

Senate



Sénat

CANADA

**STANDING SENATE
COMMITTEE ON
FOREIGN AFFAIRS AND
INTERNATIONAL TRADE**

**A WORKPLAN
FOR CANADA
IN THE NEW
GLOBAL ECONOMY:**

**RESPONDING TO THE
RISE OF RUSSIA,
INDIA AND CHINA**

June 2010

Ce rapport est aussi disponible en français.
Des renseignements sur le comité sont donnés sur le site :
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*A Workplan for Canada
in the New Global Economy:*

*Responding to the Rise of
Russia, India and China*

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FOREWORD

The rise of China, India and Russia in the new global economy holds significant domestic, bilateral, and global implications for Canada and for its future commercial prosperity. As a result, the Standing Senate Committee on Foreign Affairs and International Trade undertook a study in November 2007 which was motivated by an interest in the extent and ways in which Canada could benefit from the impressive and almost unprecedented economic growth of these three countries.

This report is the conclusion of three years of hearings in Ottawa and of fact-finding missions to Russia and China. The passage of time has only intensified the need for this exercise. Indeed, intervening events such as the global financial and economic crisis, the recession in the United States, and the decline in the price of oil, have amplified their relevance for Canadian policy.

This report is the second of three reports. The third segment, will be drafted only after the committee concludes its fact-finding mission to India.

I would like to express my personal thanks to the members of the Committee who were available for many extended meetings in order to hear the evidence of all of the witnesses who appeared before us over the course of this study. I would like to thank sincerely my predecessor, Senator Consiglio Di Nino and the Deputy Chair, Senator Peter A. Stollery, for their dedication to this Committee and specifically, to this study.

Mention should be made of the assistance the committee received during its fact-finding mission in China from the staff of the Canadian Embassy in Beijing and General Consulates in Shanghai, Guangzhou and Hong Kong, in particular from H.E. David Mulroney, Ambassador and Mr. Louis-Martin Aumais, and also H.E. Lan Lijun, Ambassador and Mr. Wenzhe You from the Embassy of the People's Republic of China to Canada.

Additionally, I would like to thank all of the witnesses who appeared before us, representing the various stakeholder groups. The quality of the evidence presented, both orally and in written submissions, and the ability of the witnesses before the Committee to respond, on short notice, to often complex questions demonstrated their expertise and knowledge of the subject discussed.

Particular mention should be given to the Parliamentary Information and Research Service of the Library of Parliament for its assistance and, principally, the researcher for our Committee, Natalie Mychajlyszyn, as well as her former colleague Jennifer Paul. I would also like to thank the Clerk of the Committee, Denis Robert, Senate support staff and team of translators who assisted the Committee in completing this study.

I know I speak on behalf of our entire Committee in saying that it is our sincere hope that the government will find these recommendations pertinent and timely.

*Senator Raynell Andreychuk
Chair of the Committee*

THE COMMITTEE

The following Senators have participated in the study:

The Honourable Raynell Andreychuk, Chair of the committee
The Honourable Peter Stollery, Deputy Chair of the committee

and

The Honourable Senators:

Consiglio Di Nino (former chair of the committee);
Percy Downe;
Doug Finley;
Suzanne Fortin-Duplessis;
Mobina Jaffer;
Frank Mahovlich;
Pierre Claude Nolin;
Hugh Segal;
David P. Smith, P.C.;
Pamela Wallin.

Ex-officio members of the committee:

The Honourable Senators Marjory LeBreton, P.C. (or Gérald Comeau) and James Cowan (or Claudette Tardif)

Other Senators who have participated from time to time in the study:

The Honourable Senators Eymard Corbin (retired August 2, 2009), Pierre De Bané, P.C., Jerahmiel S. Grafstein (retired January 2, 2010), Dennis Dawson, Céline Hervieux-Payette, P.C., Leo Housakos, Fernand Robichaud, P.C., Carolyn Stewart-Olsen, David Tkachuk and Rod A.A. Zimmer

Staff of the committee:

Natalie Mychajlyszyn, Analyst, Parliamentary Information and Research Service, Library of Parliament;
Karen Schwinghamer, Senior Communications Officer;
Sylvie Simard, Administrative Assistant; and
Denis Robert, Clerk of the committee.

Other Staff who have assisted the committee:

Jennifer Paul former analyst with the Parliamentary Information and Research Service, Library of Parliament;

ORDER OF REFERENCE

Extract from the *Journals of the Senate*, Tuesday, March 16, 2010:

“The Honourable Senator Andreychuk moved, seconded by the Honourable Senator Wallin:

That the Standing Senate Committee on Foreign Affairs and International Trade be authorized to examine and report on the rise of Russia, India and China in the global economy and the implications for Canadian policy;

That the papers and evidence received and taken and the work accomplished by the committee on this subject during the Second Session of the Thirty-ninth Parliament and during the Second Session of the Fortieth Parliament be referred to the committee; and

That the committee presents its final report no later than June 30, 2010 and retain all powers necessary to publicize its findings until December 31, 2010.

After debate, [...]

The motion was adopted on division.”

ATTEST

Gary W. O'Brien
Clerk of the Senate

Extract from the *Journals of the Senate*, Thursday, June 3, 2010:

“The Honourable Senator Andreychuk moved, seconded by the Honourable Senator Gerstein:

That notwithstanding the Order of the Senate adopted on Tuesday, March 16, 2010, the date for the presentation of the final report by the Standing Senate Committee on Foreign Affairs and International Trade on the rise of Russia, India and China in the global economy and the

implications for Canadian policy be extended from June 30, 2010 to December 31, 2010 and that the committee retain all powers necessary to publicize its findings until March 31, 2011.

The question being put on the motion, it was adopted.”

ATTEST

Gary W. O'Brien
Clerk of the Senate

EXECUTIVE SUMMARY

In November 2007, the Senate Standing Committee on Foreign Affairs and International Trade initiated a study on the rise of China, India and Russia in the global economy and the implications for Canadian policy.

Nearly three years, 90 witnesses, 45 hearings, and two fact-finding missions later, the Committee concludes in this report that the emergence of these three economies holds significant domestic, bilateral, and global implications for Canada and for its future commercial prosperity. As a result, for the sake of Canadian companies specifically and Canadians more generally, the Committee recommends that the Government of Canada formulate a set of policies that better mitigate the associated challenges and realise potential benefits in order to enhance Canada's commercial relations with China, India and Russia.

More specifically, the Committee is making 23 recommendations that collectively set out a workplan for Canada in the new global economy and that aim to correct a situation with these three economies which has been marked by insufficient attention and unfavourable distractions. These recommendations are organised along the themes of increasing attention to China, India and Russia in Canadian trade and investment policies and resources; building and maximising intergovernmental relations; leveraging the business and diaspora communities; promoting an architecture of norms and standards; and, improving Canada's domestic competitiveness. We also make recommendations concerning Canadian opportunities in such sectors as agriculture, infrastructure (including transportation), alternative energy and environmental technologies, education, as well as opportunities for small- and medium-sized enterprises (SMEs).

Out of the Committee's 23 recommendations, several stand out as being particularly compelling and we are taking the liberty of listing them here. In addition to **concluding multilateral and bilateral trade and investment agreements (Recommendations 11 and 12)** as well as **establishing properly and adequately staffed representation offices in these three countries (Recommendation 3)**, the Committee strongly believes that **a greater emphasis needs to be placed on high-level visits**. In particular, as per **Recommendation 5**,

in order to build and sustain the momentum established by recent high-level visits, including by the Prime Minister, the Government of Canada should increase the frequency of high-level visits, particularly Ministerial visits, to China, India and Russia. These visits should be strategically focused and should involve follow-up activities in relation to the matters discussed.

In this context, we believe that the reinforcing role parliamentarians play with respect to Canadian relations with the three countries should be promoted. Indeed, Canadian parliamentarians already interact regularly and substantively with their counterparts from China, India and Russia in numerous bilateral and multilateral fora. These include the Inter-Parliamentary Union, the NATO and OSCE Parliamentary Assemblies, the Commonwealth Parliamentary Association, and the Canada-China Legislative Association. There is also the Canada-Russia Parliamentary Group and the Canada-India Friendship Group. Given the range of support offered to the different types of inter-parliamentary groups, we are committed to exploring options for elevating Canada's parliamentary groups with Russia and India. Accordingly, we recommend that,

in light of the linkages established by members of the Canadian Parliament with members of the legislatures of China, India and Russia, especially by way of the activities of various multilateral and bilateral parliamentary associations, as well as the positive influence these linkages have in advancing bilateral relations and reinforcing inter-governmental initiatives, parliamentary delegations should continue to play a strong role in Canada's diplomacy with these countries.

Second, as listed in **Recommendation 7**, the Committee believes that a **“Canada Brand”** needs to be developed in order to strengthen Canada's commercial profile in China, India and Russia amidst the strong presence of many competitors. In addition,

The Government should undertake a vigorous marketing campaign in the three countries to promote the Canada Brand and to convey a single message about Canada's advantages and expertise in a variety of areas.

This recommendation builds on the favourable perception of Canada in the three countries, showcases Canada's comparative advantages more aggressively, and raises the level of awareness of Canadian companies.

Third, and reinforcing the previous recommendation, the Committee is convinced of the value for Canada's commercial relations with China, India and Russia of encouraging a **“whole of Canada”** approach. More specifically, as per **Recommendation 6,**

In order to maximise available human and physical resources and to strengthen the cohesiveness of Canada's presence in China, India and Russia, the Government of Canada should take the necessary steps to:

- encourage greater use of co-location strategies on the part of provincial and territorial offices at Canadian missions in China, India and Russia, including by way of consultations with provincial and territorial international trade counterparts;**
- continue to ensure collaboration among key federal agencies and departments involved in the promotion of Canadian commercial interests in China, India and Russia, namely, the Trade Commissioner Service, Export Development Canada, the Canadian Commercial Corporation, the Business Development Bank of Canada, Industry Canada, Finance Canada, and Foreign Affairs and International Trade Canada; and,**

- coordinate a national strategy regarding enhanced commercial relations between Canada and each of China, India and Russia. The strategy, which should be developed in consultation with the business sector, should take into account the interests and advantages of the federal, provincial, territorial and municipal governments and their respective departments.

Moreover, this recommendation not only aims at harnessing the disparate strengths and resources among the federal, provincial and territorial, and municipal jurisdictions, but it also reinforces the image of Canada as a cohesive, organised and well-functioning unit.

Fourth, and related to the previous recommendation, as a critical element of improving Canada's domestic competitiveness in the new global economy and presenting it as an efficient and productive gateway for the movement of goods, the Committee is convinced of the need for an **integrated National Transportation Strategy**. As we indicate in **Recommendation 18**, such a strategy should:

- be coordinated with the provincial, territorial and municipal governments;
- promote a greater number of mutually beneficial private-public partnerships;
- involve both coasts;
- strengthen links between the regions where products are sourced and the ports from which they are distributed to international markets;
- improve port capacity;
- increase the number of containers returning to overseas markets filled with high-value good;
- improve cost-effectiveness; and,
- improve logistics in transportation infrastructure.

In light of strong testimony about the impact labour relations can have on reducing the competitiveness and reliability of Canada's transportation gateway, we are also

convinced of the need to have in place alternative dispute-settlement mechanisms to resolve labour disputes in the transportation sector.

Fifth, the Committee heard a tremendous amount of testimony during its hearings and its fact-finding mission to Russia about the level of efficiency of Canada's visa regime and its impact on our commercial relations. In response, we reviewed the situation with the appropriate government officials and agencies and are satisfied that not only is the current legislation being carried out with due diligence, but also with the many corrective measures that have been undertaken to facilitate the entry into Canada of business representatives and government officials. Accordingly, in **Recommendation 10**, we recommend,

given that the number of visa applications to Canada from China, India and Russia has been increasing, the Government of Canada should continue its efforts to improve the efficiency of Canada's visa regime and to undertake corrective measures, including increased resources as warranted, in order to ensure that Canada is perceived as a country with a streamlined visa system. In this respect, we support initiatives that would identify key positions, including parliamentary ones, whose incumbents would be associated with the national interest and for whom the issuance of visas or permits would be expedited.

Sixth, in order to mitigate the higher risks in the Chinese, Indian and Russian economies, and improve the possibility of commercial gain, the Committee is well aware of the importance of **access to financing and credit** for companies, particularly small- and medium-sized enterprises (SMEs). As per **Recommendation 4**, we recommend that,

the Government of Canada should continue to support the work of Export Development Canada in expanding Canadian business in China, India and Russia. In doing so, it should study and follow the success other countries have achieved in improving the accessibility of financing and insurance for business ventures,

particularly with respect to the number of and range of expertise needed among staff in these areas.

Indeed, mindful of the **benefits to SMEs of accessing the support and guidance necessary to enter these markets**, in **Recommendation 22** we recommend in particular that they

continue to be assisted by Foreign Affairs and International Trade Canada and Export Development Canada as they undertake needed cost-benefit analyses, develop market strategies and realise their commercial goals.

Finally, the Committee believes that the benefit for the Canadian economy of **sovereign wealth funds** and the potential they offer with respect to enhancing necessary foreign investment in Canada can be maximised if appropriate standards are in place. Accordingly, in **Recommendation 23**, we recommend that,

the Government of Canada should take the necessary steps to develop and implement a strategy in relation to foreign investment by sovereign wealth funds and state-owned enterprises. The strategy should take into account Canada's existing standards and regulations regarding foreign investments.

This is Canada's chance to fulfill its full potential regarding commercial relations with these three emerging, dominant and increasingly significant economies. The stakes for Canadian businesses and consumers are indeed high. We stand behind our recommendations and look forward to stronger commercial relations with China, India and Russia, and to greater Canadian prosperity.

RECOMMENDATIONS

III. THE SOLUTION: PUTTING CHINA, INDIA AND RUSSIA ON CANADA'S RADAR

Government Programs and Resources

Recommendation 1

The Government of Canada should continue to deliver and fund initiatives and programs that aim to improve Canada's position in the new global economy and in global value chains.

From a commercial perspective, the Government of Canada should continue to ensure that it develops and implements policies and programs which engage and position Canada in relation to China, India and Russia more advantageously. These measures should reflect the unique advantages and features of each market for Canadian companies. Moreover, the Global Commerce Strategy and the market plans for China, India and Russia should continue to be supported and enhanced as required.

In doing so, the Government of Canada should ensure that the initiatives and programs it is undertaking offer good value for money.

Allocating Government Resources

Recommendation 2

In order to send a positive signal to high-level officials about the value Canada places on its trade and investment relations with China, India and Russia, the Government of Canada should create the position of Special Commercial Envoy. The clearly-defined mandate of the Special Envoy would include consulting with prominent business leaders and high-level government officials from Canada and from the three countries in an effort to identify strategies for enhancing commercial relations.

Increasing Physical Presence Developing Relevant Public Service Skills and Training

Recommendation 3

In light of the importance of, and value derived from, Canadian representation in the three emerging markets of China, India and Russia, as well as the presence of only one representation office in Russia, the Government of Canada should devote increased government resources to the establishment of properly and adequately staffed representation offices in these three countries. At the same time, it should ensure that the necessary competencies, including language, cultural-awareness and market-knowledge, are in place in a manner that advances Canada's commercial interests.

Facilitating Financing

Recommendation 4

Recognising the importance and difficulty of accessing financing and insurance for commercial activities in higher-risk markets, including China, India and Russia, the Government of Canada should continue to support the work of Export Development Canada in expanding Canadian business in China, India and Russia. In doing so, it should study and follow the success other countries have achieved in improving the accessibility of financing and insurance for business ventures, particularly with respect to the number of and range of expertise needed among staff in these areas.

IV. THE SOLUTION: BUILDING AND MAXIMISING RELATIONS

Government Interaction and High Level Visits Legislative Diplomacy

Recommendation 5

In order to build and sustain the momentum established by recent high-level visits, including by the Prime Minister, the Government of Canada should increase the frequency of high-level visits, particularly Ministerial visits, to China, India and Russia. These visits should be strategically focused and should involve follow-up activities in relation to the matters discussed.

In light of the linkages established by members of the Canadian Parliament with members of the legislatures of China, India and Russia, especially by way of the activities of various multilateral and bilateral parliamentary associations, as well as the positive influence these linkages have in advancing bilateral relations and reinforcing inter-governmental initiatives, parliamentary delegations should continue to play a strong role in Canada's diplomacy with these countries.

Developing a National Strategy of Engagement

Recommendation 6

In order to maximise available human and physical resources and to strengthen the cohesiveness of Canada's presence in China, India and Russia, the Government of Canada should take the necessary steps to:

- encourage greater use of co-location strategies on the part of provincial and territorial offices at Canadian missions in China, India and Russia, including by way of consultations with provincial and territorial international trade counterparts;
- continue to ensure collaboration among key federal agencies and departments involved in the promotion of Canadian commercial interests in China, India and Russia, namely, the Trade Commissioner Service, Export Development Canada, the Canadian Commercial Corporation, the Business Development Bank of Canada, Industry Canada, Finance Canada, and Foreign Affairs and International Trade Canada; and,

- coordinate a national strategy regarding enhanced commercial relations between Canada and each of China, India and Russia. The strategy, which should be developed in consultation with the business sector, should take into account the interests and advantages of the federal, provincial, territorial and municipal governments and their respective departments.

Developing and Marketing a Canada Brand

Recommendation 7

In light of the saturated nature of the markets in China, India and Russia as well as Canada's less visible profile relative to some competitor nations, the Government of Canada should develop a "Canada Brand" with which Canadian companies can distinguish themselves from their competitors. The Government should undertake a vigorous marketing campaign in the three countries to promote the Canada Brand and to convey a single message about Canada's advantages and expertise in a variety of areas.

Leveraging Business Networks and Associations

Recommendation 8

The Government of Canada should continue to consult with the relevant business associations in Canada as well as in China, India and Russia in order to better understand the markets in these countries as well as to promote commercial opportunities and agreements, diplomatic initiatives, and areas of mutual benefit and complementarity.

In order to improve Canadian corporate awareness of the markets in these three countries, the Government of Canada should establish and visibly support the activities of CEO roundtables targeting China, India and Russia. In addition to CEOs, these roundtables should include as observers key government officials.

Leveraging Diaspora Communities

Recommendation 9

In developing policies and strategies connected to the enhancement of Canada's commercial relations with China, India and Russia, the Government of Canada should act in a manner that maximises the comparative advantage associated with the diaspora communities in Canada, including the relevant knowledge and skills they offer about the three emerging markets. Likewise, the Canadian ex-patriate communities in the target economies, particularly the sizeable community in Hong Kong, should be viewed as important sources of information and access points that can be used to further commercial gains in the three countries.

Visas

Recommendation 10

Given that the number of visa applications to Canada from China, India and Russia has been increasing, the Government of Canada should continue its efforts to improve the efficiency of Canada's visa regime and to undertake corrective measures, including increased resources as warranted, in order to ensure that Canada is

perceived as a country with a streamlined visa system. In this respect, we support initiatives that would identify key positions, including parliamentary ones, whose incumbents would be associated with the national interest and for whom the issuance of visas or permits would be expedited.

V. THE SOLUTION: PROMOTING AN ARCHITECTURE OF NORMS AND STANDARDS

Multilateral Agreements

Recommendation 11

The Government of Canada should continue to take the actions needed to strengthen and demonstrate its support for a strong multilateral regime governing more open trade and investment, including by continuing to:

- pursue the achievement of multilateral agreements in a manner consistent with Canada's interests;
- encourage Russia's accession to the World Trade Organization at the earliest opportunity; and,
- use available mechanisms to enforce agreed rules, to take appropriate remedial action when these rules are violated, and ensure that the outcomes are enforced.

Bilateral Agreements

Recommendation 12

The Government of Canada should ensure that the bilateral agreements with China, India and Russia that are currently being

negotiated and concluded, including the Foreign Investment Protection Agreement with each of them and the Comprehensive Economic Partnership Agreement with India, are completed and implemented in an early and timely manner. Moreover, they should be completed and implemented in a manner consistent with Canadian interests and international principles regarding the liberalisation of trade and investment.

Recommendation 13

The Government of Canada should, through the reallocation of existing resources, establish an inter-departmental Trade Negotiation and Implementation Secretariat. This Secretariat would facilitate consultations and interactions among federal departments that have an active interest and role in multilateral and bilateral trade and investment negotiations as well as in the implementation of any resulting agreements.

Creating a Mechanism for Engagement and Mutual Understanding

Recommendation 14

The Government of Canada should establish and institutionalise with each of China, India and Russia a high-level inter-governmental bilateral mechanism involving private and public measures by which issues and grievances regarding compliance with norms and standards, particularly human rights, can be discussed.

Promoting and Protecting Canadian Values

Recommendation 15

The Government of Canada should continue to maximise opportunities that involve the promotion and protection of Canadian values and that encourage compliance by these countries with norms and standards. These opportunities include the promotion of corporate social responsibility by Canadian government-supported commercial activities as well as the provision of technical assistance training.

VI. THE SOLUTION: IMPROVING CANADA'S DOMESTIC COMPETITIVENESS

Enhancing Canada's Performance in the Knowledge and Innovation Sectors

Recommendation 16

In continuing to support domestically focused programs, such as Advantage Canada, that provide the framework for federal action to enhance Canada's domestic competitiveness, the Government of Canada should examine additional opportunities for increasing investments in Canada's knowledge infrastructure, including research and development. It should facilitate greater levels of domestic collaboration among the university, private and public sectors. Such initiatives should be undertaken in collaboration with the provincial and territorial governments, and should encourage strategies that would result in higher numbers of post-

graduate degrees in the disciplines thought to be particularly relevant in the new knowledge economy, including the sciences and engineering. In addition, it should take the necessary steps to develop a commercialisation strategy that facilitates the conversion of the knowledge obtained from research and development initiatives into a value product that leads to better integration of Canada's economy into the new global economy.

Developing Canada's Human Resources

Recommendation 17

In direct response to the requirements of the new global economy and in order to position Canada in the higher-valued links in global value chains, the Government of Canada should undertake the development of strategies and programs to improve our human resources.

Developing Our Transportation Infrastructure Promoting a National Transportation Policy Labour Relations

Recommendation 18

As a key element of Canada's domestic competitiveness with respect to the rise of China, India and Russia, the Government of Canada should continue its initiatives that improve and promote Canada as an efficient and productive gateway for the movement of goods. In particular, these initiatives should reflect an integrated National Transportation Strategy that:

- is coordinated with the provincial, territorial and municipal governments;
- promotes a greater number of mutually beneficial private-public partnerships;
- involves both coasts;
- strengthens links between the regions where products are sourced and the ports from which they are distributed to international markets;
- improves port capacity;
- increases the number of containers returning to overseas markets filled with high-value good;
- improves cost-effectiveness; and,
- improves logistics in transportation infrastructure.

The Government of Canada should also consider the development of alternative dispute-settlement mechanisms to resolve labour disputes in the transportation sector in order to strengthen the international perception of Canada's reliability as a gateway.

VII. THE SOLUTION: IMPROVE COLLECTION OF TRADE AND INVESTMENT DATA

Recommendation 19:

In an effort to improve accuracy, the Government of Canada should take the steps necessary to modify the manner in which data about Canada's trade and investment activities are collected and measured.

VIII. THE STAKES

Canadian Commercial Opportunities

Agriculture

Infrastructure

*Alternative Energy and Environmental
Technology*

Recommendation 20

As part of its efforts to enhance Canada's commercial relations with China, India and Russia, the Government of Canada should take the necessary steps to support opportunities for, and to realise the full potential of, Canadian commercial expertise in such complementary sectors and industries as agriculture, infrastructure (including transportation), and alternative energy and environmental technologies.

Education

Recommendation 21

The Government of Canada should, in consultation with the provincial and territorial governments, relevant industry associations and post-secondary institutions, including universities and colleges, undertake the following activities with a view to enhancing Canada's education services as a component of its commercial relations with China, India and Russia:

- develop an international foreign student recruitment strategy that would increase the number of students from China, India and Russia attending post-secondary education in Canada and which

would focus on Canadian scholastic and vocational expertise and other comparative advantages;

- increase financing and scholarships for students from China, India and Russia as well as for Canadian students interested in studying at post-secondary institutions in these countries;

- establish more student and faculty exchanges as well as research partnerships between post-secondary institutions in Canada and China, India and Russia;

- continue the Edu-Canada initiative;

- develop and implement a strategy for presenting a cohesive image of Canada's education sector when marketing Canadian post-secondary institutions to foreign students; and,

- undertake the necessary steps to expedite the visa processing time for students in order to improve Canada's competitiveness in this regard.

Opportunities for Small and Medium-Sized Enterprises (SMEs)

Recommendation 22

Because small and medium-sized enterprises (SMEs) generally lack adequate resources in order to penetrate foreign markets, such as China, India and Russia, and thereby benefit from the growth of their economies, the Government of Canada should ensure that SMEs continue to receive the support and guidance they need to enter these markets. In particular, SMEs should

continue to be assisted by Foreign Affairs and International Trade Canada and Export Development Canada as they undertake needed cost-benefit analyses, develop market strategies and realise their commercial goals.

Sovereign Wealth Funds

Recommendation 23

The Government of Canada should take the necessary steps to develop and implement a strategy in relation to foreign investment by sovereign wealth funds and state-owned enterprises. The strategy should take into account Canada's existing standards and regulations regarding foreign investments.

A WORK PLAN FOR CANADA IN THE NEW GLOBAL ECONOMY: RESPONDING TO THE RISE OF CHINA, INDIA AND RUSSIA

INTRODUCTION

The rise of China, India and Russia in the new global economy holds significant domestic, bilateral, and global implications for Canada and for its future commercial prosperity. As a result, for the sake of Canadian companies specifically and Canadians more generally, the Government of Canada needs to formulate a set of policies that better mitigate the associated challenges and realise potential mutual benefits in order to enhance Canada's relations with the three countries.

This is the conclusion of an almost three-year study by the Standing Senate Committee on Foreign Affairs and International Trade on the rise of China, India and Russia and implications for Canadian policy. The study began in November 2007 and was motivated by an interest in the extent and ways in which Canada was benefitting from the impressive and almost unprecedented economic growth of Brazil, Russia, India and China, the so-called BRIC countries. At the time, a tremendous amount of discussion was taking place in Canadian and international policy circles about the emergence of the BRIC countries, their impact on as well as how they were being affected by the new global economic landscape, the consequences of their emergence and what policies were required in order to harness the constructive elements and overcome obstacles.

The passage of time has diminished the weight of neither these core considerations nor this exercise. Indeed, intervening events such as the global financial and economic crisis, the recession in the United States, and the decline in the price of oil, have amplified their relevance for Canadian policy. Moreover, the passing weeks and months gave the Committee time to reflect on its original ambitions and to decide to

concentrate on the Asian dimension of the BRICs in order to maximise its efforts and strengthen the value of our report and recommendations.¹

We are satisfied that despite these developments, or because of them, our report on the rise of China, India and Russia is rich in its substance and its findings. Over the course of the last three years, we held more than 45 hearings in Ottawa and heard from more than 90 witnesses representing a range of government departments and agencies; industry leaders and business associations from across different sectors; academics; non-governmental organisations; human rights groups; as well as former and current ambassadors. We also conducted fact-finding missions to Russia (11–16 October 2009), including Moscow and Khanty-Mansiysk in Russia’s sub-Arctic, and to China (8–14 November 2009), including Beijing, Shanghai, Guangzhou, Shenzhen, and Hong Kong. Respectively, the Committee had 26 meetings with over 40 interlocutors and 25 meetings with over 50 interlocutors representing national and regional governments and parliaments, Canadian and Russian or Chinese businesses and business associations, and officials from the Canadian embassy and consulates general. In March 2010, we also tabled an interim report on our fact-finding mission to Russia that has been well-received.

