writing all the shortcomings you see or, rather than the shortcomings, the things that can be considered in modernizing the agreement.

Mr. Bouchard, I really appreciate the anguish of the problem you're facing. Canada is a trading nation. I came from a private sector company into politics. We don't have the luxury to trade only with other countries that are as good as Canada. For us to survive—as private companies and as a country—we have to trade with almost everybody. We have to trade with non-democratic countries where authoritarianism is the rule, and sometimes we have to deal with countries that are not—that are corrupt, to put it very simply. However, we need to have trade going on, and I appreciate the problem you have.

Respectfully, I have to disagree with the statement by one of the witnesses that if you want to do business, you have a price to pay. That was the implication of the statement by one of the witnesses. Respectfully, I disagree. Whenever we have free trade agreements with several countries, the sectors affected by that agreement are compensated by the Government of Canada. I hope there is some mechanism by which we can look into the issues faced by the countries that are being affected by the sanctions.

Mr. Clayton Kotylak, as we know, Russia and Ukraine are both exporters of wheat. I think Russia exported close to 13 million tonnes and Ukraine about 20 million or 25 million tonnes, and obviously Canada is a big exporter of wheat. With wheat being a food commodity that is very important for everybody in the world, this is going to have an impact: The sanctions on Russia and the illegal invasion of Ukraine by Russia will affect the trade in wheat, and Canada is one of the major exporters.

My question is, what is the world capacity to grow wheat? Or, rather, what is the capacity utilization? Are we growing wheat to the maximum capacity that is available, or is there is further potential available for us to grow and export?

• (1725)

**Mr. Clayton Kotylak:** There's always wiggle room to adjust acres, but part of what it means to be a farmer in western Canada is that you grow only one crop per year. Given the nature of that type of business, it forces you to play the long game.

When you're thinking in terms of one farmer's career, in which there are only perhaps 25 or 30 crops, sustainability is of the utmost

importance. It has been that way certainly since I started farming. What this really means is that one of the biggest components of sustainability is crop rotation.

Yes, there is room for adjustment in the production of wheat; however, we have to consider the situation in perhaps a year or two years from now, when we may be in an even worse situation if this conflict continues or if there's perhaps a global drought. Although we can pivot, it probably would be a potential increase of only about 10% in the production of wheat in western Canada.

**The Chair:** Thank you very much for that answer.

To all of our witnesses, we know it's very difficult times and we're certainly doing everything we can to assist the people of Ukraine.

Again, thank you so much to our witnesses for taking the time today, and to our committee members, thank you all very much.

The meeting is adjourned.

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