Along the way, we have improved our understanding of the trade and investment flows between Canada and the three countries and the range of positive and negative factors – domestic, bilateral, and global – that influence them. We have sharpened our awareness of Canada’s commercial achievements and, disappointing as it was to hear, where we fall short. Ultimately, we have come to appreciate what needs to be done in order for Canada and its commercial relations with China, India and Russia to reach their full and more rewarding potential for the benefit of Canadian companies and Canadians.

This report represents our findings and recommendations for a work plan to guide Canada’s response to the rise of China, India and Russia. It begins by framing the issue, which includes describing the significance of the three countries for and their impact on the new global economy, as well as providing data that shows, despite the

¹ It should also be noted that the period of time for the study was lengthened by events affecting the parliamentary calendar, such as the October 2008 federal election and two prorogations in December 2008 and December 2009.

growth trends in Canada's commercial relations with these markets and their global economic significance, they represent only a small portion of Canada's total trade and investment. The report then reviews several factors that have hindered the realisation of our true potential in these markets and that, in effect, have kept China, India and Russia off of Canada's radar. These include protectionism, onerous regulations and bureaucracy, weak rule of law, corruption and weak protection of intellectual property rights as well as the dominance of Canadian competitors, our proximity and economic integration with the United States, and the quality of our bilateral relations.

In order to address these challenges and to realise the true potential of Canada's commercial relations with China, India and Russia, our report makes 23 recommendations for action at the domestic, national and global levels. These solutions include putting China, India and Russia on Canada's radar; building and maximising relations; promoting an architecture of norms and standards; improving Canada's domestic competitiveness; and improving the collection of trade and investment statistics. The report concludes with an overview of the stakes Canada stands to gain and the niche sectors where potential opportunities lie.

Canada's relations with these three countries are multifaceted and reflect our differences as well as our commonalities. Moreover, each of China, India and Russia has its own complexities and challenges, ranging from threats of internal instability, demographic imperatives, and regional insecurity. It is not surprising, therefore, that this report represents only a portion of what we heard and could possibly recommend.

That being said, we believe that our report and recommendations might serve to hasten the realisation of opportunities and potential partnerships, place Canada's commercial relations with the China, India and Russia on track for continued mutual benefits for the future, and ultimately benefit the Canadian economy. We also believe that they can contribute to the public policy process in our country concerning the impact on Canada of the rise of China, India and Russia. The debate on these issues has not had as high a profile as might be expected given the weight of their implications. By preparing this report, we hope to raise the level of debate, strengthen awareness of what is at stake, and, ultimately, enrich the public policy discussion about Canada's trade and investment future in a changing global economy.

While the Committee did not have occasion to travel to India for a fact-finding mission in order to inform this report, we see this shortcoming as an invaluable opportunity for a follow-up. In other words, we are now in an advantageous position to undertake a strategic fact-finding mission to India and test our findings and recommendations to see where we were wrong and where we were correct. The value of our fact-finding missions in general cannot be overstated. In effect, this report and its recommendations could not have been written as they were without appreciating first-hand the impressiveness of China's and Russia's transformations, Canada's commercial opportunities and the overwhelmingly positive welcome our Committee received from Canadian, Chinese and Russian government officials and businesses. Accordingly, this report may be written, but our work has just begun.

I. THE ISSUE: THE NEW GLOBAL ECONOMY AND THE RISE OF CHINA, INDIA AND RUSSIA

“Businesses have recognized that in order to succeed, they need to have suppliers in various parts of the world, they need to find the best possible supplier and they need an integrated strategy from the supplier to the final client. This also involves producing specialized products and services, it involves taking advantage of our know-how, managing our employees’ knowledge and successfully translating this into innovative products that are delivered to clients. Innovation now applies not only to the manufacturing systems and the machinery in the plants, but also to the discovery of new business procedures and new business opportunities.”

*Jean-Michel Laurin
Canadian Manufactures and Exporters
39th Parliament, 2nd Session, Issue 8, page 73*

There is no doubt: today’s global economy is undergoing profound change of a type and depth not witnessed for a very long time, if ever.² Goods, ideas and investment are moving across borders in ways that are reconfiguring manufacturing and distribution patterns, transforming the service and high-technology sectors, and altering commodity markets.

The global economy is increasingly integrated, and “global value chains” are a key focus.³ If “value chains” are defined as “the full range of activities that are required to bring a good or a service from its conception to its end use and beyond, [including] activities such as design, production, marketing, distribution and support to the final consumer,”⁴ then “global value chains” reflect the global distribution of the different,

² Steger, 39th Parliament, 2nd Session, Issue no. 2, p. 14.

³ Other similar terms used include “global supply chains” and “integrative trade.” Global supply chains are noted to be limited to a manufacturing purpose. Integrative trade refers to firms taking apart value chains and placing them anywhere around the world. Hodgson, 39th Parliament, 2nd Session, Issue no. 7, p. 50.

⁴ Fuller, 39th Parliament, 2nd Session, Issue no. 9, p. 39.

separable stages of the value chain and their interconnectedness through “complex production networks, often with different stages of production being carried out by different companies.”⁵

According to our witnesses, falling trade and investment barriers as well as the acceleration of information and communications technology (ICT) have given rise to the global value chains as production and distribution networks have been reorganized. These global value chains have resulted in lower production, transaction and transportation costs, including air and shipping, and have transformed cross-border and long-distance business management.⁶

Many of the Committee’s witnesses described how global value chains have influenced changes in the global economy. For instance, foreign investment has become an even more important tool used to create foreign affiliates, increase exports, create demand for one’s product or service, as well as enhance manufacturing capabilities in other economies and thereby strengthening them.⁷ Off-shoring or outsourcing to lower-wage economies have reduced production and distribution costs of goods or services along the value chain.⁸

Knowledge, innovation, services and imports have also increased in importance and value, the latter challenging “the view of the world in which one thinks exports are good and imports are bad.”⁹ Indeed, for one witness, the new global economy has particularly affected how we think about manufacturing, noting that “we must have this change in understanding about the manufacturing sector. It is no longer a matter of manufacturing, the value lies in everything surrounding it, in the services directly

⁵ Fuller, 39th Parliament, 2nd Session, Issue no. 9, p. 40.

⁶ Dobson, 39th Parliament, 2nd Session, Issue no. 3, p. 7; Laurin, 39th Parliament, 2nd Session, Issue no. 8, p. 72; Fuller, 39th Parliament, 2nd Session, Issue no. 9, p. 40.

⁷ Siegel, 40th Parliament, 2nd Session, Issue no. 3, p. 46; Lafleur, 39th Parliament, 2nd Session, Issue no. 3, p. 19; Rao, 39th Parliament, 2nd Session, Issue no. 3, p. 19; Haynal, 40th Parliament, 2nd Session, Issue no. 16, p. 14; Hodgson, 39th Parliament, 2nd Session, Issue no. 7, pp. 50-51; Fuller, 39th Parliament, 2nd Session, Issue no. 9, pp. 44-45; Hage, 40th Parliament, 2nd Session, Issue no. 15, p. 7.

⁸ Fuller, 39th Parliament, 2nd Session, Issue no. 9, p. 54; Laurin, 39th Parliament, 2nd Session, Issue no. 8, p. 78.

⁹ Ens, 39th Parliament, 2nd Session, Issue no. 9, pp. 54-55; Fuller, 39th Parliament, 2nd Session, Issue no. 9, p. 42; Fung, 40th Parliament, 2nd Session, Issue no. 17, p. 24.

linked to the company and in services like pay.”¹⁰ Moreover, we heard that “all economic activities are becoming increasingly internationally mobile. It follows that jobs and skills and entrepreneurship will be different in the future than they are today and will also be more mobile.”¹¹ Ultimately, the global economy has become much more competitive, with governments competing with each other in the creation of conditions that will give their sectors a competitive edge in the quest for economic success.¹²

China, India and Russia in the New Global Economy

“[T]oday no country is an island. We all become interdependent to each other Trade heavily involves other countries.”

*H.E. Lan Lijun
Ambassador of the People’s Republic of China to Canada
40th Parliament, 2nd Session, Issue 8, page 20*

“We should not be sanguine on this point at all in thinking that these are low-wage economies, low value-added. On the contrary, the message is they are moving up the value chain quickly ...”

*Patricia Fuller
Foreign Affairs and International Trade Canada
39th Parliament, 2nd Session, Issue 9, page 50*

The rise of China, India and Russia is a key element in how quickly and profoundly they have changed as well have been changed by the transformations evident in the new global economy. Indeed, as their economies have embraced the opportunities associated with global value chains, they have experienced almost unprecedented economic growth. For instance, their total share of world GDP has grown from 13.37% in 2000 to 19.47% in 2008, an increase of 45.67%. This growth contrasts with the decline of the United States, whose share has fallen by 12.06%, and of the Euro-area, whose share has dropped by 15.01% over the 2000 to 2008 period. The total GDP of the three nations increased by 97.06% from 2000 to 2008, compared to

¹⁰ Laurin, 39th Parliament, 2nd Session, Issue no. 8, pp. 81-82.

¹¹ Harder, 39th Parliament, 2nd Session, Issue no. 8, p. 41.

¹² Beck, 39th Parliament, 2nd Session, Issue no. 4, p. 9.

an increase of 35.28% in the world's GDP, 18.97% in the US's GDP and 14.98% in the GDP of the Euro area.

That this growth has occurred in such a short period of time and since their embrace of market economic principles only a few decades ago makes their achievement all the more remarkable.¹³ With their geographic size, their growing populations and their unprecedented economic growth, these nations have contributed to an economy that is truly global and that is truly growing.¹⁴ In this respect, the impact of global value chains and the simultaneous rise of China, India and Russia as global trading nations have resulted in even greater interdependence among economies.

1. China

Among the three emerging economies that are the focus of the Committee's study, witnesses were unanimous in their view that China stands out in terms of its impact on the global economy and the role played by global value chains in its growth.¹⁵ The Committee heard that China generates 13% of world economic output in purchasing parity terms, second only to the United States. China is also the world's largest consumer of such commodities as nickel and copper, the third-largest consumer of oil, and is the largest exporter of cement¹⁶ Moreover, China is becoming a major global investor; its foreign-exchange reserves reached almost \$2.3 trillion at the end of the third quarter of 2009, the majority held in US dollars. Both import and export growth has accelerated over the last 25 years, making up a progressively larger share of Chinese GDP.¹⁷

China's trade growth has accelerated since it became a member of the World Trade Organization (WTO) in 2001. In the years following WTO accession, Chinese exports to the world more than quadrupled, rising at an average rate of 29% per year. Moreover, the composition of Chinese exports has evolved over time – no longer do textiles and clothing constitute the bulk of Chinese exports, but rather electronics and

¹³ Hart, 40th Parliament, 2nd Session, Issue no. 17, pp. 6-7.

¹⁴ Rao, 39th Parliament, 2nd Session, Issue no. 3, p. 10.

¹⁵ Fuller, 39th Parliament, 2nd Session, Issue no. 9, p. 39; Jiang, 39th Parliament, 2nd Session, Issue no. 7, p. 42; Curtis, 39th Parliament, 2nd Session, Issue no. 2, p. 43.

¹⁶ 2008 figures, UNComTrade

¹⁷ Meeting, Beijing, China, 10 November 2009.

manufactured goods are increasingly important. In addition, the Committee heard that the degree of which China is exporting goods reflecting higher production values is also increasing; in the near future, cars and airplanes will be major Chinese export products.

Another factor contributing to China's rapid growth is its high – and increasing – level of re-investment, as a percentage of GDP, in its domestic economy. At the same time as China is reinvesting in itself, it is also attracting investment from abroad. China is more open to foreign investment than were Japan or Korea at comparable stages in their development.

China's growth has been accompanied by significant gains in productivity: between 1980 and 2009, output per worker has increased four-fold in both the agriculture and services sector, and eight-fold in manufacturing. Similar to other countries on a development trajectory, Chinese labour has been shifting away from low-wage employment in agriculture and into jobs paying higher wages in manufacturing and, increasingly, services.

The growth in trade is, in no small part, a result of the restructuring of manufacturing operations across East Asia, as the economies of Japan, Taiwan and Hong Kong have moved up the value chain. China has been able to take advantage of its abundant labour supply to focus on labour-intensive processing and assembly work. As well, it has become the location of choice for the final assembly of manufactured goods among many enterprises. Much of the value that is added to these products prior to final assembly is done outside of China, showing the integral role the economy plays in global value chains. China is no longer just a market to which products are imported or from which they are exported. It is also a location in which highly skilled professionals are educated, intensive R&D activities are conducted, and companies can achieve lower costs and realize economies of scale.¹⁸ More than one witness referred to China as the “the workshop of the world.”¹⁹

¹⁸ Sunquist, 39th Parliament, 2nd Session, Issue no. 7, p. 15; McGovern, 39th Parliament, 2nd Session, Issue no. 7, p. 21; Wolf, 39th Parliament, 2nd Session, Issue no. 3, p. 40; Fuller, 39th Parliament, 2nd Session, Issue no. 9, p. 40; Evans, 39th Parliament, 2nd Session, Issue no. 3, p. 36.

¹⁹ Curtis, 39th Parliament, 2nd Session, Issue no. 2, p. 38; Evans, 39th Parliament, 2nd Session, Issue no. 3, p. 35; Jiang, 39th Parliament, 2nd Session, Issue no. 7, pp. 42-43.

China's growth levels are in part facilitated by the "marriage" of its manufacturing system with its dominance of container shipments.²⁰ Not only are more containers moved, but they are moved at a lower cost due in part to the advanced state of the container management system. Combined with the increase in production facilities in the region, for instance, as one witness testified, the Pearl River Delta has been transformed "from an area of perpetual starvation to now the economic engine of China and of the world."²¹

During our fact-finding mission to China, the Committee witnessed the country's spectacular growth first hand: from the well-planned boulevards in Beijing; to Shanghai's impressive skyline composed of hundreds of skyscrapers, all built within the last decade; to the manufacturing heartland of the Pearl River Delta Region; to the impressive financial services hub of Hong Kong. China's growth was also evident in the infrastructure investments that are taking place throughout the country, particularly in transportation infrastructure. China is building new roads and highways at an impressive rate in an effort to sustain the explosion in vehicle traffic as one million new cars join the roadways each month. It is developing an extensive high-speed rail network as well as improving the inner-city metro lines in its major cities. Air transportation infrastructure is also expanding. The Committee travelled through some of China's newest airports, and heard that an additional 150 new airports are planned for the coming years.

We also saw the impressive use of leading-edge technology at the highly efficient Hong Kong International Terminals (HIT), the flagship operation of Hutchison Port Holdings Group, at the Kwai Chung Container Port. The Committee was impressed with HIT's use of modern equipment, computerised management systems and award-winning information technology applications in order to optimize efficiency, expedite the handling of cargo and containers, increase productivity and improve cost-effectiveness.

According to one witness, China's economic growth will enable it to not only become a global economic power, but in fact to "surpass the United States as the prime driver

²⁰ Fung, 40th Parliament, 2nd Session, Issue no. 17, p. 26.

²¹ Fung, 40th Parliament, 2nd Session, Issue no. 17, p. 27.

of the global economy sometime in the next two decades.”²² China, for instance, began in textile manufacturing and is now a leader in manufactured goods.²³ Moreover, we heard that many Chinese manufacturers are seeking to develop their own brand awareness and their own products to which much value has been added.²⁴ We also learned that China is shifting toward the mid-tech and lower high-tech sectors, including autos, machinery and more advanced electronics.²⁵

2. India

If China is the “workshop of the world,” then India has become the laboratory of the world.²⁶ According to one of our witnesses, India’s growth has been based on services -- business services and information technology services – and has been led by companies such as Tata Consultancy Services, Infosystems and Wipro Technologies, among others.²⁷ As it moves into manufacturing, as our witnesses expect it to do, and becomes second to China in this regard, its contribution to the global economy will become larger.²⁸ India is also expected to move further toward becoming a knowledge-based economy, with strengths in such sectors as information and communications.²⁹ Indeed, we heard that India has the potential to become the third-largest global economy by the middle of this century.³⁰ In 2007, its GDP growth was 9.0%, exceeding 8% every year since 2003/04.

India’s growth, which has been remarkable from a global perspective, has been due in part to its information technology and service industries as well as to its manufacturing industries, including pharmaceuticals, textiles and auto components. From 2006 to 2007, exports rose by 23.6% to reach US\$152 billion, and imports increased by 25.4% to reach US\$231.9 billion. According to figures for 2009, India

²² Harder, 39th Parliament, 2nd Session, Issue no. 8, p. 22.

²³ Fuller, 39th Parliament, 2nd Session, Issue no. 9, p. 50.

²⁴ Brown, 40th Parliament, 2nd Session, Issue no. 10, p. 30.

²⁵ Wolf, 39th Parliament, 2nd Session, Issue no. 3, p. 40.

²⁶ Evans, 39th Parliament, 2nd Session, Issue no. 3, p. 35.

²⁷ Wolf, 39th Parliament, 2nd Session, Issue no. 3, p. 40.

²⁸ Wolf, 39th Parliament, 2nd Session, Issue no. 3, p. 40; Sunquist, 39th Parliament, 2nd Session, Issue no. 7, p. 17.

²⁹ Sunquist, 39th Parliament, 2nd Session, Issue no. 7, p. 17.

³⁰ Sunquist, 39th Parliament, 2nd Session, Issue no. 7, p. 17.

attracted US\$161.3 billion in foreign investment, and invested US\$77.4 billion in other countries.³¹

Among the many results of India's economic rise have been an increase in per capita income and a decrease in the country's population growth.

3. Russia

As our interim report on our fact-finding mission noted, and as we heard in testimony during our hearings, Russia's economic prominence is largely related to its rich endowment of energy resources and other high-priced commodities.³² Indeed, in this respect, its reliance on world commodity prices for its economic growth sets it apart in important ways from the other two countries studied by the Committee.³³

Russia experienced a 5.6% average growth rate of real gross domestic product (GDP) since its 1998 economic crisis, and had a GDP growth rate of 8.1% in 2007.³⁴ As wages in Russia increased, household consumption also rose, on average by nearly 9% annually between 2000 and 2007. Moreover, government and private-sector investment also grew.

Russia's hydrocarbon industry has been a vital component of its economic transformation, particularly as world prices for oil, fuel and gas have risen. We heard during our fact-finding mission to Russia that approximately 60% of the country's GDP is based on revenues generated from commodities such as oil, gas, diamonds, gold and forests.³⁵ Among Russia's most important export markets are the European Union (notably the Netherlands, Germany, Italy), Turkey, Ukraine and China, and its most important suppliers are the European Union (in particular Germany), China,

³¹ See <https://www.cia.gov/library/publications/the-world-factbook/geos/in.html> (accessed 16 June 2010).

³² Rao, 39th Parliament, 2nd Session, Issue no. 3, p. 10; Hampson, 40th Parliament, 2nd Session, Issue no. 18, p. 6.

³³ Hart, 40th Parliament, 2nd Session, Issue no. 17, p. 8.

³⁴ The Economist Intelligence Unit, *Country Profile 2008: Russia*, 2008, p. 37.

³⁵ Meeting, Moscow, Russia, 12 October 2009.

Japan, Ukraine and the United States.³⁶ Foreign direct investment (FDI) in Russia grew annually during the 2002 to 2006 period, rising from US\$3.5 billion in 2002 to US\$32.4 billion in 2006.³⁷ Russian outbound FDI also increased significantly over the period, rising from US\$3,533 million in 2002 to US\$23,151 million in 2006.

While Russia does not play as prominent a role with respect to global value chains as China or India, one witness testified that Russia is trying to become more active at the intermediate value-added stage. In this respect, it aims to turn its resources into marketable products, such as shaping aluminum ingots into aluminum framework for furniture or processing its dairy and grain produce into grocery items.³⁸ During our fact-finding mission to Russia, several government officials admitted that the country's economic structure needs to be reformed in order that the economy become more diversified and modernised, with increased access to new technologies and innovation.³⁹ While in Moscow, we were told by the Chairman of the State Duma Committee on Foreign Affairs that the government is examining ways to reduce Russia's dependence on oil and other energy commodities from 60% to 30% of its economy.⁴⁰

Recovery from the Global Financial and Economic Crisis

The global financial and economic crisis has reinforced the limitations of historical trade and investment patterns and, particularly in the case of China and India, has highlighted the value of opportunities in these emerging economies. Their resilience in the face of the crisis is expected to reinforce their presence on the global economic stage.⁴¹

³⁶ Russia Trade Statistics, Eurostat, available at http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113440.pdf (accessed 16 June 2010).

³⁷ The Economist Intelligence Unit (2008), p. 62.

³⁸ Westdal, 39th Parliament, 2nd Session, Issue no. 10, p. 25.

³⁹ Meetings, Moscow, Russia, 12 October 2009, 13 October 2009, 14 October 2009.

⁴⁰ Meeting, Moscow, Russia, 14 October 2009.

⁴¹ Stewart-Patterson, 40th Parliament, 2nd Session, Issue no. 11, p. 8.

1. China

China has withstood the negative effects of the recent global financial and economic crisis to a relatively greater extent than most other countries.⁴² As the Australian High Commissioner to Canada remarked, China's economic position relative to other economies has become even more critical as it overcomes the crisis.⁴³ In addition, as traditional sources of FDI are affected by the crisis and shifts in the global economy, China's foreign exchange holdings have become important sources of overseas investment.⁴⁴ The country's economic performance in the aftermath of the crisis is critical to sustaining a level of global growth in an economy that has become increasingly integrated.

The Chinese government has: implemented a fiscal spending program that is largely based on infrastructure investment; shifted the focus of economic policy to domestic consumption; has encouraged banks to lend; and has partially reversed its restrictive measures in the property market. As a result, the GDP growth rate is expected to remain high, and is projected to reach 8.4% in 2009 and 9.1% in 2010; domestic demand is expected to be an important contributor to this growth. Auto sales, which are a good indicator of consumer confidence, have surged, as have sales of domestic appliances and televisions. As China's Vice Minister of Commerce told the Committee during a recent visit to Canada, China is looking at turning China from a global factory into a global market based on the stimulation of domestic demand.⁴⁵

Due to government policies and strong domestic demand, production levels in China have remained strong. Indeed, China has maintained, or even expanded, its position as a dominant producer in a number of industries. As the Vice-Chair of the Foreign Affairs Committee of the National People's Congress told us in Beijing, China produced more than one million cars each month in 2009, and it remains first in global production of steel, iron, televisions and textiles.⁴⁶ Moreover, the top three banks in the world are now Chinese (the Industrial and Commercial Bank of China, the China Construction Bank, and the Bank of China), both in terms of capital

⁴² Lijun, 40th Parliament, 2nd Session, Issue no. 8, p. 7.

⁴³ Brown, 40th Parliament, 2nd Session, Issue no. 10, pp. 13-14.

⁴⁴ Brown, 40th Parliament, 2nd Session, Issue no. 10, p. 14.

⁴⁵ Kitnikone, 40th Parliament, 2nd Session, Issue no. 18, p. 37.

⁴⁶ Meetings, Beijing, China, 9 November 2009.

holdings and profits. A fourth Chinese bank, China Bank of Communications, is in the world's top ten.

2. India

While India's GDP growth rate slowed relatively significantly after the global financial and economic crisis began, expanding by 5.3% on a year-over-year basis in the third quarter of 2008 compared with 8.9% one year earlier, its relatively modest economic stimulus measures have taken effect.⁴⁷ These measures included a stimulus package worth US\$4 billion announced in December 2008, followed by further measures targeting the recapitalization of banks, easing rules on overseas borrowing by local companies working in the infrastructure and real estate sectors, and raising the limit on foreign investment in the corporate bond market.⁴⁸ At the same time, India's strong oversight mechanisms for its banking sector, as well as the relatively low contribution made by exports to GDP, have assisted in its recovery from the crisis.⁴⁹

In this respect, various economic indicators suggest that India has emerged from the crisis. For instance, its real GDP growth rate in 2009 was an estimated 6.8% and is forecasted to reach 7.7% in 2010. While this forecast is still lower than the annual GDP growth rates of almost 10% which India experienced in the previous ten years, it is comparable to that of most other Asian countries.⁵⁰ As the Indian High Commissioner to Canada explained to the Committee:

India is not really in recession because the economy is still growing. This is a slowdown. There are some reasons for this. Ours is an economy driven by domestic consumption. Exports only account for about 20 per cent of GDP. Our banks and financial institutions are highly regulated. They are in pretty good shape, as in Canada. Toxic assets are almost negligible. Our

⁴⁷ "Country Report India," *The Economist Intelligence Unit*, March 2009.

⁴⁸ "India Launches Second Rescue Package," *The Financial Times*, 2 January 2009.

⁴⁹ India's exports accounted for approximately 14.6% of its GDP in 2007. As a point of comparison, in that year, exports made up 37.1% of the GDP in China and 64.3% in Taiwan. See: "India Maintains Sense of Optimism and Growth," *The New York Times*, 1 March 2009.

⁵⁰ "Country Report India," *The Economist Intelligence Unit*, March 2010.

*savings rate is quite high; it is about 38 per cent. The economy is driven by domestic consumption. That continues to be high.*⁵¹

3. Russia

Of the economies of the three countries studied by the Committee, Russia's suffered the most as a consequence of the global financial and economic crisis. Its GDP growth rate fell from 5.6% in 2008 to -7.9% in 2009.⁵² In particular, Russia's economy has been heavily impacted by the relatively steep fall in international oil prices and the consequential decline in export demand. As a result, the amount of oil revenue budgeted in 2009 was amended from an original amount of 4,693 billion roubles (or US\$148 billion) to 2,057 billion roubles (or US\$65 billion), a difference of 56.2%.⁵³ The actual revenue from oil and gas in 2009 was 691.8 billion roubles (or US\$22 billion) and is budgeted for 2010 to be 1,149.5 billion roubles (or US\$36 billion).⁵⁴ By the end of 2009, goods exports declined over the year by 36% and imports decreased 34%.⁵⁵ With falling domestic and international demand and capital outflows, economic activity slowed, and unemployment rate fluctuated in 2009, reaching 9.5% in March of that year, its highest level in eight years, before falling to 7.6% in September and rising to 8.2% in December.⁵⁶ Relatively massive layoffs affected a range of sectors, from steel production to advertising.⁵⁷

According to data released by the Russian government in February 2010, its stimulus package amounted to approximately 3% of GDP.⁵⁸ An initial stimulus package was implemented by the Russian government in fall 2008 to bail out some financial institutions. A second set of stimulus measures was announced at the beginning of

⁵¹ Gavai, 40th Parliament, 2nd Session, Issue no. 5, p. 26.

⁵² The Economist Intelligence Unit, *Country Report: Russia*, March 2010, p. 7.

⁵³ The Economist Intelligence Unit, *Country Report: Russia*, May 2009, p. 13. Currency conversions calculated according to the 20 May 2009 exchange rate of 1 RUB = 0.0315 USD.

⁵⁴ The Economist Intelligence Unit, *Country Report: Russia*, May 2010, p. 12. Currency conversions calculated according to 16 June 2010 exchange rate of 1 RUB = 0.0321 USD.

⁵⁵ The Economist Intelligence Unit, *Country Report: Russia*, March 2010, p. 9.

⁵⁶ The Economist Intelligence Unit, *Country Report: Russia*, March 2010, pp. 5, 8.

⁵⁷ Alex Nicholson, "Russian GDP grew at slowest pace since 1999 in fourth quarter," Bloomberg, Moscow, 2 April 2009. (accessed 15 April 2009).

⁵⁸ The Economist Intelligence Unit, *Country Report: Russia*, March 2010, p. 12.

April 2009 which, among other things, targeted lower taxes and increased government spending on social security programs, including pensions. The measures also intended to support a number of strategic industries, including automakers, defence production and energy companies.⁵⁹ Accordingly, Russia's stimulus measures were among the highest of G-20 nations.

By March 2010, the Russian economy began to show signs of a recovery, albeit an uneven one. On the one hand, the rouble has stabilised and even appreciated in relative value, and the rate of inflation has been declining. The rise in the price of oil from its low of US\$40 per barrel during the global crisis to an estimated average of US\$62 per barrel in 2009 has been an important factor in Russia's economic recovery. It will continue to benefit as the price of oil continues to rise to the 2010 forecasted value of more than US\$70 per barrel.⁶⁰ As of May 2010, its economy is forecast to grow 4.5% in 2010 and 4.2% in 2011, as its current account surplus increased on the back of higher oil prices and increased exports.⁶¹ On the other hand, domestic demand continues to be relatively weak and credit supply has also stagnated. That the Russian political leadership has taken the crisis as an added impetus to diversify its economy and develop a new strategy for growth is also something to monitor.

How China, India and Russia will look in the next twenty or fifty years, and how they will get there, is not yet known. What is known is that all three have been moving up, and will continue to move up, the value chain as they pursue methods for achieving sustainable growth. Thus, their impact on the global economy will no doubt continue.

⁵⁹ Vidya Ram, "Russia: Big spender after all?," *Forbes*, New York, 8 April 2009, <http://www.forbes.com/2009/04/08/russia-fiscal-stimulus-markets-equity-economy.html> (accessed 15 May 2009).

⁶⁰ The Economist Intelligence Unit, *Country Report: Russia*, March 2010, p. 16.

⁶¹ The Economist Intelligence Unit, *Country Report: Russia*, May 2010, p. 3.

The State of Canada's Trade and Investment Relations with China, India and Russia

The emergence of a new global economy and the simultaneous economic rise of China, India and Russia have prompted the development of new global commercial patterns of which many countries have taken advantage and from which many are benefitting.

These developments raise significant questions about Canada's place in the new global economy. Specifically, timely and strategic answers must be found to the following questions: What role is Canada playing? What role should Canada be playing? How does Canada's commercial relations with China, India and Russia compare to those that these countries have with other nations? Are Canada's commercial relations with the three countries meeting their full potential? What actions are required in order to maximize Canada's commercial relations with China, India and Russia? The answers to these questions, and the actions taken as a consequence, will affect Canada's prosperity for years, if not decades, to come.

Growth in Merchandise Trade between Canada and China, India and Russia, 2000-2009

Canada's two-way merchandise trade with China, India and Russia has been increasing over the last decade. From 2000 to 2009, Canada's total trade with these countries increased 233.87%, or at an average rate of 14.68% annually. By 2009, trade with them ranked second among all of Canada's trading partners, totalling \$58.93 billion and growing at an average rate of 15.25% annually from 2000 to 2009 as a percentage of total Canadian trade.

Total exports from Canada to the three countries have grown at an average rate of 14.28% annually, and have grown an average rate of 15.96% annually as a percentage of total Canadian exports. In 2009, Canada exported \$14.20 billion to the three countries.

Likewise, total imports from China, India and Russia have grown an average rate of 14.95% annually, and have grown an average rate of 14.41% of total Canadian imports. In 2009, Canada imported \$44.73 billion from these countries.

Two-way trade between Canada and each country has also increased. For China, Canada's total trade increased 238.95% from 2000 to 2009, growing at an average rate of 14.88% annually, and increasing at an average rate of 15.46% as a percentage of total Canadian trade. During the same period, Canada's exports to China grew at an average rate of 13.63% annually, and increased at an average rate of 15.64% annually as a percentage of total Canadian exports. Also between 2000 and 2009, Canadian imports from China grew at an average rate of 15.44% per year, and increased at an average rate of 14.86% annually as a percentage of total Canadian trade. By 2009, China was ranked second among Canada's trading partners, with \$50.81 billion in two-way trade, an increase from its fifth-place ranking in 2000, when two-way trade was \$15.00 billion. In 2009, China ranked second in terms of imports, with \$39.65 billion, and third regarding exports, with \$11.16 billion.

Canada's total trade with India has also grown in the last decade, specifically 131.70% between 2000 and 2009. From 2000 to 2009, Canada's trade with the country grew at an average rate of 10.28% annually, and increased at an average annual rate of 10.68% as a percentage of total Canadian trade. Canada's exports to India grew on an average annual basis greater than its imports. For instance, exports increased an average of 17.52% annually during the same period, and increased an average of 18.77% annually as a percentage of total Canadian exports. In contrast, Canadian imports from India grew 5.86% per year, and increased an average of 5.39% annually as a percentage of total Canadian trade between 2000 and 2009. By 2009, India moved up in ranking among Canada's trading countries from twenty-third in 2000 with total two-way trade of \$1.79 billion to sixteenth with \$4.15 billion in total trade. In 2009, India ranked twentieth in terms of imports with \$2.00 billion and tenth regarding exports with \$2.15 billion.

Of the three countries studied by the Committee, Canada's total trade with Russia has shown the greatest growth. From 2000 to 2009, Canada's total trade with Russia increased 357.02%, or on average annually 22.38%, and increased an average of 23.17% as a percentage of total Canadian trade. During the same period, Canada's

exports to Russia grew an average of 22.50% annually, and increased an average of 22.57% annually as a percentage of total Canadian exports. Also between 2000 and 2009, Canadian imports from Russia grew 27.03% per year, and increased an average of 27.43% annually as a percentage of total Canadian trade. By 2009, Russia changed its ranking among Canada's trading countries from thirty-sixth in 2000 with total two-way trade of \$868 million to seventeenth with \$3.96 billion in total trade. In 2009, Russia ranked fourteenth in terms of imports with \$3.08 billion and twenty-fifth regarding exports at \$888 million.

Growth in Foreign Direct Investment (FDI) between Canada and China, India and Russia, 2000-2009

Canada's foreign direct investment in China, India and Russia grew, on average, at a rate of 19.96% annually over the 2000 to 2009 period, rising from \$968 million to \$4.7 billion. As a percentage of total Canadian FDI, investment in these countries grew at an average rate of 13.36% annually over the period. In terms of individual investment flows over the 2000 to 2009 period, Canadian investment in China, India and Russia increased at an average annual rate of 22.70%, 24.90% and 18.73% respectively. Their average annual growth rate as a percentage of total Canadian FDI over the period was 16.71% in China, 16.61% in India and 10.41% in Russia. In 2009, Canada's FDI in China was valued at \$3.35 billion, in India was \$601 million and in Russia was \$725 million.

Inward direct investment from the three countries also grew over the 2000-2009 period, averaging – on an annual basis, a growth rate of 516.51%; in particular, their investment in Canada rose from \$43.53 million in 2000 to \$12.18 billion in 2009. As a percentage of total inward investment over the period, total investment from the three countries increased at an average annual rate of 420.01%. Annually over the 2000-2009 period, China's investment in Canada grew at an average rate of 174.20%; comparable rates for India and Russia were 205.40% and 271.73% respectively. As percentages of total inward investment in Canada over the period, the average annual growth rate was 493.03% for China, 165.47% for India and 3,673.87% for Russia. In 2009, China invested \$8.85 billion in Canada, while India invested \$2.97 billion and Russia provided investment totalling \$358 million.

Growth in Trade in Services between Canada and China, India and Russia, 2002-2007⁶²

Canada's trade in services with China, India and Russia has also changed in the last several years. Canadian services exports (known as "receipts") to the three countries grew at an average annual rate of 5.34% over the 2002-2007 period, rising from \$1.31 billion to \$1.68 billion. Their percentage of total Canadian services exports also increased at a rate of 3.34% on an average annual basis over the period. Canada's services receipts from China increased at an average rate of 5.51% annually, from India at an average rate of 3.83% and from Russia at a rate of 9.38% each year over the 2002-2007 period. Their individual percentages of total Canadian services receipts also grew on an average annual basis over the period: 3.46% for China, 1.62% for India and 7.76% for Russia. In 2007, Canada's services receipts from China totalled \$1.07 billion, from India were \$324 million, and from Russia reached \$281 million.

Over the 2002 to 2007 period, Canadian services imports (known as "payments") from China, India and Russia increased at an average annual rate of 8.78%, rising from \$1.34 billion to \$1.98 billion. Their percentage of total Canadian services imports increased on an average annual rate of 4.01% over the period. Canada's services payments grew, at an average annual rate over the 2002-2007 period, from China at a rate of 7.91%, from India at a rate of 12.29% and from Russia at a rate of 10.41%. Over the period, their individual percentages of total Canadian services imports grew at an average annual rate of 5.31% for China, 7.39% for India and 5.56% for Russia. In 2007, Canadian services imports from China equalled \$1.07 billion, from India reached \$421 million and from Russia were \$487 million.

Sectors Represented in Canada's Commercial Relations with China, India and Russia

Canada's commercial relations with China, India and Russia are dominated by entry-level or resource-based sectors and industries, particularly regarding exports.⁶³ These

⁶² Statistics on Canada's trade in services with China, India and Russia are available from the Office of the Chief Economist, Foreign Affairs and International Trade Canada, from 2002 to 2007 only.

sectors and industries include: the extractive industry (mining, oil, gas and minerals); nickel products, metal, iron and steel; forest products (wood pulp and paper); agricultural and agri-food products (vegetables, oil seeds, pulses, pork, live cattle and shrimp); organic chemicals and chemical products as well as fertilizer; manufacturing (electronics and electronic components, as well as equipment and machinery); toys, clothing, furniture and bedding; infrastructure, transportation (aircraft), and information and communication technology.⁶⁴

Canadian exports of metals, minerals and wood pulp to China have been rising, reflecting the country's increased demand for these products to support its rapid economic growth.⁶⁵ In fact, Chinese demand for raw materials is a major factor underlying Canada's export growth to that country. Metals and minerals are among the fastest-growing Canadian exports to China. Canada is also an important source of canola oil for the Chinese market. With respect to India, Canada has been an important source of pulse exports and has also seen its exports of iron and steel to Canada increase by 94% between 2008 and 2009. Finally, Canada has been Russia's primary source of live bovine animals, third most important source of pork, second most important source of crustaceans and third most important source of soil-related agricultural machinery.

Assessing Canada's Commercial Relations with China, India and Russia

The Committee heard from many witnesses who offered generally positive assessments about the trends in Canada's commercial relations with China, India and

⁶³ Rao, 39th Parliament, 2nd Session, Issue no. 3, p. 12.

⁶⁴ Laurin, 39th Parliament, 2nd Session, Issue no. 8, p. 83; Kuntz, 39th Parliament, 2nd Session, Issue no. 9, p. 7; Daignault, 40th Parliament, 2nd Session, Issue no. 3, p. 36; Tiagi, 40th Parliament, 2nd Session, Issue no. 11, p. 23; Kitnikone, 40th Parliament, 2nd Session, Issue no. 18, p. 28; Daignault, 40th Parliament, 2nd Session, Issue no. 3, p. 37; Statistics Canada.

⁶⁵ F. Roy, "Canada's Trade with China," *Canadian Economic Observer*, Statistics Canada, Ottawa, June 2004.

Russia.⁶⁶ Indeed, some witnesses testified that, given its geographic distance from the three countries and its economic size relative to them, Canada is not faring badly.⁶⁷

At the same time, however, and notwithstanding these growth trends, Canada's trade and investment levels with China, India and Russia are low relative to Canada's trade and investments worldwide.⁶⁸ For instance, from 2000 to 2009, growth in total trade between Canada and the three countries averaged 4.83% annually as a percentage of Canada's total trade. In 2009, Canada's trade with them was 8.13% of Canada's total exports and imports.

Individually, the extent of Canada's bilateral trade with each of the three countries is striking. Over the 2000 to 2009 period, 4.21% of Canada's total trade, on an average annual basis, was with China; in 2009, trade with China represented 7.01% of Canada's total trade. Moreover, imports from China annually averaged 7.03% of Canada's total imports over the period; in 2009, 10.86% of Canada's imports came from China. Canadian exports to China, on an average annual basis over the 2000 to 2009 period, were 1.67% of Canada's total exports; in 2009, 3.10% of Canadian exports went to China. Finally, Canada is China's 11th most important trading partner.⁶⁹

Over the 2000 and 2009 period, Canada's trade with India was relatively less, representing – on an average annual basis – 0.37% of Canada's total trade; in 2009, trade with India represented 0.57% of Canada's total trade. Furthermore, imports from India annually averaged 0.44% of Canada's total imports over the 2000 to 2009 period; in 2009, 0.55% of Canada's imports came from India. Canadian exports to India, on an average annual basis over the 2000 to 2009 period, were 0.30% of Canada's total exports; in 2009, 0.60% of Canadian exports went to India. From India's perspective, Canada is its 28th most important trading partner.

⁶⁶ Harder, 39th Parliament, 2nd Session, Issue no. 8, p. 19.

⁶⁷ Curtis, 40th Parliament, 2nd Session, Issue no. 8, p. 28; Curtis, 40th Parliament, 2nd Session, Issue no. 8, p. 44; Malone 40th Parliament, 2nd Session, Issue no. 8, p. 44; Hage, 40th Parliament, 2nd Session, Issue no. 15, p. 8.

⁶⁸ Sutherland, 39th Parliament, 2nd Session, Issue no. 8, p. 25; Fuller, 39th Parliament, 2nd Session, Issue no. 9, pp. 42-44; O'Hagan, 39th Parliament, 2nd Session, Issue no. 9, pp. 13-14; Hage, 40th Parliament, 2nd Session, Issue no. 15, p. 10; Tiagi, 40th Parliament, 2nd Session, Issue no. 11, p. 23.

⁶⁹ Lijun, 40th Parliament, 2nd Session, Issue no. 8, p. 9.

Russia represented, on an annual average basis, 0.25% of Canada's total trade over the 2000 and 2009 period; in 2009, trade with Russia represented 0.55% of Canada's total trade. Furthermore, over the period, imports from Russia annually averaged 0.36% of Canada's total imports; in 2009, 0.84% of Canada's imports came from Russia. As well, over the 2000 to 2009 period, Canadian exports to Russia – on an average annual basis – were 0.15% of Canada's total exports; in 2009, 0.25% of Canadian exports went to Russia.

Canada's relations with China, India and Russia in terms of investment and services are almost negligible when compared to Canada's global FDI and trade in services. Given the significance of investment and services in the new global economy, our witnesses indicated that the situation is of concern.

For instance, over the 2000 to 2009 period, China, India and Russia together, on average, represented only 0.48% of Canada's FDI and 0.51% of the nation's investment from other countries. In 2009, the three countries together represented 0.79% of total Canadian FDI; individually, FDI to China, India and Russia represented 0.33%, 0.07%, and 0.08%, respectively, of Canada's total. Likewise, in the same year, total direct investment from the three countries represented 0.22% of Canada's total, 1.61% from China, 0.54% from India and 2.94% from Russia.

One of our witnesses referred to Canada's trade in services with China, India and Russia as a "miniscule" part of the country's worldwide trade in services.⁷⁰ Indeed, Canada's payments from the three countries together averaged 1.98% of Canada's total over the 2002 to 2007 period; payments from China averaged 1.07%, India 0.41% and Russia 0.49%. In 2007, these countries – as a group – represented 2.23% of Canada's total payments. In the same year, Canada's services imports from China represented 1.21%, from India 0.48% and from Russia 0.55%. Over the same period, Canada's services exports to the three countries together averaged 2.31% of the nation's total services exports. Receipts from China averaged 1.46%, from India 0.47% and from Russia 0.39%. In 2007, the three countries together represented 2.41% of Canada's total receipts. Canada's services exports to China represented 1.54% of its total, to India 0.47% and to Russia 0.40%.

⁷⁰ O'Hagan, 39th Parliament, 2nd Session, Issue no. 9, p. 13.

Canada's trade and investment relations with China, India and Russia are not realizing their full potential. They are not what they should be, and "large scope remains for improvement."⁷¹ One witness characterized the situation as "much thunder, little rain."⁷²

Call for Greater Canadian Participation in the New Global Economy

"If we are looking for the sources of market growth in the world, we must look to the emerging economies. There, we can expect companies to develop new market shares, because these markets are growing at a great pace. Given the clout that these countries have acquired, no company can afford to ignore [them] in its business strategy."

*Jean-Michel Laurin
Canadian Manufactures and Exporters
39th Parliament, 2nd Session, Issue 8, page 72*

"Canadian investment in India has remained unremarkable, to put it one way."

*David M. Malone
International Development Research Centre
40th Parliament, 2nd Session, Issue 8, page 34*

"Those figures obviously do not reflect the nature of the strong complementarities of our two economies and investment is far from what it should look like."

*H.E. Lan Lijun
Ambassador of the People's Republic of China to Canada
40th Parliament, 2nd Session, Issue 8, pages 8-9*

"We need to be there, that is where the action is."

*Jean-Michel Laurin
Canadian Manufactures and Exporters
39th Parliament, 2nd Session, Issue 8, page 89*

⁷¹ Harder, 39th Parliament, 2nd Session, Issue no. 8, p. 19; Sutherland, 39th Parliament, 2nd Session, Issue no. 8, p. 26; Rao 39th Parliament, 2nd Session, Issue no. 3, pp. 12-13.

⁷² Jiang, 39th Parliament, 2nd Session, Issue no. 7, pp. 43-44.

“Canada must get out of bed.”

*The Honourable Kamal Nath
Minister of Road Transport and Highways
Government of India
40th Parliament, 3rd Session, Issue 2, page 40*

*“We are stuck in neutral when it comes to Canada integrating with
the ... emerging markets ...”*

*Glen Hodgson
Conference Board of Canada
39th Parliament, 2nd Session, Issue 7, page 52*

The Committee heard from many witnesses, including Canadian, Chinese, Indian and Russian government officials, the private sector, business association and industry representatives, as well as academics, who, pointedly and emphatically stated that Canada is not fulfilling its full potential regarding commercial relations with the three emerging economies.

It needs to engage and position itself with these three countries.⁷³ Better positioning means integrating ourselves into the global value chains and taking greater advantage of what they offer: low-cost manufacturing and services, and an abundant supply of educated, relatively inexpensive labour.⁷⁴ It means increasing investment and establishing foreign affiliates as an initial step that would be followed by increased trade.⁷⁵ It means changing our thinking that only exports are good.⁷⁶ It means increasing trade, particularly trade in services.⁷⁷ It means understanding the importance of activities and other intangible products, such as design and innovation,⁷⁸ and converting them into value.⁷⁹ It means moving from the old

⁷³ Daigneault, 40th Parliament, 2nd Session, Issue no. 3, p. 37; Westdal 39th Parliament, 2nd Session, Issue no. 10, p. 29.

⁷⁴ Rao, 39th Parliament, 2nd Session, Issue no. 3, p. 12; Beck, 39th Parliament, 2nd Session, Issue no. 4, p. 16; Poloz, 39th Parliament, 2nd Session, Issue no. 6, p. 15.

⁷⁵ Hodgson, 39th Parliament, 2nd Session, Issue no. 7, p. 52; Poloz, 39th Parliament, 2nd Session, Issue no. 6, p. 15.

⁷⁶ Fuller, 39th Parliament, 2nd Session, Issue no. 9, p. 47.

⁷⁷ Tiagi, 40th Parliament, 2nd Session, Issue no. 11, p. 24.

⁷⁸ Fung, 40th Parliament, 2nd Session, Issue no. 17, p. 30; Fuller, 39th Parliament, 2nd Session, Issue no. 9, p. 47.

⁷⁹ Fung, 40th Parliament, 2nd Session, Issue no. 17, p. 24.

definition of fabrication to the new definition of manufacturing and manufacturing services.⁸⁰ It means competing with other businesses and governments to create conditions that will help their private sectors to invest, innovate and succeed globally.⁸¹ It means making Canada the location of choice, or a location of choice, for high-value activities in these global value chains.⁸² It means Canada becoming a location of choice for high-value and highly mobile activities.⁸³ It means developing goods and services of high value that no one else around the world can make or provide.⁸⁴ It means building knowledge of Canada's commercial capabilities and strengths by positioning Canada as a centre of excellence for talent, innovation, investment, value-added production and trade.⁸⁵

It means that Canadians can thrive.⁸⁶ This is Canada's chance to be part of their journey, to fulfill the potential of its commercial relations with these dominant and increasingly significant economies and benefit the Canadian economy and consumer.

⁸⁰ Fung, 40th Parliament, 2nd Session, Issue no. 17, p. 24.

⁸¹ Beck, 39th Parliament, 2nd Session, Issue no. 4, p. 9.

⁸² Fuller, 39th Parliament, 2nd Session, Issue no. 9, p. 39.

⁸³ Fuller, 39th Parliament, 2nd Session, Issue no. 9, p. 42.

⁸⁴ Laurin, 39th Parliament, 2nd Session, Issue no. 8, p. 88; Fung, 40th Parliament, 2nd Session, Issue no. 17, p. 23.

⁸⁵ Sunquist, 39th Parliament, 2nd Session, Issue no. 7, p. 17.

⁸⁶ Sunquist, 39th Parliament, 2nd Session, Issue no. 7, p. 15.

II. THE PROBLEM: CHINA, INDIA AND RUSSIA NOT ON CANADA'S RADAR

“We are late to the game. The private sector, the public sector and the nongovernmental sector are all late to the game. We have to move.”

*Sam Boutziouvis
Canadian Council of Chief Executives
40th Parliament, 2nd Session, Issue 11, page 18*

“Canadian exporters and investors are very concerned about the issues you raise. The fact of the matter is, though, that Canadian investors have shown disproportionate concern for these issues compared to investors from other countries. Canada has invested less in China compared to the size of its economy and the size of its trading relationship than, for example, American or European investors. There is no question that Canadian companies are more concerned about these issues than their counterparts in other countries.”

*Stephen Poloz
Export Development Canada
39th Parliament, 2nd Session, Issue 6, page 29*

“Trade has been at very low levels because Canada has been so focused on trade and economic relations with the U.S.”

*H.E. Shashishekhar M. Gavai
High Commissioner for India to Canada
40th Parliament, 2nd Session, Issue 5, page 26-27*

“The French president went to China several months ago, ... and at the stroke of a pen, there was \$30 billion on Airbus combined with a nuclear reactor. That is the size of our annual trade with China.”

*Wenran Jiang
Acting Director, China Institute
University of Alberta
39th Parliament, 2nd Session, Issue 7, page 45*

“If these were really impediments, or if they were real problems, why would so many Fortune 500 companies be in India, and not just be there but doing well there? If you ask these American companies, whether it is HP or Dell or GE or whatever, at the business level they are happy doing business in India. Their profit margins are high. They are competitive.”

*H.E. Shashishekhar M. Gavai
High Commissioner for India to Canada
40th Parliament, 2nd Session, Issue 5, page 44*

“We do not currently have the political climate to frame the bilateral relations to forge a better economic environment. The political relations between the two countries are at its lowest level since 1970. ... Which party is in power is not the issue, but currently politically the climate is very cold. That is the issue that we are dealing with here.”

*Wenran Jiang
Acting Director, China Institute
University of Alberta
39th Parliament, 2nd Session, Issue 7, page 44*

The Committee believes that Canadian commercial interests must be broadened to engage the three emerging markets more deeply, to fulfill the potential of its commercial relations with these dominant and increasingly significant economies and benefit the Canadian economy and consumer. In order to develop the appropriate policies, we feel it important to identify the reasons why Canada’s commercial relations with China, India and Russia are not more fully developed as a share of Canada’s overall trade and investment, notwithstanding the growth trends.

The Committee heard the opinions of many witnesses regarding reasons why Canada’s commercial relations with China, India and Russia are not more fully developed. Many witnesses in particular pointed to such challenges as the inconsistent treatment of intellectual property rights in China, protectionist practices in the three countries, their onerous bureaucratic and regulatory processes, weak rule of law systems and the prevalence of corruption in their answers. However, the Committee also heard convincing testimony over the course of its study regarding the strong commercial presence in these markets of companies from Australia, Germany, France, the United States and others despite facing the same type of challenges as Canadian firms. It follows that a more basic problem relating to Canada’s orientation

and its political relations with these countries may be at play. Simply put, China, India and Russia have not been on Canada's radar in ways that have positively influenced its commercial relations with them.

Challenges

The three markets under study by the Committee each have their own challenges in the quality of their business environments. While not every challenge obtains in every market, our witnesses testified that they reduce the predictability and stability in these markets to which commercial activities are attracted, thereby negatively impacting on the level of commercial interest.⁸⁷

Protectionist Practices

Many witnesses testified about numerous instances of protectionism undertaken by China, India and Russia regarding certain sectors of their economy and which has complicated the ability of businesses to penetrate these markets. We heard that some of these instances occurred to protect nascent and developing industries that are otherwise not competitive in the domestic market and can be aggravated when government interests are involved as well. We were told that the latter situation obtained in the case of the delays Bombardier has experienced in getting its CRJ 900 certified for the Russian market in the face of strong government support for the Russian model and competitor.⁸⁸ We were also told that protectionist tendencies also were related to the global economic crisis and its negative impact on domestic industries who are left with only the domestic market, despite the G-20 commitments undertaken by these countries to eschew protectionism as a recovery tool.

⁸⁷ Hart, 40th Parliament, 2nd Session, Issue no. 17, p. 10.

⁸⁸ Haynal, 40th Parliament, 2nd Session, Issue no. 16, p. 7.

Protectionism in the Agricultural Sector

“[India is] very suspicious of us because of agriculture. Agriculture is still protected in India.”

*Wendy Dobson
Rotman School of Management, University of Toronto
39th Parliament, 2nd Session, Issue 3, page 18*

We heard from many witnesses who described challenges related to market access for Canadian agricultural products in China, India and Russia and the need to not only increase domestic production, but also to shelter it from import competition.⁸⁹ "What parades as consumer concerns or consumer awareness about imported product is actually brought forward by the farmers and the special interest groups in those countries who do not want to see the imports or the competition coming from the imports."⁹⁰

The Committee heard testimony that protectionism in these countries was manifested mostly in non-tariff barriers surrounding non-compliance with standards or the setting of quotas, but also in high levels of tariffs.⁹¹ For instance, there is no access for Canadian products due to sanitary and phyto-sanitary issues. In the case of China, the Committee was told that Canadian canola seed and oil exporters face a 9% import tariff, compared to a 3% tariff on soybeans, a situation that is unlike any other major customer.⁹²

In the case of Russia, some of these instances related to the imposition of tariffs on Canadian exports of agricultural machinery and others concerned reduced market access according to standards for Canadian exports of beef and pork that are considered to be not based on internationally-accepted scientific principles.⁹³

⁸⁹ Coomber, 40th Parliament, 2nd Session, Issue no. 9, p. 31.

⁹⁰ Davis, 40th Parliament, 2nd Session, Issue no. 9, p. 36.

⁹¹ Coomber, 40th Parliament, 2nd Session, Issue no. 9, p. 33; Davis, 40th Parliament, 2nd Session, Issue no. 9, p. 24.

⁹² Everson, 40th Parliament, 2nd Session, Issue no. 9, pp. 24-25.

⁹³ Hage, 40th Parliament, 2nd Session, Issue no. 15, p. 8.

Regulations and Bureaucratic Obstacles

According to our witnesses, none of the three countries has been able to overcome fully its past and instead continues to have in place some onerous regulations that serve to inhibit business, or that are at the least time consuming. Indeed, these procedures can be interpreted as another form of protectionism and are evident across different sectors. Concerning the extractive industries, for instance, in Russia these are identified as strategic and foreign activities are severely restricted, while in China, foreign companies can explore, but they cannot extract.⁹⁴

In China, for instance, the Committee heard testimony from Bombardier about the negative impact of its regulatory structure on developing its share of the country's business aircraft market.⁹⁵ Other sectors in China such as publishing, telecommunications, marketing, pharmaceuticals, are similarly regulated and thereby inhibiting business.⁹⁶

Of particular concern is that these regulations are not necessarily consistently applied, neither are they transparent, thereby aggravating the negative impact they can have on business transactions.⁹⁷

Weak Rule of Law

With respect to China and Russia directly, we heard testimony about their weak rule of law. In part, the situation is due to an unreliable judicial system governed by personal interests and gain rather than legal principles. It is also due to their still evolving rule of law system based on the development of democratic institutions following over seventy years of communism and authoritarianism in the case of Russia, which contrasts with China's which is still fervently communist and

⁹⁴ Sunquist, 39th Parliament, 2nd Session, Issue no. 7, p. 22; Murphy, 39th Parliament, 2nd Session, Issue no. 2, p. 53.

⁹⁵ Haynal, 39th Parliament, 2nd Session, Issue no. 3, p. 86.

⁹⁶ Hampson, 40th Parliament, 2nd Session, Issue no. 18, p. 7.

⁹⁷ Daignault, 40th Parliament, 2nd Session, Issue no. 3, p. 38.

authoritarian. Judges often have no legal training and, as we were told, are frequently found on the payroll of the local business, government official, or both.

From the business point of view, the result is a legal environment that does not engender fair and objective settlement of commercial disputes, particularly in cases involving the protection of intellectual property. Moreover, confidence in the enforceability of contracts is weak. The perception of the situation is further fuelled by high profile media reports about businesses run by foreigners being overtaken by Russian businessmen with powerful political allies and without legal recourse. In the case of China, we also heard in testimony about the case of an Australian businessman being arrested.

Corruption

The Committee heard of widespread corruption at the local level, which often imposes barriers to local business' ability to succeed and by so doing, threatens the nation's future economic growth and political stability. Corruption not only fuels social unrest and inequality, but has major implications for attracting foreign investors and international business as well.

One of the main sources of corruption is the fact that the public service in the three countries is largely underpaid; corruption thus becomes a means to top up wages. Corruption levels are especially high in certain sectors, namely engineering, construction and other infrastructure related activities, as well as more generally when it comes to government procurement contracts. For example, the Committee heard that in smaller economic centres in China, it can be commonplace and even acceptable for the design and execution of a public works project to be manipulated in such a manner that the official in charge can illicitly obtain enough money to retire.⁹⁸ The Committee was further told of instances of corruption when it came to subcontracting, kick-backs, turning a blind eye to environmental and other regulations, and producing false safety reports. Corruption in China is a low-risk activity which pays a high return; even low-level officials have an opportunity to amass an illicit fortune.

⁹⁸ Meeting, Shanghai, China, 11 November 2009.

Accordingly, the Committee heard that, while it appears that China's trade patterns are not directly affected by corruption and it is uncommon for foreign businesses in China to encounter corruption, they must still navigate a difficult environment. For instance, China's corruption can impact foreign economic interests by risking liabilities in environmental, human rights, and financial practices, and increasing corruption against domestic rivals engaged in corrupt activities in China. Moreover, business permits and other related licenses are issued by municipal and regional authorities, which are thought to be heavily involved in corrupt practices.

Weak Protection of Intellectual Property Rights (IPR)

Many of the witnesses spoke of the challenges to commercial activities in China posed by the quality of protection of IPR. In essence, the environment in this country regarding protecting ideas, knowledge and innovation -- high-value goods in the new global economy -- is not well developed. During its fact-finding mission to China, the Committee heard several stories of a foreign business entering into a joint venture in China, only to have its partner steal its technology, or create a side business selling the same product at a discount.

The Strong Performance of Other Countries

Many of our witnesses highlighted the strong performance of countries such as the United Kingdom, Germany, France and the United States in the Chinese, Indian and Russian markets and their presence in these economies for a long period of time. It follows that a challenging business environment may be alone insufficient in explaining, and thereby leading to a solution about, the unfulfilled potential of Canada's commercial relations with the three.

In this respect, we heard a tremendous amount of testimony about the greater share China, India and Russia possess of the overall trade of Canada's competitors as well as the contribution of the three countries to their GDP.⁹⁹ In fact, as a comparable

⁹⁹ Fuller, 39th Parliament, 2nd Session, Issue no. 9, pp. 43-44; Sunquist, 39th Parliament, 2nd Session, Issue no. 7, p. 36; Clark, 39th Parliament, 2nd Session, Issue no. 7, p. 46.

country, Australia repeatedly stood out in witness testimony for its strong commercial performance across a wide variety of sectors, but including natural resources in the Chinese, Indian and Russian markets. Australia's achievements have led to the launch of negotiations with China on a bilateral free trade agreement. Reinforcing these relations is an education system in Australia that promotes greater Asian relevant skills, including language. While it is true that Australia may be reaping the results of a conscious choice it made many years ago to focus on its neighbourhood and the Asian market, this does not explain the growth in its commercial relations with Russia.¹⁰⁰

We also heard how Germany stands out in its commercial performance with China, India and Russia across numerous sectors, including transportation, equipment and technology, as evident in part by the activities of leading companies such as Siemens.¹⁰¹ They have also been able to capitalise on strong networks and, in the case of Russia, on a historical presence.¹⁰² The Netherlands is another Canadian competitor in the Russian market, particularly regarding agricultural machinery and the extractive industry by way of Royal Dutch Shell.¹⁰³ U.S.-based companies such as Microsoft, Dell and HP have research and development as well as business operations and production facilities in India.

We heard testimony about how these countries and their firms have been able to be successful and obtain strong economic gains by maximising their geographic proximities (such as the Australian case),¹⁰⁴ and/or economic size (as in the case of the United States), and their position whether by way of knowledge or natural endowments to offer the three economies what is needed. We were told that they are also more aggressive, coordinated and focused on their objectives.¹⁰⁵ Their commercial interests have also been invaluablely served by the strong support provided by their respective governments.¹⁰⁶ As the Committee was told, SNC-Lavalin lost two Russian contracts to a French company because of high-level visits, including by the

¹⁰⁰ Fuller, 39th Parliament, 2nd Session, Issue no. 9, pp. 48-49.

¹⁰¹ Fuller, 39th Parliament, 2nd Session, Issue no. 9, p. 43; Sunquist, 39th Parliament, 2nd Session, Issue no. 7, p. 36.

¹⁰² Daignault, 40th Parliament, 2nd Session, Issue no. 3, p. 44.

¹⁰³ Hage, 40th Parliament, 2nd Session, Issue no. 15, p. 16.

¹⁰⁴ Hill, 40th Parliament, 2nd Session, Issue no. 15, p. 14.

¹⁰⁵ Clark, 39th Parliament, 2nd Session, Issue no. 7, p. 46.

¹⁰⁶ Brown, 40th Parliament, 2nd Session, Issue no. 10, p. 16.

president, that coincided with the promotion of the contracts, as well as the involvement of the French government.¹⁰⁷

At the same time, the Committee heard that these markets are for big players, and, in part due to the nature of the Canadian economy, Canada does not have competitive firms.¹⁰⁸ Indeed, we were told that it is frequently the larger sized firms that are awarded contracts because they are in a position to offer attractive incentives.

According to our witnesses, another reason for the strong performance of Canada's competitors is that they precede trade with investment, as per the new imperatives of the new global economy. In this respect, investment sets the ground and injects money that will lead to goods being developed that could be traded. Canada, however, trades first and then begins to examine investment opportunities.¹⁰⁹ Our competitors in these markets also are stronger performers regarding trade in services by which to buttress their merchandise trade relations. As in the German case, they also trade on their reputation and brand of providing high-quality, value goods. As one witness testified, "The largest exporter of them all is ... Germany. It shows how important it is for us to understand how to create value. The issue very often is not a case of high wages. It is not a case of working harder, but of being able to provide value that the rest of the world is willing to pay for."¹¹⁰ In other words, Canada's competitors are fuller participants not only in the three emerging markets, but in the new global economy and global value chains more generally.

It follows that Canada is losing proportionally.¹¹¹ The success of other countries in these markets is occurring to Canada's detriment. Increased competition for components of global value chains and access to the emerging economies is, according to our witnesses, a feature of the new global economy, but one in which Canada is playing the role of a bystander.¹¹² The Committee was told that firms

¹⁰⁷ Meeting, Moscow, Russia, 13 October 2009.

¹⁰⁸ Meeting, Moscow, Russia, 13 October 2009.

¹⁰⁹ Meeting, Moscow, Russia, 13 October 2009.

¹¹⁰ Fung, 40th Parliament, 2nd Session, Issue no. 17, p. 23.

¹¹¹ Jiang, 39th Parliament, 2nd Session, Issue no. 7, pp. 43-44.

¹¹² Fuller, 39th Parliament, 2nd Session, Issue no. 9, p. 42.

competing against Canadian ones in the three markets in significant ways and, having saturated them, are not leaving much room for Canadian companies.¹¹³

China, India and Russia not on Canada's Radar

If other countries are able to have a strong commercial presence in the Chinese, Indian and Russian markets despite the challenges these three economies present, it follows that other factors must be at play to explain why Canada has not been able to realise its full economic potential with them. According to our witnesses, for the most part, Canada has been late to the game because China, India and Russia have not been priority markets for Canada.

Canada's Proximity to and Greater Economic Integration with the United States

Some witnesses testified that Canada's strong economic ties with the United States and its North American orientation in general were important factors affecting the development of its commercial interests with China, India and Russia. Indeed, as one witness remarked, "To date, we have been partly sheltered by our strong ties with the U.S. However, we need to wake up to the global realities and look beyond our neighbour if we do not want to be left behind."¹¹⁴

One of the implications of the American dominance of Canada's commercial interests and activities is that, as many witnesses testified to the Committee, the proximity of such an opportunistic market as the United States has made Canadian businesses too complacent in developing their commercial interests to enter the higher risk markets of China, India and Russia.¹¹⁵

In Canada, we have the blessing of the United States to ourselves. Of course, it also becomes the poison for our future. Our complacency of dependency on the U.S. market is stopping us

¹¹³ Haynal, 39th Parliament, 2nd Session, Issue no. 3, p. 86.

¹¹⁴ Rao, 39th Parliament, 2nd Session, Issue no. 3, p. 13.

¹¹⁵ Steger, 39th Parliament, 2nd Session, Issue no. 2, p. 28.

*from looking further. I talk to auto parts manufacturers in southwestern Ontario who are suffering. I tell them to look at the statistics and why do we not go to North Asia together. They say that it is too far away. I tell them that they are undercapacity now, but they say they will wait for the cycle to come back. It is easier to wait for the cycle to come back than to jump on a plane, learn a new language and understand a new culture.*¹¹⁶

Indeed, the U.S. market is for many Canadian companies, particularly small- and medium-sized enterprises (SMEs), much more cost-effective.¹¹⁷ According to our witnesses, it offers a common language, a nearly identical business culture, a good long-term market (depending on the sector and market conditions) and a familiar and reliable judicial system. These advantages, coupled with its proximity and economic size are unrivalled.¹¹⁸

As a result, some witnesses testified that the Chinese, Indian and Russian markets are not on the radar screen of many Canadian businesses.¹¹⁹ They continued with testimony that the countries are unknown to Canadian businesses, be they in the manufacturing, resource, services or investment sectors,¹²⁰ not to mention the commercial opportunities offered by the three emerging economies. What they might know of these economies is dominated by the challenges, such as onerous bureaucratic procedures and corruption, and which are heightened by media reports about companies “getting burned.”¹²¹

Quality of Bilateral Relations

Another factor witnesses told us that has contributed to China, India and Russia not appearing on Canada’s commercial radar screen is the quality of our bilateral relations

¹¹⁶ Fung, 40th Parliament, 2nd Session, Issue no. 17, p. 41.

¹¹⁷ Laurin, 39th Parliament, 2nd Session, Issue no. 8, p. 84.

¹¹⁸ Sunquist, 39th Parliament, 2nd Session, Issue no. 7, p. 24.

¹¹⁹ Mamedov, 39th Parliament, 2nd Session, Issue no. 8, pp. 63-64; Laurin 39th Parliament, 2nd Session, Issue no. 8, pp. 83-84; Kuntz, 39th Parliament, 2nd Session, Issue no. 9, p. 7.

¹²⁰ Sunquist, 39th Parliament, 2nd Session, Issue no. 7, pp. 19-21; Evans, 39th Parliament, 2nd Session, Issue no. 3, p. 38; Boutziouvis, 40th Parliament, 2nd Session, Issue no. 11, p. 18.

¹²¹ Westdal, 39th Parliament, 2nd Session, Issue no. 10, p. 16.

of late with these countries. In other words, when the three countries have generated interest on Canada's part, it has not been in a manner that has promoted the development of trade and investment.¹²² That government plays such a fundamental economic role in the three markets serves to highlight the consequences for Canada of the quality of its bilateral relations with them.

1. China

Our relations with China have been dominated by a method of human rights diplomacy that emphasises lack of official engagement with the country. Our witnesses told us during our hearings in Ottawa of the state of human rights in China, raising concerns about the treatment of national minorities and religious groups such as Tibetans, Uighurs and members of the Falun Gong, media and internet controls, use of torture and the death penalty, as well as controls on civil society groups.¹²³ The situation is aggravated by a judicial system that features arbitrary arrest and unfair, closed trials carried out without legal representation for the accused.¹²⁴

Australia's strong economic performance with respect to China confirms that the problem has not been Canada's position on China's human rights record per se, but in the manner by which the message was delivered. "[The Australians] engage, they criticize, they are welcomed and they do business at the same time."¹²⁵ In other words, Australia has had in place a mechanism by which to engage China diplomatically on human rights.¹²⁶ Canada's mechanism has not been used for some time and the impact has been felt in the quality of its bilateral relations.¹²⁷ As one witness testified, "If we start ... criticiz[ing] some of their other policies, such as human rights, which are certainly questionable, there are ways to do that and ways not to do it. We have clearly chosen the wrong way to do it,"¹²⁸

¹²² Wolf, 39th Parliament, 2nd Session, Issue no. 3, p. 44.

¹²³ Neve, 39th Parliament, 2nd Session, Issue no. 6, pp. 17-18; Houlden, 39th Parliament, 2nd Session, Issue no. 7, pp. 33-34; Wolf, 39th Parliament, 2nd Session, Issue no. 3, no. 43.

¹²⁴ Neve, 39th Parliament, 2nd Session, Issue no. 6, pp. 17-19.

¹²⁵ Jiang, 39th Parliament, 2nd Session, Issue no. 7, p. 45.

¹²⁶ Jiang, 39th Parliament, 2nd Session, Issue no. 7, p. 58; Brown, 40th Parliament, 2nd Session, Issue no. 10, pp. 15, 19-20.

¹²⁷ Jiang, 39th Parliament, 2nd Session, Issue no. 7, p. 59.

¹²⁸ Wolf, 39th Parliament, 2nd Session, Issue no. 3, p. 43.

Canada's bilateral relations with China, which had been manifested as a lack of engagement, are further undermined by other irritants. One such Canadian concern has been the case of Huseyin Celil, a Canadian citizen of Uighur ethnicity who has been imprisoned in China for several years on charges of terrorism and to whom Canadian officials have not been given access.¹²⁹

On the other hand, during our fact-finding mission, Chinese government officials often brought the Committee's attention to the case of Mr. Lai Changxing, a Chinese national accused of bribery and fraud in a large-scale smuggling case that he and his wife, Ms. Tsang allegedly ran through their Yuan Hua group of companies. Having first arrived in Canada in August 1999 Mr. Lai has been living in Vancouver for the last ten years as his refugee claim and subsequent appeals remain held up in the Canadian judicial system. Although the Committee stressed the independence of the Canadian judicial system, Chinese officials asked that the Committee intervene to extradite Mr. Lai, as this case was acting as an impediment for future relations between our two countries.

In other words, by not engaging China in a more constructive manner and with the presence of these irritants, Canada has not been in a favourable position to realise its potential in its levels of trade and investment with China. According to one of our witnesses:

*[Canada-China Business Council] is regularly asked whether the current cooler political relationships between Ottawa and Beijing are costing Canadian businesses. Until very recently, the answer has been, "Not yet." However, that is no longer true. We have had reports from our members that contracts are being lost as a direct result of cooler relationships between our most senior political leaders. This is not maybe; it is definitely.*¹³⁰

¹²⁹ Neve, 39th Parliament, 2nd Session, Issue no. 6, pp. 18-19.

¹³⁰ Harder, 39th Parliament, 2nd Session, Issue no. 8, pp. 21-22.

2. India

Canada's position on India's nuclear status, shaped by India's nuclear tests in 1974 using Canadian technology and in 1998, resulted in a distant bilateral relationship between the two countries over the years. We heard that former Prime Minister Indira Gandhi had complained in 1973 in a speech in Toronto about the weak bilateral economic relationship.¹³¹ The distance was reinforced by Canada's concerns over violent anti-Muslim riots in the Indian province of Gujarat in 2002. As one witness testified, "The essence of diplomacy is continuing relationships even when you have differences. We had a 30-year freeze starting in 1974. Instead of moving forward, ... we did very little."¹³²

3. Russia

As we heard from witnesses, Canada's relations with Russia have not been as deeply affected by irritants as those with China and India. Nonetheless, they have and do exist, particularly regarding Arctic sovereignty, opposition to Kosovo independence, and its aggressive policies with its neighbours such as Ukraine and the conflict over South Ossetia in Georgia, to name a few.¹³³ What has particularly contributed to keeping Russia off the Canadian commercial radar is the high profile regularly granted by the media to the dominance of the Russian economic system by oligarchs, criminal groups, and the negative experiences of some Canadian businesses in that market.

¹³¹ Goold, 40th Parliament, 3rd Session, Issue no. 3, p. 55.

¹³² Goold, 40th Parliament, 3rd Session, Issue no. 3, p. 59.

¹³³ Sunquist, 39th Parliament, 2nd Session, Issue no. 7, p. 19; Hage, 40th Parliament, 2nd Session, Issue no. 15, p. 5.

III. THE SOLUTION: PUTTING CHINA, INDIA AND RUSSIA ON CANADA’S RADAR

“If others are finding the way and the will to do it, then we have to do something about that.”

*Ken Sunquist
Foreign Affairs and International Trade Canada
40th Parliament, 2nd Session, Issue 18, page 47*

“[W]e are still in the PowerPoint mode of engagement. All of it is lots of talk. We need to move into the project plan mode.”

*Aditya Jha
Canada India Foundation
40th Parliament, 3rd Session, Issue 3, page 39*

Government Programs and Resources

“The Global Commerce Strategy goes a long way to defining how we are becoming an organization focused on integrated trade and how we effectively and efficiently use the resources we have.”

*Stewart Beck
Foreign Affairs and International Trade Canada
39th Parliament, 2nd Session, Issue 4, page 29*

“I see no need, therefore, for any changes in the Canadian trade and investment policy in response to the emergence of these three countries. Canadian government resources are scarce and would be better devoted to resolving problems that would actually make a difference to the lives of most Canadians.”

*Michael Hart
Simon Reisman Chair in Trade Policy
Carleton University
40th Parliament, 2nd Session, Issue 17, page 8*

As we heard in testimony from one of our witnesses, in the new global economy, governments compete with governments to create conditions that will help their

private sectors to invest, innovate and succeed globally.¹³⁴ As a key stakeholder, the challenges the Government of Canada faces is how to improve the country's position in the new global economy and how to better engage and position Canada with China, India and Russia.¹³⁵

The Committee heard a great deal of testimony regarding the many initiatives and programs undertaken by the Government of Canada that focus on global value chains. In particular, the Global Commerce Strategy (GCS) at Foreign Affairs and International Trade Canada (FAIT) was established in 2006 to offer direction and coherence in this respect.¹³⁶ With a budget of \$50 million¹³⁷ annually and in close cooperation with other departments and agencies, GCS aims to make Canada a preferred partner in global affairs by leveraging and building on Canada's North American advantage; deepen Canadian access to global markets, capital, technologies and knowledge; and better connect Canadian companies to global opportunities.¹³⁸

FAIT has identified China, India and Russia among the thirteen priority markets of the GCS. It also has worked closely with key stakeholders in developing multi-year market plans for the three countries. These plans focus on an integrative trade model and take into account all elements of commercial activity, including trade market access, promotion, two-way investment, science and technology partnerships, and innovation collaboration. They also set targets for Canadian exports, two-way investment, and increase share for Canadian companies in selected priority sectors in these markets.¹³⁹

The Committee heard testimony about the Government of Canada's valuable assistance to Canadian companies and helping to improve their competitive position in these markets.¹⁴⁰ This assistance includes providing market information, such as

¹³⁴ Beck, 39th Parliament, 2nd Session, Issue no. 4, p. 9; Fuller, 39th Parliament, 2nd Session, Issue no. 9, p. 47; Sunquist, 40th Parliament, 2nd Session, Issue no. 18, p. 41.

¹³⁵ Daigneault, 40th Parliament, 2nd Session, Issue no. 3, p. 37; Westdal, 39th Parliament, 2nd Session, Issue no. 10, p. 29.

¹³⁶ Fuller, 39th Parliament, 2nd Session, Issue no. 9, p. 39; Beck, 39th Parliament, 2nd Session, Issue no. 4, p. 9.

¹³⁷ Sunquist, 39th Parliament, 2nd Session, Issue no. 7, p. 37.

¹³⁸ Beck, 39th Parliament, 2nd Session, Issue no. 4, p. 9.

¹³⁹ Sunquist, 39th Parliament, 2nd Session, Issue no. 7, pp. 16-18.

¹⁴⁰ Laurin, 39th Parliament, 2nd Session, Issue no. 8, p. 75.

identifying priority sectors and opportunities, assisting in risk management, and identifying and facilitating business opportunities. Such activities were noted in our hearings to benefit all Canadian commercial interests, but especially those undertaken by SMEs who have limited means to access the necessary information and limited skills required in order to participate in these markets. In effect, in the new global economy, the government's role has changed from just facilitating export contacts to becoming a facilitator and an intermediary who is actively building Canadian business and having to understand Canadian global opportunities.¹⁴¹

Many of the Committee's witnesses gave positive assessments of these initiatives and programs in putting China, India and Russia on Canada's radar.¹⁴² Indeed, one witness remarked that GCS has not only been a successful strategy in general, but that "we are starting to see some success in the Russian side of things. ... I think it is working well."¹⁴³

While some witnesses spoke favourably of the utility of such government initiatives, others raised concerns about government support for commercial activities. In this respect, the point was made that some companies may be venturing into opportunities before they are ready if they rely on government support.¹⁴⁴

Notwithstanding the development of these programs and initiatives, the former Minister of International Trade, the Honourable Stockwell Day, testified to the Committee: "We can and need to do more."¹⁴⁵

We agree. In order to benefit Canadian companies, the Canadian economy and Canadians generally, the Government of Canada should develop policies and programs that promote the stronger participation of Canadian commercial interests across the full range of activities comprising global value chains, including investment, innovation, design, production, marketing, distribution, product support and services, which dominate the new global economy. In particular, given the impressive growth and dynamism of the economies of China and India and their prominence in the

¹⁴¹ Beck, 39th Parliament, 2nd Session, Issue no. 4, p. 16.

¹⁴² Fuller, 39th Parliament, 2nd Session, Issue no. 9, p. 51.

¹⁴³ Hage, 40th Parliament, 2nd Session, Issue no. 15, p. 18.

¹⁴⁴ Hart, 40th Parliament, 2nd Session, Issue no. 17, pp. 11, 15.

¹⁴⁵ Day, 40th Parliament, 2nd Session, Issue no. 3, p. 16.

global economy due to their participation in global value chains, as well as Russia's impact on global economic trends, the Government of Canada should strengthen Canadian bilateral commercial activities with these economies as an international commercial policy strategic priority. In this way, tremendous potential and gains can be realised at a greater level.

At the same time, the Committee is mindful of the differences among the three economies, particularly regarding their economic size, global impact, influence and their potential implications for Canada. Indeed, China is the most dominant, and India's growth trajectory has begun to take flight. Russia's inclusion is largely due to it being one of the world's biggest energy producers. We agree that their mutual distinction prevents the application of a template approach in terms of enhancing Canada's commercial relations with them. As one witness stated, "Each of these countries is, therefore, complex in its own way, not just in this context but in many others, and the balance in our relationships with each one of them is unique."¹⁴⁶

Continuing Economic Ties with the United States

"It does not mean that Canada cannot walk and chew gum at the same time. We can do two things at once. We can look at the U.S. and pay attention to the U.S., but we can also pursue and lay the groundwork for better relations with China and India, and it has already started."

*Brenda Lafleur
Conference Board of Canada
39th Parliament, 2nd Session, Issue 3, page 20*

As beneficial as enhancing our commercial relations with China, India and Russia may be for Canadian businesses and ultimately the Canadian economy, the Committee believes that these pursuits should not be undertaken at the expense of Canada's strong and established economic ties with its most important partner, the United States. Australia's deliberate choice of prioritising Asia in its international commercial strategy is neither economically practical nor desirable for Canada.

¹⁴⁶ Haynal, 39th Parliament, 2nd Session, Issue no. 3, p. 68.

Many witnesses testified that the U.S. market should remain our priority.¹⁴⁷ Indeed, we heard that Canada should even deepen our economic relations with the United States and improve NAFTA.¹⁴⁸ As one witness remarked,

*The kinds of problems that we have in our most important trade investment relationship, which require some serious investment of both political capital and policy capital, would get a much larger benefit out of that than we would out of spending the same kind of capital on relations with emerging markets. We have serious problems with the United States, and in my view that agenda has not received the attention it requires.*¹⁴⁹

At the same time, we believe that the Chinese, Indian and Russian markets and Canada's development of stronger commercial relations with them offer important alternatives for Canadian companies as market fluctuations and economic crises and developments in the global economy affect the pull and advantages of the U.S. market for Canadian goods, investment and services.¹⁵⁰

Moreover, the Committee agrees with one of our witnesses who said that international commerce is not a zero-sum game.¹⁵¹ Canada does not need to make a choice of either the United States or emerging economies.¹⁵² Indeed, according to some of our witnesses, Canada's commercial relations with the emerging economies can and is developing by way of its integration into global value chains through its economic activities with and proximity to the United States.¹⁵³ As one witness stated, "Much of what we sell to the rest of the world does not get made within our borders. The supply chain is across borders within North America. We are part of the North

¹⁴⁷ Beck, 39th Parliament, 2nd Session, Issue no. 4, p. 20; Sunquist, 39th Parliament, 2nd Session, Issue no. 7, p. 14; Harder, 39th Parliament, 2nd Session, Issue no. 8, p. 20.

¹⁴⁸ Dobson, 39th Parliament, 2nd Session, Issue no. 3, pp. 8, 18.

¹⁴⁹ Hart, 40th Parliament, 2nd Session, Issue no. 17, pp. 12-13.

¹⁵⁰ Fuller, 39th Parliament, 2nd Session, Issue no. 9, pp. 56-57; Laurin, 39th Parliament, 2nd Session, Issue no. 8, p. 72; Mandel-Campbell, 40th Parliament, 2nd Session, Issue no. 11, p. 30; Clark, 39th Parliament, 2nd Session, Issue no. 7, p. 50; Tiagi, 40th Parliament, 2nd Session, Issue no. 11, p. 28.

¹⁵¹ Hart, 40th Parliament, 2nd Session, Issue no. 17, p. 11.

¹⁵² Hodgson, 39th Parliament, 2nd Session, Issue no. 7, p. 59; Tiagi, 40th Parliament, 2nd Session, Issue no. 11, p. 24.

¹⁵³ Hart, 40th Parliament, 2nd Session, Issue no. 17, p. 11; Curtis, 40th Parliament, 2nd Session, Issue no. 8, p. 46; Malone, 40th Parliament, 2nd Session, Issue no. 8, p. 44.

American export engine, and we receive our share of it directly and indirectly."¹⁵⁴ As the same witness continued, Canada's economic ties with the United States is so entrenched and developed that even a rapid growth in its commercial activities with China, India and Russia will "only put a dent in the Canada-U.S. relationship at a modest pace."¹⁵⁵

Recommendation 1:

The Government of Canada should continue to deliver and fund initiatives and programs that aim to improve Canada's position in the new global economy and in global value chains.

From a commercial perspective, the Government of Canada should continue to ensure that it develops and implements policies and programs which engage and position Canada in relation to China, India and Russia more advantageously. These measures should reflect the unique advantages and features of each market for Canadian companies. Moreover, the Global Commerce Strategy and the market plans for China, India and Russia should continue to be supported and enhanced as required.

In doing so, the Government of Canada should ensure that the initiatives and programs it is undertaking offer good value for money.

¹⁵⁴ Stewart-Patterson, 40th Parliament, 2nd Session, Issue no. 11, pp. 16-17.

¹⁵⁵ Stewart-Patterson, 40th Parliament, 2nd Session, Issue no. 11, p. 17.

Allocating Government Resources

“[T]he government’s global commerce strategy ... is a start, but greater commitment will be needed to underpin a successful international strategy. While Canada has devoted much to our commercial relations globally, many of our competitors devote much more funding to their relations with a single country. While it is good to see that the federal government has a global strategy and that committees such as this one are considering our international engagement, it is now time to actually back up these words with the required resources.”

*Michael Murphy
Canadian Chamber of Commerce:
39th Parliament, 2nd Session, Issue 2, pages 36-37*

“Every market is different. The countries you are talking about are all enormous countries with five different languages being spoken and complex regional differences. We could always use more resources.”

*Jim Everson
Canadian Agri-Food Trade Alliance (CAFTA)
40th Parliament, 2nd Session, Issue 9, page 42*

“Looked at from the company’s point of view, government support is extraordinarily important, particularly in these three markets. I do not mean subsidies. I refer to a recognition that in these economies, in particular, the line between the economy and the state is often a rather fuzzy one. In these and other economies, the notion that Canada itself is engaged as opposed to just a company becomes an issue of competitive advantage or disadvantage.”

*George Haynal
Bombardier Inc.
39th Parliament, 2nd Session, Issue 3, page 73*

We heard from witnesses at our hearings as well as during our fact-finding missions to China and Russia that Canadian government resources and support play important roles in enhancing commercial relations in the three emerging markets. This issue cannot be separated from the strong presence of the government in the business culture of the three countries. In this respect, having visible government support and

resources provides Canadian businesses greater clout and increases the chances of finding commercial success. As one witness testified:

*In certain places in Asia, it works easier than others in terms of the government-to-government relationship. Certainly in China, from my own experience, being a centrally planned economy, for want of a better way to describe it, the government plays a bigger role. Whether it is the city of Shanghai, which has provincial status within the central government, or whether it is a city in the province, having the title of a trade commissioner, a diplomat working for the Canadian government, gives us the entrée at the level we want to succeed.*¹⁵⁶

The importance of federal government involvement in Canadian commercial ventures in these countries is further underlined whereby the business activities of Canadian competitors are regularly supported by the strong government-to-government ties that have been built.¹⁵⁷

During its fact-finding mission to China, the Committee was told repeatedly about how the Canadian embassy, the Consulates and Export Development Canada (EDC) representatives play a vital role in facilitating access to key individuals in the Chinese political and economic structure and to building bridges with important contacts.¹⁵⁸ We heard numerous examples illustrating the importance of the federal government's role in Canada-China commercial relations. For instance, BMO highlighted the significance of the role played by the Canadian embassy in facilitating access to key Chinese individuals that eventually led to the September 2009 announcement of it having been incorporated in China.¹⁵⁹ Power Pacific Corporation Ltd. also reiterated a case where the close relationship and involvement of the Canadian government enhanced its negotiations on a project and contributed to its success.¹⁶⁰ Manulife Sinochem indicated that some of its access problems were overcome because of the ambassador's interventions.¹⁶¹

¹⁵⁶ Beck, 39th Parliament, 2nd Session, Issue no. 4, p. 17.

¹⁵⁷ Meeting, Beijing, China, 10 November 2009.

¹⁵⁸ Meeting, Beijing, China, 10 November 2009; Meeting, Shanghai, China, 11 November 2009.

¹⁵⁹ Meeting, Beijing, China, 10 November 2009.

¹⁶⁰ Meeting, Beijing, China, 10 November 2009.

¹⁶¹ Meeting, Shanghai, China, 11 November 2009.

Many witnesses called for more government resources to raise the profile of the Canadian government in these markets and to facilitate the work of diplomats, trade commissioners and public service officials generally.¹⁶² One witness was emphatic about how the Government of Canada is not resourcing its international priorities in general to satisfactory levels, noting, “We have to give our diplomats the resources they need to do their jobs. No, we are not doing that.”¹⁶³ Another witness simply noted, “There are never enough resources, senator, for the trade front. As someone who focuses on the international file, there are never enough resources; we need more.”¹⁶⁴

The Committee received suggestions relating to the creation of a new initiative and a new position to elevate and secure the prominence of India in particular in Canada’s efforts to enhance its commercial relations with this important emerging economy. We heard that an “India Now” task force composed of business leaders should be created and that sets out specific targets and strategies for fulfilling the potential in bilateral trade and investment.¹⁶⁵ Similarly, another witness supported the idea of establishing a bilateral eminent-persons group of Canadians and Indians with a short-term mandate to “identify avenues for business financial collaboration, partnerships and institutions.”¹⁶⁶

In another suggestion, a Special Envoy to India should be appointed by the Prime Minister’s Office in order to “put extra strength onto” the emphasis on India.¹⁶⁷ This suggestion complements another that we heard about making the Canadian High Commissioner to India a political appointment in order to send the message of the importance granted to the relationship.

¹⁶² Murphy, 39th Parliament, 2nd Session, Issue no. 2, pp. 36-37; Dobson, 39th Parliament, 2nd Session, Issue no. 3, p. 29; Fuller, 39th Parliament, 2nd Session, Issue no. 9, p. 47.

¹⁶³ Westdal, 39th Parliament, 2nd Session, Issue no. 10, p. 29.

¹⁶⁴ Boutziouvis, 40th Parliament, 2nd Session, Issue no. 11, p. 20.

¹⁶⁵ Comerford, 40th Parliament, 3rd Session, Issue no. 5, p. 10.

¹⁶⁶ Thakur, 40th Parliament, 3rd Session, Issue no. 3, p. 25.

¹⁶⁷ Comerford, 40th Parliament, 3rd Session, Issue no. 5, p. 10.

Recommendation 2

In order to send a positive signal to high-level officials about the value Canada places on its trade and investment relations with China, India and Russia, the Government of Canada should create the position of Special Commercial Envoy. The clearly-defined mandate of the Special Envoy would include consulting with prominent business leaders and high-level government officials from Canada and from the three countries in an effort to identify strategies for enhancing commercial relations.

Increasing Physical Presence

There is no alternative to physical presence there.

*H.E. Shashishekhar M. Gavai
High Commissioner for India to Canada
40th Parliament, 2nd Session, Issue 5, page 38*

One area where witnesses told the Committee government resources should be augmented is in the size of the physical presence of Canadian diplomats and commercial officers on the ground in China, India and Russia.¹⁶⁸ In assisting in the search for local partners, opening doors, gathering market intelligence, and providing education about the local business culture, we heard that the value of face-to-face interactions that Canadian local presence brings in the conduct of business cannot be underestimated.¹⁶⁹ As one witness testified, "... representation is extremely important to us. Ambassadors can be critical players in these markets and they do us proud in all of cases that I have been aware of."¹⁷⁰

¹⁶⁸ Murphy, 39th Parliament, 2nd Session, Issue no. 2, p. 42.

¹⁶⁹ One specific example of an innovative method for sharing market information specifically regarding global value chains, the trade commissioner at Canada's consulate-general in Shanghai disseminates virtual sector newsletters on automotive and information communication technology areas to the virtual trade commissioner network and to which a Canadian company can subscribe. In this way Canadian companies have access to opportunities and contacts that might benefit them and follow up with the trade commissioner. Kitnikone, 40th Parliament, 2nd Session, Issue no. 18, p. 42.

¹⁷⁰ Haynal, 39th Parliament, 2nd Session, Issue no. 3, p. 74.

We also heard about their value in organising demonstration projects.¹⁷¹ In one such example, we heard about how Canadian trade representatives in China organised a results-oriented demonstration project on clean-technology initiatives in the municipality of Chongqing that promoted pilot projects to key central government, provincial and municipal Chinese decision makers and that would to foster Canada's competitive advantage in China.¹⁷²

Having met as well with three of the Canadian consulates in China, namely, Shanghai, Guangzhou and Hong Kong, we saw first hand the value of a wide distribution of consulates and trade offices in order to facilitate commercial transactions and opportunities on behalf of Canadian businesses throughout China. These offices also facilitate (at times at a rate of one per month) Canadian business, federal government and provincial government delegations visiting a particular region.

Some witnesses suggested that, to maximise the value and impact of these additional resources, the additional Canadian presence should target the tier-two and tier-three cities in these economies. These cities are not only less-saturated, but they are significant in size nonetheless and also growing rapidly, thereby offering market and commercial opportunities that are not always initially obvious.¹⁷³ As one witness testified, "We know that just by the news that it is not just New Delhi and Mumbai anymore. Other parts of India are growing rapidly. It is about having representation and making those introductions and those business contacts."¹⁷⁴

¹⁷¹ Laurin, 39th Parliament, 2nd Session, Issue no. 8, p. 89; Sunquist, 40th Parliament, 2nd Session, Issue no. 18, p. 41. In one example of facilitating business opportunities, we heard about how the Consulate-General organised a virtual agri-food trade fair in Hong Kong, a sophisticated market featuring high levels of consumer spending and disposable income. More specifically, Canadian companies shipped a few of their products, juices, drinks and similar products to the Consulate-General where Hong Kong buyers came to taste the products and talk to the Canadian businesses whose products were being tasted by way of video conference. Such an innovative method of facilitating Canadian business serves to save thousands of dollars on airfare on the part of the Canadian companies involved. Kitikone, 40th Parliament, 2nd Session, Issue no. 18, p. 42.

¹⁷² Sunquist, 40th Parliament, 2nd Session, Issue no. 18, p. 26.

¹⁷³ Murphy, 39th Parliament, 2nd Session, Issue no. 2, p. 42; Tiagi, 40th Parliament, 2nd Session, Issue no. 11, p. 26; Beck, 39th Parliament, 2nd Session, Issue no. 4, p. 15.

¹⁷⁴ Beck, 39th Parliament, 2nd Session, Issue no. 4, p. 15.

We were pleased to hear and see that, as part of the Global Commerce Strategy, the Government of Canada has been increasing the number of officers and trade offices in China and India in particular in order to help companies grow in a new global economy.¹⁷⁵ Moreover, the Committee heard that the responsibilities of the increased number of staff in these markets to deal with global supply chains reflect the importance of inserting Canadian companies more aggressively into the new global economy.¹⁷⁶

In Russia, however, the situation is different whereby the Canadian government closed a mission in St. Petersburg, reducing Canada's presence to one mission in Moscow. The Russian ambassador remarked in clear terms, "You did not close trade missions, but consuls general. I think it is a stupid decision."¹⁷⁷ Another witness testified, "I do not think [our government is] doing a very good job. The only mission we have is in Moscow. The other mission was closed. ... Having on the ground presence in Moscow or in the regions is critical."¹⁷⁸

Moreover, the Committee heard testimony that, in order to support expanding Canadian commercial activities in China, India and Russia, staff and resources are not increasing in absolute terms. Instead, in order to find the most effective use of scarce resources, they are reallocated from existing funds and established markets to staff Canada's physical presence in the emerging markets. Moreover, the relevant budget has been static for many years.¹⁷⁹

We heard a variety of reactions from our witnesses towards the reallocation of these resources. One agreed that greater resources could be more effectively put to use by reallocating them from markets that are not only more established, but also much more culturally similar, such as the United States, to distant, more culturally unfamiliar markets.¹⁸⁰ More specifically:

¹⁷⁵ Beck, 39th Parliament, 2nd Session, Issue no. 4, p. 16; Sunquist, 40th Parliament, 2nd Session, Issue no. 18, p. 27.

¹⁷⁶ Moreau, 39th Parliament, 2nd Session, Issue no. 9, p. 48; Sunquist, 40th Parliament, 2nd Session, Issue no. 18, p. 30.

¹⁷⁷ Mamedov, 39th Parliament, 2nd Session, Issue no. 8, p. 59.

¹⁷⁸ Borg, 40th Parliament, 2nd Session, Issue no. 14, p. 14.

¹⁷⁹ Beck, 39th Parliament, 2nd Session, Issue no. 4, p. 15; Sunquist, 39th Parliament, 2nd Session, Issue no. 7, p. 37.

¹⁸⁰ Haynal, 39th Parliament, 2nd Session, Issue no. 3, p. 69.

*I do not think we need traditional trade commission intermediation services in the United States. We need a strong presence there, but not to put individuals together with other individuals. That sort of service is critical, however, in markets where most Canadian economic actors lack linguistic or cultural affinity There, the presence of representatives who can provide that kind of intellectual and cultural infrastructure and networking is extremely important.*¹⁸¹

Another, speaking specifically about India, testified:

*I see no reason why the Government of Canada would want to expend extra effort to expand that relationship because the benefits from that would be quite small. It is far, and much of the trade that we do with India is based on ethnic connections where I think the Government of Canada's role is a relatively minor one. Given the constraints on Canadian fiscal capacity and the kinds of benefits we get, I would not see a need to expand the Canadian presence in India.*¹⁸²

The Committee believes that decisions undertaken by the Government of Canada about the allocation of resources and the location of offices should consider Canada's comparative advantages and complementarities. They should also consider the potential advantages of expanding representation into less-saturated regions and markets in these countries, such as second- and third-tier cities.

Mindful of the concerns regarding resource efficiency, the Committee also suggests that the Government of Canada should take steps to ensure that Canada's well-developed trade and investment markets are neither neglected nor negatively affected by the reallocation of resources to China, India and Russia.

¹⁸¹ Haynal, 39th Parliament, 2nd Session, Issue no. 3, p. 74.

¹⁸² Hart, 40th Parliament, 2nd Session, Issue no. 17, p. 12.

Developing Relevant Public Service Skills and Training

[T]hey are first class. They are enormously helpful. ... I have had firsthand experience, particularly in India but also in China. The ambassador and trade commissioners down there, the trade commissioners in Shanghai, Guangzhou and Bombay are absolutely outstanding

*Wendy Dobson
Rotman School of Management, University of Toronto
39th Parliament, 2nd Session, Issue 3, page 29*

Their skills are just not being used. There could be more strategic emphasis put on this multiculturalism.

*Andrea Mandel-Campbell
Author
40th Parliament, 2nd Session, Issue 11, pages 37-38*

We would like to have [the diaspora] within the government and we are trying to attract some of these people to be part of our foreign service. We would hope that more and more people would end up in senior positions in Canadian companies, as that is how you get that cultural understanding of the marketplace.

*Ken Sunquist
Foreign Affairs and International Trade Canada
40th Parliament, 2nd Session, Issue 18, page 44*

The Committee's witnesses for this study were unanimous in positively assessing the talents and skills of Canadian representatives involved in the promotion of Canadian commercial interests in China, India and Russia and the extent to which they matched the demands of what was required in the new global economy.

At the same time, however, we heard testimony about the importance for Canadian commercial officers to have the necessary skill set in order to reflect the demands of the new global economy in general and the particularities of the Chinese, Indian and Russian markets in particular.¹⁸³ Another noted that these skills included those that reflect an understanding of those areas where Canadian businesses have a competitive strength and where they can participate effectively in the long term. In particular, we heard that what was needed was "highly trained investment prospectors and those

¹⁸³ Curtis, 39th Parliament, 2nd Session, Issue no. 8, p. 34.

who can help fill in the information gap, which is much deeper."¹⁸⁴ One witness recommended that commercial officers receive training in the designated market in order to obtain a better understanding of the local specificities and business culture.¹⁸⁵

While one witness lamented the low level of resources devoted to language training for public servants, comparing Canada unfavourably to New Zealand in this regard,¹⁸⁶ the Committee also heard from the former Minister of International Trade that there is a premium on having people at Canadian missions abroad who fluently speak the local language. In his words: "We invest a lot in DFAIT in terms of language training."¹⁸⁷ One witness raised concerns that the language skills obtained and the multicultural fabric at the department are not necessarily strategically considered in terms of assignments.

The Committee believes that Canada's commercial representatives should be provided with continued opportunities to acquire the necessary knowledge about Canadian commercial advantages that would enable them to advance Canadian commercial interests in these markets.

Recommendation 3:

In light of the importance of, and value derived from, Canadian representation in the three emerging markets of China, India and Russia, as well as the presence of only one representation office in Russia, the Government of Canada should devote increased government resources to the establishment of properly and adequately staffed representation offices in these three countries. At the same time, it should ensure that the necessary competencies, including language, cultural-awareness and market-knowledge, are in place in a manner that advances Canada's commercial interests.

¹⁸⁴ Curtis, 39th Parliament, 2nd Session, Issue no. 2, p. 49.

¹⁸⁵ Dutkiewicz, 39th Parliament, 2nd Session, Issue no. 8, p. 35.

¹⁸⁶ Harder, 39th Parliament, 2nd Session, Issue no. 8, p. 36.

¹⁸⁷ Day, 40th Parliament, 2nd Session, Issue no. 19, p. 17.

Facilitating Financing

Companies need access to competitive financing. Export Development Canada plays a useful role in that access. ... They play a key role in helping companies expand into new markets, especially where the risk is higher.

*Jean-Michel Laurin
Canadian Manufactures and Exporters
39th Parliament, 2nd Session, Issue 8, page 75*

They do an excellent job of providing political and commercial risk insurance, as well as financing. This is a tremendous advantage for small- and medium-sized companies in particular.

*Peter Sutherland
Canada-India Business Council
39th Parliament, 2nd Session, Issue 8, page 43*

Access to financing and credit are critical elements for Canadian businesses interested in the Chinese, Indian and Russian markets, and in the process, participating in global value chains and enhancing Canada's levels of trade and investment.¹⁸⁸ These markets are challenging, highly competitive environments, and full of risks.¹⁸⁹ In order to penetrate them, short-term financial problems need to be addressed.¹⁹⁰ In some instances, emerging markets, in particular Russia, do not have the financial capacity to offer credit to a Canadian company wanting to do business or invest in an industry.¹⁹¹

Export Development Canada's (EDC) role in facilitating Canadian business in the three markets cannot be underestimated. As we heard during our hearings and fact-finding missions to China and Russia, EDC's services help Canadian businesses, particularly exporters, overcome the higher risks and seize opportunities that exist in the Chinese, Indian and Russian markets by providing financing when conventional banks may not.¹⁹² Ultimately, EDC provides stability to projects that can make a

¹⁸⁸ Daignault, 40th Parliament, 2nd Session, Issue no. 3, p. 35.

¹⁸⁹ Daignault, 40th Parliament, 2nd Session, Issue no. 3, p. 35.

¹⁹⁰ Laurin, 39th Parliament, 2nd Session, Issue no. 8, p. 77.

¹⁹¹ Day, 40th Parliament, 2nd Session, Issue no. 19, p. 14.

¹⁹² Daignault, 40th Parliament, 2nd Session, Issue no. 3, p. 35.

Canadian company more competitive and increase its chances of winning bids and contracts.¹⁹³

We heard that EDC's value lies as well in other services it provides and the different roles it plays at various points of a company's business venture. For instance, EDC provides export credit insurance and financial services to encourage buyers to purchase Canadian products. It also assists in opening doors and identifying partners, establishing a strategic plan, and getting a product to the end user.¹⁹⁴ Many witnesses emphasised EDC's value-added by way of offering a critical mass of knowledge of the global business environment as well as the particular market in the emerging economy, as well as sectoral expertise.¹⁹⁵

By way of these services, EDC is helping to enhance Canada's presence in these markets and across different sectors, including infrastructure, agriculture, transportation, mining, and information communications technology.¹⁹⁶ We heard that China, India and Russia are among the top five emerging markets for EDC's clients, the majority of whom are SMEs.¹⁹⁷ While businesses of all sizes have benefitted from EDC's services, SMEs benefit in particular given that their size makes them vulnerable to having inadequate capacity and resources necessary to develop their businesses in emerging markets.

Despite the positive assessments of EDC's activities, the Committee heard the testimony of one witness who spoke of the difficulty of accessing financing and risk venture capital in order to build his business in India, including from EDC.¹⁹⁸ Another witness suggested that the levels of government collaborate to establish a public-private India investment fund to encourage Canadian ventures in India.¹⁹⁹ While the Committee welcomes such innovative ideas that emphasise greater partnerships between public and private investors, we are concerned that, because of the level of government financing required in order for such an initiative to be

¹⁹³ Daignault, 40th Parliament, 2nd Session, Issue no. 3, p. 49.

¹⁹⁴ Meeting, Shanghai, China, 11 November 2009; Daignault, 40th Parliament, 2nd Session, Issue no. 3, p. 36.

¹⁹⁵ Haynal, 39th Parliament, 2nd Session, Issue no. 3, p. 88.

¹⁹⁶ Daignault, 40th Parliament, 2nd Session, Issue no. 3, p. 37.

¹⁹⁷ Daignault, 40th Parliament, 2nd Session, Issue no. 3, p. 35.

¹⁹⁸ Bhargava, 40th Parliament, 3rd Session, Issue no. 7, pp. 11, 16.

¹⁹⁹ Jha, 40th Parliament, 3rd Session, Issue no. 3, p. 30.

meaningful for one economy, it might not be possible to duplicate the initiative for other worthy economies .

The Committee is impressed with the high performance of EDC despite the limited staff it keeps on the ground. In China, for instance, we were told that EDC opened its first international office in Beijing in 1997 and opened a second Chinese representation office in Shanghai in 2006. In 2008, it also established its first Senior Portfolio Manager, Equity based in Beijing. Today, its \$3.8 billion operation and 690 clients in China are managed by four EDC staff: two EDC personnel and two locally engaged staff at each office.²⁰⁰ We raised similar concerns about EDC's staffing situation in Russia in our interim report of our fact-finding mission. We are mindful that, further to the Government of Canada's change in policy that now allows EDC to open offices abroad that are physically separate from Canadian diplomatic missions, and one that the Committee recommended in its 2009 report on the EDC, opportunities may present themselves to correct the situation and to increase the number of staff.

Recommendation 4:

Recognising the importance and difficulty of accessing financing and insurance for commercial activities in higher-risk markets, including China, India and Russia, the Government of Canada should continue to support the work of Export Development Canada in expanding Canadian business in China, India and Russia. In doing so, it should study and follow the success other countries have achieved in improving the accessibility of financing and insurance for business ventures, particularly with respect to the number of and range of expertise needed among staff in these areas.

²⁰⁰ Meeting, Shanghai, China, 11 November 2009.

IV. THE SOLUTION: BUILDING AND MAXIMISING RELATIONS

To move the current relationship forward, we need more bold steps and political will to take hold of the immense opportunities and turn them into realities. An opportunity missed is an opportunity lost. The answer is not tomorrow, but now.

*H.E. Lan Lijun
Ambassador of the People's Republic of China to Canada
40th Parliament, 2nd Session, Issue 8, pages 9-10*

To underpin the foregoing government programs and initiatives that seek to make China, India and Russia more prominent on Canada's commercial radar, the Committee believes that it is equally important to build connections that engage governments, raise awareness of Canada in China, India and Russia, and utilise more effectively professional and people-centric networks. In sum, these efforts would assist in building mechanisms and positive relations that would address irritants in the bilateral relations. Moreover, they enhance mutual understandings and clarify misperceptions. However, in order to be effective these relations need to be engaging, personal, sustained and respectful. As we heard throughout our fact-finding missions to China and Russia in particular, that relations matter fundamentally at all levels in these societies reinforces the need to build and maximise relations in the three emerging economies.

The essence of improving mutual understanding lies in the building of people to people networks, ranging from the highest levels of government, to legislative ties, business networks, youth and students, and the diaspora.²⁰¹ It remains for the networks to be nurtured so that greater mutual understanding can result.

²⁰¹ Meeting, Beijing, China, 10 November 2009.

Government Interaction and High Level Visits

How far we go in this comprehensive effort will obviously be determined by the commitment of leaders not just in the business community but across political and non-governmental communities as well. Certainly, if we want to move anywhere quickly, we will need continued support at the highest levels, particularly by our respective prime ministers. To that end, we are suggesting that bilateral summits be held on a regular basis to maintain and add momentum and to deal with any concerns or opportunities that inevitably crop up during this type of negotiation. We suggest that the first of these summits be held as quickly as possible. Ministers should continue to engage directly, meeting regularly amongst themselves, but also continuing to engage the business communities in both countries.

*David Stewart-Patterson
Canadian Council of Chief Executives
40th Parliament, 2nd Session, Issue 11, page 7*

We are all very pleased in Foreign Affairs that this high-level senatorial visit is taking place that will serve to advance deeper and more sustained dialogue with Russia.

*Robert Hage
Foreign Affairs and International Trade Canada
40th Parliament, 2nd Session, Issue 15, page 6*

You need many more and it must be followed up by many more visits of senators, people in public life, the business community and from ministers. One visit of the Prime Minister sets momentum, but there must be a post-prime minister's visit. Such a visit is very important.

*The Honourable Kamal Nath
Minister of Road Transport and Highways
Government of India
40th Parliament, 3rd Session, Issue 2, page 40*

The Committee believes that the Government of Canada itself needs to engage China, India and Russia more deeply. In large part, this belief is due to the importance China, India and Russia place on government in business activities and the economic

benefits derived by the strong inter-governmental relations that Canada's competitors have with these three countries.²⁰²

The Committee heard unanimously during its hearings and fact-finding missions to China and Russia from Canadian businesses and government officials that regular visits at the highest levels in particular are an important, if not the most essential, manner by which mutual understanding can be fostered.²⁰³ As the Director General from China's Ministry of Commerce expressed to us, high level visits send a positive signal of mutual respect to the entire country which encourages stronger links between businesses as well.²⁰⁴ Indeed, as our mission to China preceded the state visit of Prime Minister Stephen Harper, many of our interlocutors referred to his past meetings with Chinese officials and noted their favourable expectation of his upcoming visit as a sign of improved relations and a new era of mutual understanding between the two countries.²⁰⁵

In this respect, the Committee was pleased that since the beginning of its study this level of engagement has begun to take shape. This change is noted in particular in the Prime Minister's visits to India and China in 2009 which were favourably received. It is also evident in the numerous ministerial visits across key departments such as foreign affairs, international trade, agriculture, natural resources, transportation that have taken place.

We heard from our witnesses, however, that these visits need to be regular and institutionalised. Moreover, they need to be strategic and should involve a follow-up in order to maintain the momentum.²⁰⁶ In this way, the sincerity of the visits being beyond photos opportunities to offer genuine political support for enhanced trade and investment will be signalled.²⁰⁷

²⁰² Harder, 39th Parliament, 2nd Session, Issue no. 8, p. 21; Hart, 40th Parliament, 2nd Session, Issue no. 17, p. 10; Laurin, 39th Parliament, 2nd Session, Issue no. 8, p. 89; Haynal, 39th Parliament, 2nd Session, Issue no. 3, p. 80.

²⁰³ Meeting, Shanghai, China, 11 November 2009; Jiang, 39th Parliament, 2nd Session, Issue no. 7, p. 45; Sutherland, 39th Parliament, 2nd Session, Issue no. 8, p. 2.

²⁰⁴ Meeting, Beijing, China, 9 November 2009.

²⁰⁵ Meeting, Beijing, China, 9 November 2009; Meeting, Beijing, China, 10 November 2009.

²⁰⁶ Sutherland, 39th Parliament, 2nd Session, Issue no. 8, p. 28; Evans, 39th Parliament, 2nd Session, Issue no. 3, p. 37.

²⁰⁷ Daignault, 40th Parliament, 2nd Session, Issue no. 3, p. 38.

Legislative Diplomacy

The Committee was also pleased to hear from various witnesses and interlocutors positive assessments of the contribution of its present study and fact-finding missions to China and Russia to building positive relations with the three countries.²⁰⁸ We believe that parliamentary diplomacy is an important and valuable tool of Canadian foreign policy and one which should be encouraged to continue. Indeed, in Russia, we heard first-hand about some irritants concerning Canada's visa system and reviewed the matter at one of our hearings with the appropriate authorities. In China, which took place prior to the visit of the Prime Minister, we repeatedly received and delivered messages about the need for mutual understanding and respect in order to make our bilateral relations more constructive. In this respect, we hope to undertake a fact-finding mission to India in order to bring our efforts concerning this particular study to a more satisfactory conclusion.

Recommendation 5:

In order to build and sustain the momentum established by recent high-level visits, including by the Prime Minister, the Government of Canada should increase the frequency of high-level visits, particularly Ministerial visits, to China, India and Russia. These visits should be strategically focused and should involve follow-up activities in relation to the matters discussed.

In light of the linkages established by members of the Canadian Parliament with members of the legislatures of China, India and Russia, especially by way of the activities of various multilateral and bilateral parliamentary associations, as well as the positive influence these linkages have in advancing bilateral relations and reinforcing inter-governmental initiatives, parliamentary

²⁰⁸ Hage, 40th Parliament, 2nd Session, Issue no. 15, p. 9; Sunquist, 39th Parliament, 2nd Session, Issue no. 7, p. 31; Sunquist 40th Parliament, 2nd Session, Issue no. 18, p. 28; Meeting, Beijing, China, 8 November 2009; Meeting, Beijing, China, 9 November 2009; Meeting, Beijing, China, 10 November 2009; Meeting, Shanghai, China, 11 November 2009.

delegations should continue to play a strong role in Canada's diplomacy with these countries.

Developing a National Strategy of Engagement

... [T]he need for a pan-Canadian strategy and action plan. A dialogue needs to occur between federal, provincial, territorial and municipal governments and businesses to develop a forward-looking strategy toward each of these countries. We have seen a plethora of federal and provincial visits to India, for example. However, these do not seem to be part of an overall framework, nor is there a means to ensure consistent messages are being conveyed. We must understand that the real competitors are not the companies next door but international ones.

*Michael Murphy
Canadian Chamber of Commerce
39th Parliament, 2nd Session, Issue 2, page 36*

It is not a foreign affairs or trade priority; it is becoming a Canadian priority.

*Ken Sunquist
Foreign Affairs and International Trade Canada
40th Parliament, 2nd Session, Issue 18, page 33*

The Committee further believes that, in order to present a stronger and more cohesive front about Canada's engagement, a focused and strategic "whole of Canada" approach is required.²⁰⁹ Such a strategy is needed in part to ensure that the active interest paid to the emerging economies of China, India and Russia by various levels of government in Canada do not work at cross-purposes.²¹⁰ As one witness testified, "It is extremely important in that context that our jurisdictional issues not interfere with our capacity to act as one unit in the world. A small jurisdiction like our own faced with a population of 1.2 or 1.3 billion has a great challenge in pulling

²⁰⁹ Haynal, 39th Parliament, 2nd Session, Issue no. 3, p. 68; Sunquist, 39th Parliament, 2nd Session, Issue no. 7, p. 27.

²¹⁰ Sunquist, 40th Parliament, 2nd Session, Issue no. 18, p. 33; Haynal, 39th Parliament, 2nd Session, Issue no. 3, p. 79.

together in its sense of purpose and engagement."²¹¹ Another emphasised the point, "We need a clear and coherent strategy in terms of how the country will adapt to this new economic environment. ... I do not say we should have a planned economy but, in some cases — logistics being one of them — there is a strong business case for having a national strategy that is coherent and pulls everyone in the same direction."²¹² Indeed, the former Minister of International Trade noted to the Committee that integrating the provinces into a comprehensive, pan-Canadian strategy would be beneficial given that they have a better understanding of local opportunities than the federal government might.²¹³ Such an approach should also be developed in consultation with and in reflection of the priorities and needs of Canadian business.²¹⁴

In this respect, we welcome arrangements whereby provincial offices are co-located in Canadian diplomatic missions. While in Shanghai, we met with representatives of the governments of Québec and British Columbia who have been promoting commercial activities from the provincial perspective. (The Ontario government also has a representative in Shanghai, but we did not have occasion to meet.) Rather than serve to undermine the work of the Consulate, their activities instead complement it. Indeed, sharing premises with the Consulate has not hampered interaction among personnel and has even served to reinforce the "coopetition" between the provincial and federal governments.

At the same time, we heard from various witnesses that the frequent and valuable provincial, municipal and commercial visits and delegations to the three countries are carried out in such a way that they deliver an impression of Canada as fragmented and without focus. As one witness testified, "The doors are open for the first premier and the second one. However, who is going to see the fifth one? There is no one to see you because they have seen everyone else."²¹⁵

We also believe that, given the cross-cutting interests that play out in the development of international commerce today, efforts to coordinate across the different departments and agencies should continue. In the Russian case, we were told that

²¹¹ Haynal, 39th Parliament, 2nd Session, Issue no. 3, p. 68.

²¹² Laurin, 39th Parliament, 2nd Session, Issue no. 8, p. 74.

²¹³ Day, 40th Parliament, 2nd Session, Issue no. 19, p. 17.

²¹⁴ Murphy, 39th Parliament, 2nd Session, Issue no. 2, p. 36.

²¹⁵ Sunquist, 39th Parliament, 2nd Session, Issue no. 7, p. 27.

there are at any one time at least 11 federal government departments and agencies active in dealings with Russia.²¹⁶

Recommendation 6:

In order to maximise available human and physical resources and to strengthen the cohesiveness of Canada's presence in China, India and Russia, the Government of Canada should take the necessary steps to:

- encourage greater use of co-location strategies on the part of provincial and territorial offices at Canadian missions in China, India and Russia, including by way of consultations with provincial and territorial international trade counterparts;**
- continue to ensure collaboration among key federal agencies and departments involved in the promotion of Canadian commercial interests in China, India and Russia, namely, the Trade Commissioner Service, Export Development Canada, the Canadian Commercial Corporation, the Business Development Bank of Canada, Industry Canada, Finance Canada, and Foreign Affairs and International Trade Canada; and,**
- coordinate a national strategy regarding enhanced commercial relations between Canada and each of China, India and Russia. The strategy, which should be developed in consultation with the business sector, should take into account the interests and advantages of the federal, provincial, territorial and municipal governments and their respective departments.**

²¹⁶ Hage, 40th Parliament, 2nd Session, Issue no. 15, p. 7.

Developing and Marketing a Canada Brand

The impression left is an uncertainty about what Canada does. We must get to that point.

*Eric Siegel
Export Development Canada
40th Parliament, 2nd Session, Issue 3, page 46*

We need greater Canadian presence there. There needs to somehow be a better selling of Canada and Canadian companies.

*H.E. Shashishekar M. Gavai
High Commissioner for India to Canada
40th Parliament, 2nd Session, Issue 5, page 39*

Our carrying card in India that sells Canada there is that, other than India, we are the great multi-ethnic diverse state that is setting a template for the world on how to do this stuff. If we can properly market that as the DNA of brand Canada, we are off to a good place in India.

*Rana Sarkar
Canada-India Business Council
CIBC 40th Parliament, 2nd Session, Issue no. 5, p.*

The Committee is convinced that an important element of building and maximising relations with China, India and Russia in a way that will enhance commercial relations and benefits, and which flows on from the need for a national strategy, is for Canada to have a brand which it can market. The Committee heard testimony that Canada has a low profile in these economies, partly as a result of the quality of bilateral relations with the countries in question as well as Canada having been absent from the markets.²¹⁷ Therefore, a Canada Brand would raise awareness in the target markets about Canadian companies and convey a single, unitary message to potential partners about Canadian commercial principles and expertise. By using marquee Canadian names and businesses as an element of the Canada Brand, Canada's comparative advantages and reputation would become more recognisable in these saturated markets.²¹⁸

²¹⁷ Sunquist, 39th Parliament, 2nd Session, Issue no. 7, p. 19; Sutherland, 39th Parliament, 2nd Session, Issue no. 8, p. 27; Daignault, 40th Parliament, 2nd Session, Issue no. 3, p. 45.

²¹⁸ Gavai, 40th Parliament, 2nd Session, Issue no. 5, p. 37.

The Committee believes that a Canada Brand would be of particular value to lesser known SMEs who need to rely on a larger reputation and being part of something larger than themselves in order to have traction, presence and access in these markets²¹⁹

During our fact-finding mission to China, we greatly appreciated hearing the favourable view the Chinese have of Canada and Canadians.²²⁰ We are generally seen as honest and sincere, highly respected value in the Chinese culture.²²¹ This fondness for Canada is certainly evident in the work relationships between the two peoples, the number of tourists who have visited Canada and the many others who still want to, immigration patterns, and study travels to Canada. Indeed, there are so many Chinese in Canada that this in itself is an indication of how well Chinese perceive Canada.²²²

However, the high regard the Chinese have for Canadians wins us only half the race. The other half is won with the edge that Canadians bring as the Chinese economy continues to expand and modernise. Our edge is apparent in our advanced technologies and leadership across different sectors, particularly in the environment, energy conservation, mass transportation.²²³ It is also apparent in the reliability and high value of our products, even when they are more expensive.²²⁴ In this respect, the quality and safety conscious Chinese consumer works to our particular advantage.²²⁵ Indeed, the message in China is that quality sells, and Canadian brands represent quality.²²⁶ We were told that because of the high quality of Canadian goods, including food and health products, they are at a premium.²²⁷ Indeed, given that Canada's natural resources are already so highly valued in China, the challenge will be to

²¹⁹ Siegel, 40th Parliament, 2nd Session, Issue no. 3, p. 46.

²²⁰ Meeting, Hong Kong, China, 14 November 2009.

²²¹ Meeting, Shanghai, China, 11 November 2009; Meeting, Shanghai, China, 12 November 2009.

²²² Meeting, Beijing, China, 9 November 2009.

²²³ Meeting, Beijing, China, 9 November 2009; Meeting, Guangzhou, China, 12 November 2009; Meeting, Shanghai, China, 12 November 2009; Meeting, Hong Kong, China, 14 November 2009.

²²⁴ Meeting, Shanghai, China, 11 November 2009.

²²⁵ Meeting, Shanghai, China, 11 November 2009; Meeting, Guangzhou, China, 13 November 2009.

²²⁶ Meeting, Guangzhou, China, 13 November 2009.

²²⁷ Meeting, Hong Kong, China, 14 November 2009.

convince the Chinese to think about Canada as being high technology, innovation, and education as well.²²⁸

[I]t is an issue of focus. It is not that we do not have the stories to tell in India, but we need to sort of coalesce our stories and tell them in a concerted fashion. We need to really work on this brand Canada issue. We start where we are strong already, where we have stories that will be immediately taken up in India: our resource story, what we are doing in the west, our access point into the NAFTA markets and the fact that the Toronto Stock Exchange is the world's largest resource exchange in the world.²²⁹

We also have an untarnished financial system among G-8 countries, a particular draw from the Chinese perspective.²³⁰ Our companies also provide good management and discipline, filling these gaps in Chinese companies.²³¹ We heard about the similar work ethics and business morals between the Chinese and Canadians. Moreover, we are not risk takers, a value we hold in common with the Chinese and which serves us well as we look to engage wider and deeper with Chinese businesses.²³²

Based in part on some of Canada's marquee commercial names, its strength in agriculture and the extractive industry, as well as an established rule of law system, the elements of such a brand may also include:

- the high quality and safety of Canadian foods;
- a sound and reliable banking sector and financial institutions;
- cutting-edge technology and innovation across diverse sectors;
- qualities such as honesty, integrity, fairness and reliability;
- skilled expertise;
- a multicultural and diverse society; and,
- high-quality products and service.²³³

²²⁸ Meeting, Beijing, China, 10 November 2009; Meeting, Hong Kong, China, 14 November 2009.

²²⁹ Sarkar, 40th Parliament, 3rd Session, Issue no. 6, p. 36.

²³⁰ Meeting, Hong Kong, China, 14 November 2009.

²³¹ Meeting, Shanghai, China, 11 November 2009.

²³² Meeting, Shanghai, China, 11 November 2009.

²³³ Dhillon, 40th Parliament, 3rd Session, Issue no. 6, p. 62.

Recommendation 7:

In light of the saturated nature of the markets in China, India and Russia as well as Canada's less visible profile relative to some competitor nations, the Government of Canada should develop a "Canada Brand" with which Canadian companies can distinguish themselves from their competitors. The Government should undertake a vigorous marketing campaign in the three countries to promote the Canada Brand and to convey a single message about Canada's advantages and expertise in a variety of areas.

Leveraging Business Networks and Associations

The Indo-Canadian business community in Canada is the first source that we go to. ... we hold round tables and extensive consultations with the Indo-Canadian community across Canada to obtain advice on where the greatest possibilities are, where the greatest areas of need are and where it will be of the most mutual benefit. Obviously there must be mutuality or they will not be interested on the other side.

*Honourable Stockwell Day
Former Minister of International Trade and
Minister for the Asia-Pacific Gateway
40th Parliament, 2nd Session, Issue 19, page 15*

In a discussion about how relationships can sustain the development of Canada's commercial relations with China, India and Russia, the Committee believes that leveraging industry-based networks serves to enhance complementary interests of government and business regarding the three emerging economies. Indeed, many of our witnesses spoke of the value and contribution such business associations and industry-based networks have made to promoting Canadian trade and investment with China, India and Russia.

At the same time, the Committee heard during our hearings in Ottawa and our fact-finding missions that Canadian businesses need to send their top people in order to

carry out business transactions and negotiations.²³⁴ According to a representative from Mitel, high level company visits and bilateral exchanges are particularly vital in the high tech sector, as demonstrated by the frequent visits to China of its executive, Terry Matthews.²³⁵ In this way, business executives at headquarters back in Canada would come to appreciate the value and importance of top level engagement on their part, particularly in light of the business cultures in these economies which value the involvement of the most senior officials.²³⁶

At the same time, as much as these associations and their members benefit from government leadership in promoting commercial interests and opportunities, they also serve as valuable partners and sources of information to different levels of government.²³⁷ In other words, the sharing of information and benefit is two-way, thereby broadening and consolidating and pooling resources and knowledge to a sum greater than its parts. This was evident in testimony we received from the former Minister of International Trade regarding the role that such associations played in organising and participating in trade missions.

The Committee heard an example of what can be accomplished by the activities of these associations involving the Canadian Council of Chief Executives (CCCE) and the Confederation of Indian Industry (CII). Specifically, CCCE took a Canadian CEO mission to India in 2007 and held the first government-supported India-Canada CEO Roundtable which resulted in the establishment of precise goals and a roadmap for building trade and investment between Canada and India and which involved as well enhanced private sector exchanges.²³⁸ The ties between the two associations also led to work on and advice to the two federal governments for a Canada-India Comprehensive Economic Partnership Agreement. Such an agreement is currently being explored by the two sides at the diplomatic level.

Indeed, we are convinced of the value business associations play in promoting mutual understanding according to which commercial relations can develop. During our

²³⁴ Meeting, Hong Kong, China, 14 November 2009.

²³⁵ Meeting, Beijing, China, 10 November 2009.

²³⁶ Meeting, Hong Kong, China, 14 November 2009.

²³⁷ Day, 40th Parliament, 2nd Session, Issue no. 19, p. 15; Hage, 40th Parliament, 2nd Session, Issue no. 15, p. 16; Stewart-Patterson, 40th Parliament, 2nd Session, Issue no. 11, p. 7.

²³⁸ Stewart-Patterson, 40th Parliament, 2nd Session, Issue no. 11, pp. 5-7.

hearings in Ottawa and our fact-finding missions to China and Russia, we met with several such associations.²³⁹ The Committee has been consistently impressed with the scope of knowledge and experience of these business associations. We are convinced that they offer an invaluable service not only to their members, but also to the policy- and decision-making communities in Canada and abroad. At the same time, these networks are numerous and diverse and may benefit from more joint undertakings to consolidate their efforts and maximise their impact and influence.²⁴⁰

Recommendation 8:

The Government of Canada should continue to consult with the relevant business associations in Canada as well as in China, India and Russia in order to better understand the markets in these countries as well as to promote commercial opportunities and agreements, diplomatic initiatives, and areas of mutual benefit and complementarity.

In order to improve Canadian corporate awareness of the markets in these three countries, the Government of Canada should establish and visibly support the activities of CEO roundtables targeting China, India and Russia. In addition to CEOs, these roundtables should include as observers key government officials.

²³⁹ Meeting, Beijing, China, 9 November 2009; Meeting, Shanghai, China, 11 November 2009.

²⁴⁰ Boutziouvis, 40th Parliament, 2nd Session, Issue no. 11, p. 20.

Leveraging Diaspora Communities

This is a great natural advantage for us.

*Honourable Stockwell Day
Former Minister of International Trade
and Minister for the Asia-Pacific Gateway
40th Parliament, 2nd Session, Issue 19, page 15*

The reality is that our tradition as a country of welcoming immigrants from around the world is becoming an increasingly important competitive advantage within a global economy, within an economy where companies that operate worldwide are recruiting and building up management teams that are multicultural in nature as well. In terms of Canada's ability to attract investment from anywhere in the world in the years ahead, the nature of our communities is an increasingly big plus in that competition for investment.

*David Stewart-Patterson
Canadian Council of Chief Executives
40th Parliament, 2nd Session, Issue 11, page 11*

The Committee believes that the diasporas of the relevant communities are another important network source to be leveraged in order to enhance relationships and strengthen mutual understanding for the benefit of fulfilling Canada's full trade and investment potential with them. From our point of view, Canada's sizeable Chinese and Indian communities (the two largest in Canada at 1.2 million and around 1 million, respectively)²⁴¹, as well as the growing Russian diaspora, are our comparative advantage and, if properly leveraged, can help to give us an edge in these markets which are already saturated with our competition.

Our witnesses told us that the diaspora is an important resource in terms of investment,²⁴² building commercial bridges, offering an understanding of two cultures and systems, language skills, and even access to local contacts.²⁴³ We were also told

²⁴¹ Sunquist, 40th Parliament, 2nd Session, Issue no. 18, p. 43.

²⁴² Sutherland, 39th Parliament, 2nd Session, Issue no. 8, p. 42.

²⁴³ Gavai, 40th Parliament, 2nd Session, Issue no. 5, p. 40; Sutherland, 39th Parliament, 2nd Session, Issue no. 8, p. 31; Daignault, 40th Parliament, 2nd Session, Issue no. 3, p. 43; Steger, 39th Parliament, 2nd Session, Issue no. 2, p. 33. 4 December 2007; Wolf, 39th Parliament, 2nd Session,

that they can be leveraged through their activities as private entrepreneurs in key high-value sectors as ICT and who are engaged in these markets,²⁴⁴ as senior managers in small and large Canadian corporations,²⁴⁵ and their business associations. They can also be leveraged to staff positions at relevant Canadian departments and agencies, such as FAITC, Trade Commissioner Service, EDC, at the frontlines of promoting Canadian trade and investment with these countries as is already taking place.²⁴⁶ Moreover, as part of Canada's multicultural fabric, the diaspora can also be a prominent element of Canada's brand and a source for raising the profile of Canada in general.²⁴⁷

In addition, as the sources of Chinese, Indian and Russian immigration and residents in Canada become more diverse, so will Canada's cultural and commercial access points to these countries become more diverse, thereby broadening the scope of opportunities and potential impact of Canada's commercial relations with them.²⁴⁸

At the same time, we are aware that differences and diversity among the groups necessitates that the contribution they can make be kept in perspective.²⁴⁹ In this respect, as we heard in testimony, someone who may have left their country 20 years ago and goes back from time to time may or may not be as effective as someone who has consistently been there through a stage of very rapid development and is able to keep up with the changes in his or her own society.²⁵⁰

[M]any of the people who settle here have not had the ability or experience to have travelled much in their own country and to get to know all aspects of the country. This is particularly so with India because it is so diverse and so significantly different in different areas. Ethnically, the northwestern Indians are entirely

Issue no. 3, p. 47.

²⁴⁴ Sutherland, 39th Parliament, 2nd Session, Issue no. 8, p. 31.

²⁴⁵ Sunquist, 40th Parliament, 2nd Session, Issue no. 18, p. 44.

²⁴⁶ Sunquist, 40th Parliament, 2nd Session, Issue no. 18, p. 44; Siegel, 40th Parliament, 2nd Session, Issue no. 3, p. 45; Harder 39th Parliament, 2nd Session, Issue no. 8, p. 34.

²⁴⁷ Malone, 40th Parliament, 2nd Session, Issue no. 8, p. 32.

²⁴⁸ Meeting, Beijing, China, 9 November 2009; Meeting, Shanghai, China, 12 November 2009; Meeting, Guangzhou, China, 13 November 2009.

²⁴⁹ Boutziouvis, 40th Parliament, 2nd Session, Issue no. 11, p. 20; Hampson, 40th Parliament, 2nd Session, Issue no. 18, p. 11.

²⁵⁰ Haynal, 39th Parliament, 2nd Session, Issue no. 3, p. 81.

*different from the southeastern Indians, and we are not even able to communicate unless we speak in English. We have cultural differences and different ways of thinking. Everything is different.*²⁵¹

Similarly, the staffing of various positions should reflect the overall skills of the individual, as appropriate to the particular position, whether business- or policy-oriented, and not just their background. It would follow that whatever local knowledge or language skills are required can be served by way of locally-engaged staff.²⁵²

The Chinese, Indian and Russian communities in Canada are not the only ones that matter in this respect. More specifically, the Canadian ex-patriate communities in the three countries also serve as powerful levers for enhancing relationships and mutual understanding. Based on testimony before the Committee, there are approximately 2.7 million Canadians who live outside of Canada. Moreover, we were told that, as a percentage of population, the number is bigger than it is for the United States, India or China. While half may reside in the United States, more than a quarter of them are in Asia.²⁵³ Also during testimony, we were told about the approximately 15,000 Canadian citizens, many of whom are of Chinese descent, living in China's Silicon Valley not far from Beijing.²⁵⁴

Indeed, one of the many merits of our two fact-finding missions was seeing the commercial dynamism and success of members of Canadian ex-patriates first-hand. For instance, Mark Rowsell, known as Dashan, originates from Ottawa but is a highly popular comic in China and has been valuable in raising Canada's profile. We also came to appreciate the economic value of the approximately 220,000 Canadian citizens who reside in Hong Kong and the contribution they make to promoting mutual understanding among their Chinese partners.

The existence of such a community and the influence it has serve to strengthen the mutual understanding between the two cultures. As the Committee heard, Canadian

²⁵¹ Dhillon, 40th Parliament, 3rd Session, Issue no. 6, p. 50.

²⁵² Daignault, 40th Parliament, 2nd Session, Issue no. 3, p. 43.

²⁵³ Evans, 39th Parliament, 2nd Session, Issue no. 3, p. 47.

²⁵⁴ Evans, 39th Parliament, 2nd Session, Issue no. 3, p. 47.

services in Hong Kong are in demand.²⁵⁵ If leveraged properly, the ex-patriate community can give Canadian businesses an important advantage in their activities in and access into China.²⁵⁶ For instance, the Committee heard that the Hong Kong approach to business, its “can do attitude,” can be beneficial to delivering results.²⁵⁷ Moreover, Hong Kong’s more reliable judicial system and similar business norms make it a good first entry for Canadian companies with little if any international experience and therefore can minimise the risk of a bad experience by going directly to the mainland.²⁵⁸ In this respect, many Canadian companies, such as BMO and SunLife, are legally headquartered in Hong Kong, but primarily operate out of Beijing.²⁵⁹ Hong Kong’s lower tax rate also has undeniable appeal.²⁶⁰

Two related conclusions follow: first, as dynamic as the opportunities are in mainland China, they should not be pursued at the expense of opportunities in Hong Kong; second, Canada needs to take more advantage of the Canada-Hong Kong-China triangle.²⁶¹

Recommendation 9:

In developing policies and strategies connected to the enhancement of Canada’s commercial relations with China, India and Russia, the Government of Canada should act in a manner that maximises the comparative advantage associated with the diaspora communities in Canada, including the relevant knowledge and skills they offer about the three emerging markets. Likewise, the Canadian ex-patriate communities in the target economies, particularly the sizeable community in Hong Kong, should be viewed as important sources of information and access points that can be used to further commercial gains in the three countries.

²⁵⁵ Meeting, Hong Kong, China, 14 November 2009.

²⁵⁶ Meeting, Hong Kong, China, 14 November 2009.

²⁵⁷ Meeting, Hong Kong, China, 14 November 2009.

²⁵⁸ Meeting, Hong Kong, China, 14 November 2009.

²⁵⁹ Meeting, Hong Kong, China, 14 November 2009.

²⁶⁰ Meeting, Hong Kong, China, 14 November 2009.

²⁶¹ Meeting, Hong Kong, China, 14 November 2009.

Visas

Another big change is the movement of people back and forth. It continues to grow. It was big in terms of immigration when I was in Delhi in 2000 to 2003. Immigration has picked up; in addition, however, more business visitors and even tourists — which did not happen often in my days — are going back and forth. Many more official visitors are also going back and forth at the federal level, provincial and even at the municipal level. This is all very good.

*Peter Sutherland
Canada-India Business Council
39th Parliament, 2nd Session, Issue 8, page 26*

This situation places Canada, at times, at a serious competitive disadvantage in a global business environment that is intensely competitive and has created an ongoing irritant in bilateral relations with a number of countries.

*Robert Hage
Foreign Affairs and International Trade Canada
40th Parliament, 3rd Session, Issue 4, page 34*

We must fix our user-unfriendly visa regime.

*Ramesh Thakur
Balsillie School of International Affairs and
Centre for International Governance Innovation (CIGI)
40th Parliament, 3rd Session, Issue 3, page 10*

CIC is committed to providing the best possible client services and will make improvements in this regard, but we acknowledge there is still room for improvement and we are actively working to maintain an improved client service to visa applicants.

*Rénald Gilbert
Citizenship and Immigration Canada (CIC)
40th Parliament, 3rd Session, Issue 4, page 37*

Our mandate is to balance facilitation with another government priority — security. As a result, there will be limits to the extent of risk management that can be undertaken. Having said that, all of us here share the objective of ensuring that Canada benefits from emerging and rapidly growing economies.

*Geoff Leckey
Canada Border Services Agency (CBSA)
40th Parliament, 3rd Session, Issue 4, page 42*

Given the importance of the movement of people in the new global economy and the growing value of the cross-cultural business and diaspora communities, the level of efficiency of Canada's visa regime was frequently raised by witnesses at our hearings and during our fact-finding missions to China and Russia. Indeed, the Committee heard testimony from business representatives as well as government officials from Canada and the countries we are studying that the visa process can be problematic and has impaired the development of trade and investment relations with the three emerging economies.²⁶² The situation in Russia notably stood out among our witnesses. Moreover, the former Minister of International Trade remarked that he had been made aware of the visa problems during his visits to Russia and India.²⁶³

Some of the problems raised included resource limitations, the long processing time in comparison with other countries,²⁶⁴ as well as the lack of reciprocity,²⁶⁵ uncertainty about approval and low approval levels. Numerous examples from the Chinese, Indian and Russian contexts were provided by our witnesses. All of this, we were told, put Canada at a competitive disadvantage, particularly as we heard that those individuals who had been denied a Canadian visa had no difficulty obtaining visas to countries such as the United States, the European Union or Australia. Russian government officials, we were told, have raised the possibility of reciprocal or even retaliatory measures being put into place against Canada.²⁶⁶

²⁶² Gavai, 40th Parliament, 2nd Session, Issue no. 5, p. 30.

²⁶³ Day, 40th Parliament, 2nd Session, Issue no. 19, p. 13; Day, 40th Parliament, 2nd Session, Issue no. 19, p. 13.

²⁶⁴ Borg, 40th Parliament, 2nd Session, Issue no. 14, p. 21.

²⁶⁵ Borg, 40th Parliament, 2nd Session, Issue no. 14, p. 21.

²⁶⁶ Hage, 40th Parliament, 3rd Session, Issue no.4, p. 34.

Further to the interim report on our fact-finding mission to Russia and in light of the strong testimony we continued to hear on this issue, the Committee reviewed the situation at one of our hearings with officials from DFAIT, CIC, and CBSA.²⁶⁷ Such topics were discussed as the non-discriminatory implementation of the relevant legislation, the two types of temporary visas issued, average approval processing times of less than a week in the case of China and India and less than two weeks for Russia, the 90% approval rate for visas related to business travel for Russia in 2009, and the low percentage of refugee claims made by individuals from China, India and Russia once they enter Canada. We especially spent a great deal of time discussing the screening criteria and procedures as they relate to individuals with a criminal background or who used to belong to security agencies of their countries, which deems them inadmissible. Given the nature of both Russia's past government structure and recent economic transformation, which is seen in part to be associated with the activities of organised crime groups, it follows that many Russian applicants undergo a screening process to determine if they are admissible. It is this process that can delay the approval process or produce an unfavourable result, in the end creating a perception of an inefficient and difficult visa regime.

Upon this review, the Committee is satisfied that the current legislation is being carried out with due diligence, according to high levels of collaboration among the three departments, and in a manner consistent with the imperatives of ensuring the integrity of the Canadian immigration system and protecting Canadians against foreign-based terrorists and criminals. Furthermore, it has confidence in the rules of interpretation regarding the screening procedures undertaken by CBSA as well as in the criteria and risk management system that are applied. Indeed, according to the legislation, a decision can be made at the ADM level at CIC for an individual who is considered inadmissible according to the legislation to be granted a permit (not a visa) if the visit is deemed in the national interest. Following the screening procedures, we were told that, across the three countries, approximately 80% of permit applications are approved. We are satisfied that the departments and agencies involved are cooperating closely in order to address some of the concerns and the negative perception of Canada's visa regime.

²⁶⁷ 40th Parliament, 3rd Session, Issue no.4.

In this respect, we welcome the many corrective measures that have been undertaken to facilitate the entry into Canada of business representatives and government officials, particularly from Russia, who otherwise would be inadmissible, if their purpose for coming to Canada is deemed to be in the national interest. These measures include an upfront screening for priority business clients. They also include the submission to Ottawa of a letter of recommendation describing the national interest related to a particular applicant and written by the Canadian Head of Mission at the embassy in Moscow. The Canadian embassy in Moscow also is undertaking an information campaign in order to manage expectations about Canada's visa process. We will monitor any future initiatives as they are undertaken, such as the possible identification of key positions that would be automatically associated with the national interest and, therefore, the individuals in these positions would be granted a permit if they are otherwise deemed to be inadmissible.

The Committee was pleased to hear that other corrective measures have been implemented to improve the efficiency of the processing of visa applications which do not require screening and to reduce any negative impact on the development of business relations.²⁶⁸ In India, for instance, a Business Express Program was established that offers fast track, one- or two-day visa service and simplified application procedures for visitors and temporary workers from qualified companies. This program is in addition to the establishment of Visa Application Centres throughout India.

With respect to China, Canada has relied on a subcontracted service provider, with four Visa Application Centres in Beijing, Shanghai, Guangzhou and Chongqing, in order to manage the volume of visa applications. In particular, these centres provide a third-party pre-screening process which eliminates bottlenecks as well as reduces queues and the number of interviews to be carried out by the Embassy itself.

In Russia, the embassy employs a courier service with 41 points of service throughout the country.

²⁶⁸ Hage, 40th Parliament, 2nd Session, Issue no. 15, p. 9.

Recommendation 10:

Given that the number of visa applications to Canada from China, India and Russia has been increasing, the Government of Canada should continue its efforts to improve the efficiency of Canada's visa regime and to undertake corrective measures, including increased resources as warranted, in order to ensure that Canada is perceived as a country with a streamlined visa system. In this respect, we support initiatives that would identify key positions, including parliamentary ones, whose incumbents would be associated with the national interest and for whom the issuance of visas or permits would be expedited.

V. THE SOLUTION: PROMOTING AN ARCHITECTURE OF NORMS AND STANDARDS

A vigorous Canadian government defence of fair practices and level playing fields has been an important asset as we expand our presence around the world.

*George Haynal
Bombardier Inc.
40th Parliament, 2nd Session, Issue 16, page 13*

People forget that we have a good trade agreement with India and China: it is called the WTO.

*Michael Hart
Simon Reisman Chair in Trade Policy
Carleton University
40th Parliament, 2nd Session, Issue 17, pages 16-17*

Our priorities are to find new export markets for our Canadian companies and to sign free trade agreements that will also make it easier for Canadian companies to invest abroad. We must also make sure that the rules are enforced. Of course, it is not enough to negotiate agreements, you must make sure that these agreements are applied and that the Canadian companies have their fair share of the international markets."

*Jean-Michel Laurin
Canadian Manufactures and Exporters
40th Parliament, 2nd Session, Issue 17, page 30*

It is unbelievable what is going on over there, as you have seen, and we want to be part of that. That is why we aggressively pursue as many arrangements as we can to make it as easy as we can.

*Honourable Stockwell Day
Former Minister of International Trade and
Minister for the Asia-Pacific Gateway
40th Parliament, 2nd Session, Issue 19, page 14*

The Committee is convinced that initiatives relating to the use of government resources to increase Canadian commercial activities in China, India and Russia, as well as the enhancement of our mutual relations in a way that makes Canada stand out

positively, will only go so far in terms of fulfilling Canada's trade and investment potential with them. That is, unless the playing field is levelled, barriers to trade are minimised or removed, mechanisms are put in place that allow for the discussion of grievances in a mutually respectful way, and compliance with norms and standards are enforced.

In this respect, the Committee strongly supports an architecture of agreements and mechanisms regarding norms and standards in commercial activities. For the benefit of enhancing Canadian commercial interests in China, India and Russia, such an architecture is necessary in order to overcome the challenges in these markets, mitigate risks, strengthen predictability and foster mutual understanding.

Our witnesses spoke of many different elements of such an architecture, including the conclusion and enforcement of multilateral and bilateral agreements on relevant topics and establishing mechanisms for engagement and promoting mutual understanding. The implementation of these elements will simultaneously serve to and be served by the promotion and protection of Canadian values, further reinforcing a Canadian brand that stands out in the new global economy. Indeed, given that the challenges they target are themselves inter-linked, the architecture is necessarily multifaceted with mutually reinforcing linkages among the elements.

Multilateral Agreements

Given the increased interdependence of the global economy and the wider scope by which concerns are commonly held, the Committee believes that multilateral agreements and efforts have an important role to play in establishing a common set of fairly and consistently applied rules and which also encourage the continued liberalisation and integration of the Chinese, Indian and Russian economies.²⁶⁹ As one of our witnesses testified, multilateralism continues to be a key anchor for Canada given its size relative to the United States and the European Union.²⁷⁰

²⁶⁹ Laurin, 39th Parliament, 2nd Session, Issue no. 8, p. 75; Hampson, 40th Parliament, 2nd Session, Issue no. 18, p. 20.

²⁷⁰ Hampson, 40th Parliament, 2nd Session, Issue no. 18, p. 16.

The Committee is mindful that the system is not perfect and does not always work the way Canadian companies would prefer. For instance, the weak enforcement of trade remedy procedures, as evident in the barbecue and bicycle cases in China, which are also long and costly, decreases levels of certainty and confidence in the system.²⁷¹ While the challenge is to convince China to start playing by the rules, Canada has access to multilateral tools to buttress its efforts and find the leverage necessary to achieve such a goal.²⁷² As one witness testified, “Canada should continue to insist that China live up to those [WTO] obligations.”²⁷³

Another witness suggested that the use of arbitrary technical barriers in agricultural trade might be reduced if better use was made of science-based standards promoted by international standard setting agencies, such as the World Organisation for Animal Health (OIE), in international negotiations.²⁷⁴

While the Doha Round of WTO negotiations was infrequently raised by our witnesses, the Committee feels that our report should acknowledge our awareness of the challenges associated in these negotiations as they surround the agricultural sector and the particular sensitivities of India in this respect.

Finally, Russia’s continued absence from the WTO, as addressed in the interim report, has been noticeable and takes away access to one important tool by which the country’s continued liberalisation and compliance with norms and standards can be encouraged.

Recommendation 11:

The Government of Canada should continue to take the actions needed to strengthen and demonstrate its support for a strong multilateral regime governing more open trade and investment, including by continuing to:

²⁷¹ Laurin, 39th Parliament, 2nd Session, Issue no. 8, pp. 82-83.

²⁷² Hampson, 40th Parliament, 2nd Session, Issue no. 18, pp. 16, 20.

²⁷³ Hart, 40th Parliament, 2nd Session, Issue no. 17, p. 7.

²⁷⁴ Davis, 40th Parliament, 2nd Session, Issue no. 9, p. 42.

- pursue the achievement of multilateral agreements in a manner consistent with Canada's interests;
- encourage Russia's accession to the World Trade Organization at the earliest opportunity; and,
- use available mechanisms to enforce agreed rules, to take appropriate remedial action when these rules are violated, and ensure that the outcomes are enforced.

Bilateral Agreements

In light of the present state of uncertainty regarding the direction of multilateral efforts concerning China, India and Russia,²⁷⁵ the Committee believes that concluding and enforcing bilateral agreements serve as invaluable complementary pillars by which to strengthen predictability and open up trade and investment flows. They also, ultimately, level the playing field and protect Canada's market access, particularly given that China and India are already exploring and have free trade agreements with other countries. As witnesses told the Committee, middle- to high-valued sectors such as telecommunications would benefit in particular from such efforts.²⁷⁶ Moreover, the smaller and more manageable number of participants increases the chances for a satisfactory agreement.

Our witnesses were highly supportive of the role bilateral agreements can play and highlighted the range of those that are in place with respect to China, India and Russia, such as science and technology, air service, double taxation and regulatory alignment and cooperation agreements.²⁷⁷

In particular, they endorsed the Foreign Investment Protection Agreements (FIPA) between Canada and each of China, India and Russia which, at the time of this report, remain at different stages of completion or update.²⁷⁸ The importance of the FIPAs

²⁷⁵ Davis, 40th Parliament, 2nd Session, Issue no. 9, p. 35; Beck, 39th Parliament, 2nd Session, Issue no. 4, p. 13; Stewart-Patterson, 40th Parliament, 2nd Session, Issue no. 11, p. 11.

²⁷⁶ Hampson, 40th Parliament, 2nd Session, Issue no. 18, pp. 20-21.

²⁷⁷ Beck, 39th Parliament, 2nd Session, Issue no. 4, p. 10.

²⁷⁸ Tiagi, 40th Parliament, 2nd Session, Issue no. 11, p. 24.

lies in establishing a legal regulatory basis by which Canadian foreign direct investment can take place without discrimination from investors from other countries, as well as granting the ability to pursue investor-state dispute settlement arbitration.²⁷⁹

Another prominent bilateral initiative is the negotiation of a Comprehensive Economic Partnership Agreement (CEPA) between Canada and India. We agree with our witnesses that the CEPA was an important step in the right direction, but final judgement on whether it will benefit Canada-India commercial relations will depend on what the actual agreement would entail.²⁸⁰ In contrast to the CEPA, one witness suggested that Canada should pursue a services-only bilateral agreement with China and India.

Recommendation 12:

The Government of Canada should ensure that the bilateral agreements with China, India and Russia that are currently being negotiated and concluded, including the Foreign Investment Protection Agreement with each of them and the Comprehensive Economic Partnership Agreement with India, are completed and implemented in an early and timely manner. Moreover, they should be completed and implemented in a manner consistent with Canadian interests and international principles regarding the liberalisation of trade and investment.

In order to ensure that Canada is better equipped in terms of government machinery to pursue and enforce the ongoing exercise of norm-building, some witnesses, speaking on behalf of various industry groups, suggested the establishment of a Canada Market Access Secretariat that would bring together elements of the relevant departments, such as Foreign Affairs and International Trade, Agriculture and Agri-Food Canada, and the Canadian Food Inspection Agency, involved in negotiating

²⁷⁹ Sunquist 39th Parliament, 2nd Session, Issue no. 7, p. 23; Beck, 39th Parliament, 2nd Session, Issue no. 4, p. 31.

²⁸⁰ Stewart-Patterson, 40th Parliament, 2nd Session, Issue no. 11, pp. 7-8.

international and bilateral trade and investment agreements.²⁸¹ Such a Secretariat would also be intended to enforce agreements and work out technical issues as they arose. In this way, the various strengths and resources of the different departments concerned and affected by these issues would be pooled together and their efficiency would be maximised.²⁸²

Recommendation 13:

The Government of Canada should, through the reallocation of existing resources, establish an inter-departmental Trade Negotiation and Implementation Secretariat. This Secretariat would facilitate consultations and interactions among federal departments that have an active interest and role in multilateral and bilateral trade and investment negotiations as well as in the implementation of any resulting agreements.

Creating a Mechanism for Engagement and Mutual Understanding

We need to warm up the politics if we are to do the business.

*Professor Bernard M. Wolf
York University*

39th Parliament, 2nd Session, Issue 3, page 44

You can say things to your friends that you cannot say to your enemies.

Glen Hodgson

Conference Board of Canada

39th Parliament, 2nd Session, Issue 7, page 59

²⁸¹ Bonnett, 40th Parliament, 2nd Session, Issue no. 9, p. 35.

²⁸² Bonnett, 40th Parliament, 2nd Session, Issue no. 9, pp. 26-27; Davis, 40th Parliament, 2nd Session, Issue no. 9, pp. 32-33.

The relationship needs to be cared for and nurtured from both sides. We can discuss issues where we have differences but, as the Chinese saying goes, we are trying to see common ground while shelving some of the differences. Shelving differences does not mean that we should not discuss them, but how? In what format should we discuss these differences? ... We have different perspectives on some of the issues. We should take into consideration the perspectives of each side and forge a better understanding.

*H.E. Lan Lijun
Ambassador of the People's Republic of China to Canada
40th Parliament, 2nd Session, Issue 8, page 18*

In view of the world today, China and Canada should and can enjoy an even better relationship. We have been trying to say that when dealing with state-to-state relationships, we should have mutual respect, equality and non-interference into each other's internal affairs, and seek common development. As long as we follow these basic principles in dealing with state-to-state relationships, I do not see any problem for China and Canada to enjoy an even better relationship in the future.

*H.E. Lan Lijun
Ambassador of the People's Republic of China to Canada
40th Parliament, 2nd Session, Issue 8, page 18*

Canadians will no longer be satisfied with a China policy that feels we can do economics and hold other things to the side.

*Paul Evans
Asia Pacific Foundation of Canada
39th Parliament, 2nd Session, Issue 3, page 63*

If we place our footing going forward on an accurate assessment of points of convergence in our respective interests and values and on understanding where we differ without letting the differences overshadow the points of commonality, I think we will restore the relationship to a reasonable level of comfort and understanding and productivity on both sides.

*Ramesh Thakur
Balsillie School of International Affairs and
Centre for International Governance Innovation (CIGI)
40th Parliament, 3rd Session, Issue 3, page 14*

The Committee is convinced that a critical element in an architecture by which norms and standards can be promoted constructively is the establishment of a mechanism whereby matters of disagreement can be raised and discussed in a meaningful, mutually respectful manner. In other words, we believe that, in the context of engaging China, India and Russia frankly to convey concerns about the lack of compliance with norms and standards, mutual understanding can be reinforced and our commercial relations with them flourish.

We further believe that the mutual understanding between Canada and China can benefit from greater attention and nurturing. This certainly was a message that was repeatedly delivered by various interlocutors from the Chinese government and legislatures during our fact-finding mission to China, including in particular the Vice-Minister from the Ministry of Foreign Affairs, the Director General for American and Oceanian Affairs at the Ministry of Commerce, and the Vice Chair of the Foreign Affairs Committee at the National People's Congress.²⁸³

The establishment of a mechanism by which Canada can engage China would benefit in particular Canada's engagement with China on human rights. Indeed, our witnesses were unanimous in their support for such an initiative.²⁸⁴ As one Canadian government official testified, "Canada is committed ... to working with China in a positive and constructive manner in order to meet the challenges in many areas, especially ... labour rights, ethnic and minority rights ...".²⁸⁵ At the same time, our witnesses remarked that such a mechanism must reflect a balanced approach that involves both public and private discussions.²⁸⁶ As many witnesses testified, engaging China in this way would offer positive reinforcement to the changes concerning state-society relations already taking place in the country, albeit at their own pace.²⁸⁷ Indeed, such changes are in part the result of the transfusion of norms and standards by other means, including the country's economic liberalisation, the movement of

²⁸³ Meeting, Beijing, China, 9 November 2009.

²⁸⁴ Neve, 39th Parliament, 2nd Session, Issue no. 6, p. 37.

²⁸⁵ Sunquist, 40th Parliament, 2nd Session, Issue no. 18, p. 28.

²⁸⁶ Neve, 39th Parliament, 2nd Session, Issue no. 6, p. 37.

²⁸⁷ Neve, 39th Parliament, 2nd Session, Issue no. 6, p. 29; Harder, 39th Parliament, 2nd Session, Issue no. 8, p. 32.

outsiders and ideas into the country, and increased frequency of international travel by the Chinese, thereby exposing them to other ideas.²⁸⁸

Recommendation 14:

The Government of Canada should establish and institutionalise with each of China, India and Russia a high-level inter-governmental bilateral mechanism involving private and public measures by which issues and grievances regarding compliance with norms and standards, particularly human rights, can be discussed.

Promoting and Protecting Canadian Values

It is not desirable for large Canadian corporations to become implicated in Chinese communist corrupt business networks. It is important that Canadian companies abroad should behave in a way that is ethical and a credit to our Canadian values. They should not be able to engage in activities that, in our own country, would be illegal.

*Charles Burton
Brock University
39th Parliament, 2nd Session, Issue no. 6, p. 25.*

The Committee believes that promoting and protecting Canadian values regarding anti-corruption, rule of law and protection of intellectual property are additional key elements to the promotion of an architecture of norms and standards. More specifically, not compromising on these values serves as an importance defence mechanism against corruption and other weak standards of behaviour at the same time that they assist in them being strengthened by their partners and interlocutors.²⁸⁹ Moreover, by behaving according to Canadian values in these challenging areas,

²⁸⁸ Houlden, 39th Parliament, 2nd Session, Issue no. 7, p. 34.

²⁸⁹ Hodgson, 39th Parliament, 2nd Session, Issue no. 7, p. 61.

Canadian businesses are projecting Canadian values and reinforce the Canadian brand of business by which it can stand out in a highly competitive field.

The Committee was pleased to hear about specific examples of Canadian activity serving to promote and protect Canadian values in these economies, such as the training of judges in China and WTO accession training in Russia. Other witnesses spoke favourably of Canada's promotion of corporate social responsibility (CSR) as an element of Canada's values and the Canadian brand. In this respect, we were pleased to hear about EDC's application of CSR values in its decisions about whether or not to support project proposals. One witness acknowledged that, while Canadian businesses may not succeed accordingly, neither do they find themselves in difficult situations as others might.²⁹⁰

After meeting with Chinese officials a number of times, I am convinced that they want to give the impression that they respect trading and investment standards. They do not like being accused of corruption.

*Honourable Stockwell Day
Former Minister of International Trade and
Minister for the Asia-Pacific Gateway
40th Parliament, 2nd Session, Issue 19, page 11*

This country is evolving quickly and in the direction we all want it to evolve in. The hotel incident is a lot less likely to happen now than it was then. Our protections, international arbitration, all those sorts of things are in place.

*Bernard Borg
International Business Group Ltd.
40th Parliament, 2nd Session, Issue 14, page 18*

In sum, the promotion of an architecture of norms and standards according to these elements reinforces progressive forces of change in these countries and their integration into the global community. We heard from many witnesses that compliance with norms and standards regarding anti-corruption, rule of law and reduced bureaucracy, for instance, are already improving.²⁹¹ To this list, we can even add pressure to improve labour standards.

²⁹⁰ Sunquist, 39th Parliament, 2nd Session, Issue no. 7, p. 24.

²⁹¹ Poloz, 39th Parliament, 2nd Session, Issue no. 6, p. 31.

In part, the changing situation has been brought on by internal pressures.²⁹² These changes are not unexpected as their economic systems develop and move up the value chain, thereby increasing demands for concomitant standards to protect their gains and enhance their further development. The situation was raised on more than one occasion during our fact-finding mission to China, particularly regarding improvements to the legal regime and enforcement of the protection of intellectual property. We were also told that an important internal motor behind the improving situation in China is an increase in China's intellectual property that now needs to be protected.²⁹³

At the same time, we heard testimony, particularly during our fact-finding missions to China and Russia, that international pressures and increased sensitivity to their reputations and how their economies are perceived have also contributed to these changes.²⁹⁴ According to one witness speaking of Russia's anti-corruption efforts and understanding at the level of the president of the need to attract global trade, "They understand the reluctance of investors."²⁹⁵

Recommendation 15:

The Government of Canada should continue to maximise opportunities that involve the promotion and protection of Canadian values and that encourage compliance by these countries with norms and standards. These opportunities include the promotion of corporate social responsibility by Canadian government-supported commercial activities as well as the provision of technical assistance training.

²⁹² Westdal, 39th Parliament, 2nd Session, Issue no. 10, p. 16; Clark, 39th Parliament, 2nd Session, Issue no. 7, p. 68.

²⁹³ Sunquist, 39th Parliament, 2nd Session, Issue no. 7, pp. 21-22; Fung, 40th Parliament, 2nd Session, Issue no. 17, p. 36; Kitnikone, 40th Parliament, 2nd Session, Issue no. 18, p. 48.

²⁹⁴ Poloz, 39th Parliament, 2nd Session, Issue no. 6, p. 30, Meeting, Shanghai, China, 12 November 2009.

²⁹⁵ Borg, 40th Parliament, 2nd Session, Issue no. 14, p. 11; Hage, 40th Parliament, 2nd Session, Issue no. 15, p. 17.

From the testimony of our witnesses, it became apparent that a discussion about how norms and standards in China, India and Russia are changing necessarily needs to consider what the implications are of the direction of these changes. In this respect, the final chapter has not yet been written regarding the impact on international standards of the growing influence of these emerging economies.²⁹⁶ More specifically, international standards may increasingly reflect their norms and standards, and to protect the interests and competitiveness of Canadian business and Canadians generally, multilateral and bilateral agreements will become increasingly important to guard against the emergence/presence of regional or sub-regional standards which will undermine the building of level playing fields.

²⁹⁶ Curtis, 40th Parliament, 2nd Session, Issue no. 8, p. 29; Curtis, 40th Parliament, 2nd Session, Issue no. 8, p. 39.

VI. THE SOLUTION: IMPROVING DOMESTIC COMPETITIVENESS

[W]e need to remember that, to succeed internationally, we need to be strong domestically. A successful international strategy begins at home with an evaluation of our domestic policy to ensure it facilitates international commerce. Our international commerce policy should be intrinsically linked to our domestic policy and be seen as an integral part of Canada's economic strategy. Consequently, we need to put our house in order.

*Michael Murphy
Canadian Chamber of Commerce:
39th Parliament, 2nd Session, Issue 2, page 37*

Good policy begins at home. Therefore, if we participate more fully with these emerging large economies, then we must ensure that our infrastructure, such as our Pacific gateway, our railways and trains, our human resource skills and training, are world class because soon in the future there will be an enormous number of highly trained Chinese engineers and a whole range of Indian software manufacturers and individuals. This will increasingly be the reality of competition as time goes on. It is something we must deal with. We are in a sweet spot economically, but it will not last forever. This is the time to reflect on how we will respond positively and enthusiastically with our young people, through our languages, our human resource training, our investment policy, our trade policy, our infrastructure policy, and even our health policy.

*John M. Curtis
Centre for International Governance Innovation
39th Parliament, 2nd Session, Issue 2, pages 39-40*

The extent to which Canada will be able to position itself better in a new global economy that is dominated by global value chains and the economies of China, India and Russia will depend in part on the level of its domestic competitiveness. In this context, the Committee heard testimony from many witnesses who emphasised the importance of making Canada a location of choice for high-value activities in global value chains, and one that reflects an appreciation for knowledge and innovation, and

their conversion into value. At the same time, it requires ensuring that a reliable business environment and the necessary societal capital, including a highly-skilled, mobile workforce, are in place.²⁹⁷ In other words, making Canada a location of choice does not mean being complacent about the country's already rich endowments in its resources and its people.²⁹⁸ As the Committee heard, "relying on natural resources will not sustain our long-term standard of living. The world economy is turning into one where we must rely on our brains rather than our brawn. We must adjust to this changing economy in which competition is intensifying, and we should be engaging these economies."²⁹⁹ In other words, just as much is needed to be done in Canada as in China, India and Russia.³⁰⁰

In this respect, the Committee was pleased to hear that the Government of Canada established in 2006 an economic plan called Advantage Canada that is intended to create Canadian competitive advantages and prepare the country for success in the changing global economy.³⁰¹ The initiative complements others such as the Global Commerce Strategy in order to build Canada's domestic and international strengths³⁰² and was welcomed by our witnesses.

Enhancing Canada's Performance in the Knowledge and Innovation Sectors

The knowledge and innovation sectors are becoming increasingly important elements of Canada's efforts to better position itself in the new global economy. In particular, we were told that research and development is an area that qualifies as a high value-added activity.³⁰³ As one witness testified, Canada's potential advantage lies in knowledge, innovation and research and development.³⁰⁴ Some witnesses commended

²⁹⁷ Dobson, 39th Parliament, 2nd Session, Issue no. 3, p. 7.

²⁹⁸ Murphy, 39th Parliament, 2nd Session, Issue no. 2, p. 59; Murphy, 39th Parliament, 2nd Session, Issue no. 2, p. 41.

²⁹⁹ Dobson, 39th Parliament, 2nd Session, Issue no. 3, pp. 6-7.

³⁰⁰ Murphy, 39th Parliament, 2nd Session, Issue no. 2, pp. 35-36.

³⁰¹ Beck, 39th Parliament, 2nd Session, Issue no. 4, p. 9.

³⁰² Sunquist, 39th Parliament, 2nd Session, Issue no. 7, p. 14; Beck 39th Parliament, 2nd Session, Issue no. 4, p. 9.

³⁰³ Fuller, 39th Parliament, 2nd Session, Issue no. 9, pp. 57-58.

³⁰⁴ Fuller, 39th Parliament, 2nd Session, Issue no. 9, p. 50.

the level of public sector investment in Canada's research and development industry, especially in the life sciences sector, clean technology, wireless or digital media, one even noting it to be at "world class levels".³⁰⁵ Another remarked, "Canada has an excellent record over the last many years in investing more in the universities, investing more in research and development or encouraging more research and development."³⁰⁶

However, despite government initiatives such as Advantage Canada and investment in research and development, several witnesses testified to the Committee about their concerns regarding the state of Canada's knowledge and innovation sectors. In particular, Canada does not generate the quantity of post-graduate degrees in such highly skilled disciplines as the sciences and engineering that is required to meet the demands of the new global economy.³⁰⁷

A particular concern that we heard about was with respect to Canada's poor ability in converting knowledge into value, or, in other words, commercialising our research and development.³⁰⁸ One witness noted, "it seems to be a source of some disappointment that the investments made in [research and development] are not harvesting the kinds of results in innovation that many are looking for."³⁰⁹ Another testified, "The current approach toward commercialization is a failure. We cannot accept that."³¹⁰ According to testimony before the Committee, part of the reason for the poor performance in commercialising our inventions is due to the inadequate levels of venture capital and incentives attracting such capital into Canada.³¹¹

According to some of our witnesses, a plan of action is required that promotes a greater appreciation of the knowledge economy in Canada's education system. "We have to move out of the old industrial economy mindset and think more about the

³⁰⁵ Beck, 39th Parliament, 2nd Session, Issue no. 4, pp. 19-20; Haynal, 39th Parliament, 2nd Session, Issue no. 3, p. 70.

³⁰⁶ Dobson, 39th Parliament, 2nd Session, Issue no. 3, p. 8.

³⁰⁷ Lafleur, 39th Parliament, 2nd Session, Issue no. 3, p. 27.

³⁰⁸ Fung, 40th Parliament, 2nd Session, Issue no. 17, p. 29; Beck, 39th Parliament, 2nd Session, Issue no. 4, pp. 19-20; Beck, 39th Parliament, 2nd Session, Issue no. 4, p. 19.

³⁰⁹ Haynal, 39th Parliament, 2nd Session, Issue no. 3, p. 70.

³¹⁰ Fung, 40th Parliament, 2nd Session, Issue no. 17, p. 32.

³¹¹ Fung, 40th Parliament, 2nd Session, Issue no. 17, p. 32.

knowledge economy of the future.”³¹² Such a plan of action includes the promotion of the appropriate skills, including people, technical and computer skills. It may also include a focus on early childhood education to develop basic skills, including coping skills in order to adjust to a changing world.³¹³

Other witnesses spoke of the need for a plan of action regarding research and development that entails in part investing in new technologies and strengthening industrial innovation.³¹⁴ Indeed, attracting higher levels of foreign investment that contain a research and development component was raised as one activity being carried out in this respect.³¹⁵ One witness noted the importance of investing in universities in order to ensure that they have the people and infrastructure necessary to carry out research and development, and are able to convert their products into value.³¹⁶ “We must take advantage of the great work and training done in our universities. We must work closely with the research sector, the academic community, and the business community.”³¹⁷

The importance of action in this area was highlighted in light of how Canada ranks with respect to these sectors. As the Committee was told by one of its witnesses, Canada’s private sector spends approximately half as much as the OECD average on research and development.”³¹⁸ We heard in particular about Australia’s experience, whereby research and development is consumer-oriented. Moreover, its national laboratories run on client fees and work with Australian and international companies doing research and innovation. In the agriculture sector in particular, it has an entity that operates at arm’s length from the government and works closely with industry and with end users, bringing together various resources from different universities. As a result, “It has allowed them, in many ways, to become world leaders in what they do.”³¹⁹

³¹² Dobson, 39th Parliament, 2nd Session, Issue no. 3, pp. 7-8.

³¹³ Dobson, 39th Parliament, 2nd Session, Issue no. 3, pp. 7-8; Dobson, 39th Parliament, 2nd Session, Issue no. 3, p. 26.

³¹⁴ Laurin, 39th Parliament, 2nd Session, Issue no. 8, p. 75.

³¹⁵ Fuller, 39th Parliament, 2nd Session, Issue no. 9, pp. 57-58.

³¹⁶ Wolf, 39th Parliament, 2nd Session, Issue no. 3, p. 41.

³¹⁷ Laurin, 40th Parliament, 2nd Session, Issue no. 17, p. 30.

³¹⁸ Fuller, 39th Parliament, 2nd Session, Issue no. 9, pp. 57-58.

³¹⁹ Mandel-Campbell, 40th Parliament, 2nd Session, Issue no. 11, p. 31.

Recommendation 16:

In continuing to support domestically focused programs, such as Advantage Canada, that provide the framework for federal action to enhance Canada's domestic competitiveness, the Government of Canada should examine additional opportunities for increasing investments in Canada's knowledge infrastructure, including research and development. It should facilitate greater levels of domestic collaboration among the university, private and public sectors. Such initiatives should be undertaken in collaboration with the provincial and territorial governments, and should encourage strategies that would result in higher numbers of post-graduate degrees in the disciplines thought to be particularly relevant in the new knowledge economy, including the sciences and engineering. In addition, it should take the necessary steps to develop a commercialisation strategy that facilitates the conversion of the knowledge obtained from research and development initiatives into a value product that leads to better integration of Canada's economy into the new global economy.

Developing Canada's Human Resources

The development of Canada's human resources, including its labour capital, is an important element in improving Canada's domestic competitiveness, moving it up the value chain in light of the demands of the new global economy and one which cannot be ignored.

Many of our witnesses spoke of their concerns regarding the state of Canada's human resource capacity and highlighted the importance of developing the skills sets necessary for the workforce to move up global value chains.³²⁰ We heard concerns that ranged from the basic, such as 40% of the Canadian population having a literacy

³²⁰ Hodgson, 39th Parliament, 2nd Session, Issue no. 7, p. 51.

rate at grades 1 or 2 levels,³²¹ to the need for scientists with MBAs³²² and the importance of developing relevant language skills in the business community as well as in the general public.³²³ Some witnesses emphasised the need for a workforce in Canada that is globally mobile and globally competitive, able to take advantage of business opportunities in the emerging markets.³²⁴ In this respect, according to one witness, "Our capacity to work in a multicultural setting in our own country is a huge accomplishment, and it is one from which, on the global scale, we should be able to benefit rather more than we do."³²⁵

Other witnesses emphasised the importance of developing a more flexible workforce that can adjust more easily to changes in the demands of the global and national economies.³²⁶ In this respect, we heard testimony about the need to focus on continuing education and retraining, particularly in skills necessary for knowledge-based industries.³²⁷

One witness emphasised that while we were developing the necessary skill sets for the workforce, it was also important to attract and retain skilled labour.³²⁸ One noted, "[W]e need more employees of a highly trained globally competitive capacity. They are not as easy as they should be to find in Canada."³²⁹ Indeed, several witnesses spoke about overseas recruitment and immigration as one way to fill spaces in key industries in order to ensure the competitiveness of Canada's workforce.³³⁰ Referring to China in particular, one witness noted, "That is a fertile recruitment area. ... However much

³²¹ Lafleur, 39th Parliament, 2nd Session, Issue no. 3, pp. 26-27.

³²² McGovern, 39th Parliament, 2nd Session, Issue no. 7, p. 39.

³²³ Wolf, 39th Parliament, 2nd Session, Issue no. 3, p. 42; Curtis, 39th Parliament, 2nd Session, Issue no. 2, p. 49.

³²⁴ Laurin, 39th Parliament, 2nd Session, Issue no. 8, p. 72; Haynal, 39th Parliament, 2nd Session, Issue no. 3, p. 69.

³²⁵ Haynal, 39th Parliament, 2nd Session, Issue no. 3, p. 69.

³²⁶ Rao, 39th Parliament, 2nd Session, Issue no. 3, p. 27; Lafleur, 39th Parliament, 2nd Session, Issue no. 3, pp. 19, 26-27; Dobson, 39th Parliament, 2nd Session, Issue no. 3, p. 8.

³²⁷ Rao, 39th Parliament, 2nd Session, Issue no. 3, p. 27; Laurin, 39th Parliament, 2nd Session, Issue no. 8, p. 74; Dobson, 39th Parliament, 2nd Session, Issue no. 3, p. 26.

³²⁸ Laurin, 39th Parliament, 2nd Session, Issue no. 8, p. 74.

³²⁹ Haynal, 39th Parliament, 2nd Session, Issue no. 3, p. 69.

³³⁰ McGovern, 39th Parliament, 2nd Session, Issue no. 7, p. 39; Evans, 39th Parliament, 2nd Session, Issue no. 3, p. 46; Laurin, 39th Parliament, 2nd Session, Issue no. 8, p. 74.

we expand our own domestic production through universities, we will fall short of the numbers [necessary].”³³¹

Other human capital challenges raised by our witnesses and which impinge on our domestic competitiveness concern the recognition of professional credentials by foreign workers and immigrants.³³² As one witness stated, “We are also too slow to recognize credentials That all has an impact on how competitive this economy is.”³³³ They also concern labour mobility. According to one witness, “The largest constraint to growth and prosperity in Canada today is labour mobility. I could spend all my time on trade investment promotion, but if companies cannot find labour in B.C. or in Alberta, they will not come. Labour mobility and immigration are key to Canada’s future prosperity.”³³⁴

Recommendation 17:

In direct response to the requirements of the new global economy and in order to position Canada in the higher-valued links in global value chains, the Government of Canada should undertake the development of strategies and programs to improve our human resources.

Developing Our Transportation Infrastructure

Improving Canada’s domestic competitiveness and being better positioned to integrate into global value chains and the new global economy in order to be globally competitive and, in the process, to improve our commercial relations with China, India and Russia also means having in place a transportation infrastructure to develop Canada as a gateway in the movement of goods and services and particularly to accommodate and allow for increased volumes in exports and imports. Given that the movement of goods in the new global economy over long distances relies on

³³¹ Houlden, 39th Parliament, 2nd Session, Issue no. 7, p. 39.

³³² Steger, 39th Parliament, 2nd Session, Issue no. 2, p. 17.

³³³ Wolf, 39th Parliament, 2nd Session, Issue no. 3, p. 42.

³³⁴ Sunquist, 39th Parliament, 2nd Session, Issue no. 7, p. 38.

interconnected systems of water, air, rail and road,³³⁵ for Canada this means having a complementary transportation infrastructure in place that connects Canadian goods, investment and services not only to the United States, but also to China, India and Russia from both the eastern and western coasts.³³⁶

Future opportunities might develop regarding the Northwest Passage as shipping lanes are made increasingly available due to changes in the Arctic's climate. In the meantime we heard from many witnesses that Canada already has much to offer in this respect, including having two major railways in CN and CP. According to one witness, "They are, especially CN, the most efficient railways in North America and probably in the world."³³⁷

We heard a great deal of testimony regarding the advantages offered by Port Metro Vancouver as a gateway with regard to the movement of goods.³³⁸ In particular, its advanced use of technology to move transport quickly, such as radio frequency identification and optical camera identification.³³⁹

Some witnesses spoke favourably about recent government initiatives that aim to connect Canada's transportation systems more directly to the movement of goods in and out of the country, and develop Canada more comprehensively as a gateway in order to be globally competitive³⁴⁰ and expand its presence in the new global economy. These initiatives include the Asia-Pacific Gateway and Corridor Initiative that connects the prairies provinces and targets infrastructure in Prince Rupert, Vancouver and Winnipeg, for instance;³⁴¹ the Atlantic Gateway, with its focus on the Port of Halifax and strategy to target India; and the Central Gateway, concentrating on Ontario and Quebec.³⁴² Such initiatives also cross the different departments, including Transport Canada and Foreign Affairs and International Trade.³⁴³ Other

³³⁵ Fung, 40th Parliament, 2nd Session, Issue no. 17, p. 27.

³³⁶ Curtis, 39th Parliament, 2nd Session, Issue no. 2, p. 50.

³³⁷ Fung, 40th Parliament, 2nd Session, Issue no. 17, p. 39.

³³⁸ Badger, 40th Parliament, 2nd Session, Issue no. 19, p. 26.

³³⁹ Badger, 40th Parliament, 2nd Session, Issue no. 19, p. 25.

³⁴⁰ Murphy, 39th Parliament, 2nd Session, Issue no. 2, p. 41; Badger, 40th Parliament, 2nd Session, Issue no. 19, p. 36.

³⁴¹ Sunquist, 40th Parliament, 2nd Session, Issue no. 18, p. 30.

³⁴² Sunquist, 40th Parliament, 2nd Session, Issue no. 18, p. 26.

³⁴³ Sunquist, 40th Parliament, 2nd Session, Issue no. 18, p. 30.

initiatives involve upgrading and negotiating air agreements that are relevant to Canada's competitiveness.³⁴⁴

Promoting a National Transportation Policy

Transportation is a value-added sector with strong multipliers and pan-Canadian regional benefits, but Canada's national transportation networks need to be fully integrated and require an integrated planning approach. Opening up capacity in one link of the chain, such as infrastructure investment in isolation of the wider strategy, is insufficient. Optimizing the investments, when and where they are needed, is essential to ensure our infrastructure can support the type of growth we can truly realize as a nation.

*Chris Badger
Port Metro Vancouver
40th Parliament, 2nd Session, Issue 19, page 21*

Some witnesses commented that, while welcome, these initiatives were insufficient to preparing Canada to better suit the demands of the world. In other words, notwithstanding these achievements, the Committee heard testimony from many witnesses about concerns they had regarding the limitations of Canada's transportation infrastructure in the context of the new global economy.³⁴⁵ These limitations include Canada's overall port capacity to manage higher volumes of imports and exports, to the extent that "it is almost forming a kind of non-tariff barrier to reduce how quickly goods move and how many we can move. It is protectionism by another name."³⁴⁶

The Committee also heard testimony about the need to make the pricing of the transportation of goods from different parts of Canada more equitable, particularly where the prairies are concerned, and in this way improve the cost-effectiveness of loading goods into emptied containers coming from Asia in the prairies and move

³⁴⁴ Beck, 39th Parliament, 2nd Session, Issue no. 4, p. 18.

³⁴⁵ Fung, 40th Parliament, 2nd Session, Issue no. 17, p. 34; Murphy, 39th Parliament, 2nd Session, Issue no. 2, pp. 35 – 36; Sunquist, 40th Parliament, 2nd Session, Issue no. 18, p. 30.

³⁴⁶ Evans 39th Parliament, 2nd Session, Issue no. 3, p. 56.

them to key ports and points westward to continue their movement to Asia.³⁴⁷ One witness spoke of a pilot project with CN that aims to do just that.³⁴⁸

We also heard testimony about the need to review existing fee and fiscal structures relating to water transportation management, particularly where the rules and regulations regarding the use of shared waterways with the United States are concerned and which, according to some of our witnesses, are not cost-effective.

Moreover, despite Port Metro Vancouver's favourable balance regarding container shipments, many witnesses raised concerns about emptied containers going back to Asia without any Canadian goods to fill them, while others bemoaned the absence of a system and appropriate infrastructure for filling containers closer to the point of origin in a way that reduces unnecessary traffic, congestion and movement at the ports.³⁴⁹ In other words, "We need to work out mechanisms for us to make the best use of the corridor and gateway that we are investing in so we can put more value into these goods. Instead of shipping scrap steel and wastepaper into China, let us put something more valuable to gain some more benefit for the prosperity of Canada."³⁵⁰ One witness specifically spoke of the need to consider the "big picture" which "is not the transportation of the goods or the filling of those containers, it is the logistics systems around those. The big picture will be the research and engineering and design. That is where the money is."³⁵¹

One particular area of concern raised by our witnesses was the absence of an integrated national transportation strategy that emphasised logistics and cost-effectiveness. We heard from witnesses who noted that, despite recent government initiatives and the productivity they are already generating, they did not offer the benefits of a fully national integrated system. As we heard, "There is no sense building new port terminals if we do not have the road and rail links to move cargo

³⁴⁷ Fung, 40th Parliament, 2nd Session, Issue no. 17, p. 40.

³⁴⁸ Fung, 40th Parliament, 2nd Session, Issue no. 17, p. 40.

³⁴⁹ Wolf, 39th Parliament, 2nd Session, Issue no. 3, p. 49; Fung 40th Parliament, 2nd Session, Issue no. 17, p. 40.

³⁵⁰ Fung, 40th Parliament, 2nd Session, Issue no. 17, p. 40.

³⁵¹ Evans, 39th Parliament, 2nd Session, Issue no. 3, pp. 50-51.

quickly and efficiently through our gateways to and from destinations around the country. It is a network that requires a strategic approach.”³⁵²

The elements of such a strategy and the government’s role as a national coordinator would be based on several elements. These include the development of a Canadian transportation system as a single, multimodal system with secure but efficient borders. It also includes the analysis of all infrastructure and regulatory projects in the context of their economic, environmental and social sustainability.³⁵³ It also includes a long-term multimodal transportation investment that provides for a single window to streamline regulatory and approval processes, coordinated with provincial and territorial governments and leveraging public-private partnerships.

Labour Relations

It is affecting our reputation. When we go back [to Asia], every time we meet with a customer, the first thing they talk about is the unreliability of our gateway. We have to be concerned about that situation.

*Chris Badger
Port Metro Vancouver
40th Parliament, 2nd Session, Issue 19, page 34*

The Committee heard strong testimony about the impact labour relations can have on reducing the competitiveness of Canada’s transportation gateway as a key link in the global supply chain. Port Metro Vancouver, for instance, with over 60 collective agreements in place, regularly experiences labour management disputes that have either threatened to shut down the gateway, disrupted the supply chain or completely shut it down. Such disputes have the consequence of raising questions among clients about the port’s reliability and risks cargo diversions away to a competitor port such as Spokane, Washington in the United States who are seen to be as more reliable.³⁵⁴ They involve rail reliability as well as labour, and can entail at least one or two collective agreements under negotiation at any one time.³⁵⁵ While settlement procedures generally run fairly smoothly, reliability is nevertheless called into question

³⁵² Badger, 40th Parliament, 2nd Session, Issue no. 19, pp. 21-22.

³⁵³ Badger, 40th Parliament, 2nd Session, Issue no. 19, p. 21.

³⁵⁴ Badger, 40th Parliament, 2nd Session, Issue no. 19, pp. 23, 27, 28, 32.

³⁵⁵ Badger, 40th Parliament, 2nd Session, Issue no. 19, p. 33.

because of the uncertainty that the disputes raise. In referring to the impact of this “culture of instability,” the witness testified, “If that issue can be resolved, we will take our place — where we should be — as one of the most efficient and reliable ports in the world.”³⁵⁶ From the perspective of the witness, alternative dispute mechanisms need to be considered in order to improve the supply chain’s reliability.³⁵⁷

Recommendation 18:

As a key element of Canada’s domestic competitiveness with respect to the rise of China, India and Russia, the Government of Canada should continue its initiatives that improve and promote Canada as an efficient and productive gateway for the movement of goods. In particular, these initiatives should reflect an integrated National Transportation Strategy that:

- is coordinated with the provincial, territorial and municipal governments;**
- promotes a greater number of mutually beneficial private-public partnerships;**
- involves both coasts;**
- strengthens links between the regions where products are sourced and the ports from which they are distributed to international markets;**
- improves port capacity;**
- increases the number of containers returning to overseas markets filled with high-value good;**
- improves cost-effectiveness; and,**
- improves logistics in transportation infrastructure.**

The Government of Canada should also consider the development of alternative dispute-settlement mechanisms to resolve labour

³⁵⁶ Badger, 40th Parliament, 2nd Session, Issue no. 19, p. 29.

³⁵⁷ Badger, 40th Parliament, 2nd Session, Issue no. 19, pp. 33, 34.

disputes in the transportation sector in order to strengthen the international perception of Canada's reliability as a gateway.

Promoting a More Competitive Business Environment

I think a competitive business environment for manufacturing companies is also a key factor if we want to compete against those countries. Obviously, a competitive tax environment, especially for business investment, is something we recommend. It is also important to ensure that whatever environmental policies we put in place do not have a negative impact on our manufacturers' ability to compete internationally. A competitive regulatory environment is also critical so it does not become a burden to be a Canadian producer because of more costly regulations.

*Jean-Michel Laurin
Canadian Manufactures and Exporters
39th Parliament, 2nd Session, Issue 8, page 74*

Another important factor to take into account regarding Canada's domestic competitiveness is the environment it offers for productive and efficient business activities. We were pleased to hear in his testimony to the Committee the Minister of International Trade's reference to the OECD assessment that Canada's business taxation regime is the most competitive among industrialized countries.³⁵⁸ We also note the government's initiative to remove all duties on production machinery being imported into Canada or manufacturing inputs being imported into Canada, a recommendation some of our witnesses raised during the course of the study.³⁵⁹ Indeed, as one witnesses noted, "we are moving toward turning Canada into a duty-free zone. That is exactly what Hong Kong has done."³⁶⁰

³⁵⁸ Day, 40th Parliament, 2nd Session, Issue no. 19, p. 6.

³⁵⁹ Fung, 40th Parliament, 2nd Session, Issue no. 17, p. 31; Laurin, 40th Parliament, 2nd Session, Issue no. 17, p. 29; Laurin, 39th Parliament, 2nd Session, Issue no. 8, pp. 74-75.

³⁶⁰ Fung, 40th Parliament, 2nd Session, Issue no. 17, p. 31.

Enhancing Internal Relations

Maintaining a strong and healthy relationship between federal departments and agencies, the provinces and municipalities is essential to Canada's success, particularly as many deals are carried out at the provincial and even municipal levels.³⁶¹

At the same time, many of our witnesses raised concerns relating to Canada's federal structure and the internal division of responsibilities.³⁶² One noted the negative impact on Canada's competitiveness of matters relating to internal trade and existing trade barriers.³⁶³ Another testified, "that is a big problem. Foreign investors ask why it is so difficult that if they invest in Ontario, there are problems doing business in other provinces in Canada."³⁶⁴

In light of the foregoing concerns relating to Canada's domestic competitiveness, such as knowledge, innovation, education, transportation infrastructure, business environment and internal political and economic organization, one witness remarked that what was needed in particular was a thorough, comprehensive government review of the future of the Canadian economy from a public policy perspective.

One witness spoke of the various awards that are granted to celebrate the best of Canadian businesses and exporters and suggested that some consideration be given to the establishment of a highly prestigious national reward akin to the United Kingdom's Queen's Awards for Exports and Technology as one way to encourage greater productivity and efficiency regarding quality products on the part of Canadian businesses and raise the quality of Canadian goods and innovation.³⁶⁵

³⁶¹ Beck, 39th Parliament, 2nd Session, Issue no. 4, p. 22; Wolf, 39th Parliament, 2nd Session, Issue no. 3, p. 42.

³⁶² Wolf, 39th Parliament, 2nd Session, Issue no. 3, p. 42.

³⁶³ Mandel-Campbell, 40th Parliament, 2nd Session, Issue no. 11, p. 39.

³⁶⁴ Beck, 39th Parliament, 2nd Session, Issue no. 4, p. 20.

³⁶⁵ Mandel-Campbell, 40th Parliament, 2nd Session, Issue no. 11, p. 36.

VII. THE SOLUTION: IMPROVING COLLECTION OF TRADE AND INVESTMENT STATISTICS

Turning to the question that is perhaps a bit of a frustration for all of us who work on anything related to global value chains, measuring this activity in any quantitative concrete term is difficult. The traditional collection of statistics, the kinds of statistics collected by statistical agencies around the world, is simply not designed to capture these kinds of complex trade relationships. Therefore, you cannot, at present, follow a good through the different stages of a global value chain in a traceable way.

*Patricia Fuller
Foreign Affairs and International Trade Canada
39th Parliament, 2nd Session, Issue 9, page 41*

We heard from many witnesses who raised concerns about important omissions in what Canada's current trade and investment statistics capture.³⁶⁶ For instance, many witnesses noted that statistics do not capture accurately Canada's trans-border import and export processing activities and their values, or specifically the Canadian content in a product that is exported from a second or third country, such as the United States or China.³⁶⁷ At the same time, statistics on Canadian imports from the United States or China do not reflect what other countries and activities may have been involved in the transaction.³⁶⁸ Neither are the statistics on Canadian commercial activities in the services sector adequately captured given that they rely on surveys for which the response rate has been declining.³⁶⁹

³⁶⁶ Kitnikone, 40th Parliament, 2nd Session, Issue no. 18, p. 31; Laurin, 39th Parliament, 2nd Session, Issue no. 8, p. 98.

³⁶⁷ Dobson, 39th Parliament, 2nd Session, Issue no. 3, p. 32; Kuntz, 39th Parliament, 2nd Session, Issue no. 9, p. 8; Malone, 40th Parliament, 2nd Session, Issue no. 8, p. 33; Fung, 40th Parliament, 2nd Session, Issue no. 17, p. 24; Sunquist, 40th Parliament, 2nd Session, Issue no. 18, p. 32.

³⁶⁸ Hodgson, 39th Parliament, 2nd Session, Issue no. 7, p. 52.

³⁶⁹ Kitnikone, 40th Parliament, 2nd Session, Issue no. 18, p. 31; O'Hagan, 39th Parliament, 2nd

*The question that statisticians are grappling with — not just at Statistics Canada but internationally because we also follow international standards for this — is whether we are seeing trade in goods or trade in services. ... It is not a problem with respect to the net trade, which feeds into our gross domestic product and tells us whether the economy is growing, but a problem perhaps with the classification of our international trade.*³⁷⁰

In essence, given the emphasis in the new global economy on activities rather than simply goods, the mere collection of statistical data has become challenging.³⁷¹ In one respect, current statistical methods that rely on data collected by customs officials are inadequate. As one witness testified, these systems were not set up to record trade in the context of supply chains and identifying the origins of so many individual components.³⁷²

Another witness noted a similar difficulty with respect to tracking foreign investment which is also spread across different firms and activities.

*We are starting to ask ourselves, as statisticians, whether it is increasingly difficult for these large, multinational companies that are spread over an increasing number of geographical jurisdictions to answer the questions that statisticians need. That type of activity is great for them in terms of efficiency of the firms' operations, but it might pose challenges for statisticians.*³⁷³

Moreover, the application of international standards for collecting trade and investment statistics is also inconsistent. This is due in part to conceptual differences in terms of the system of trade that countries employ or in how freight and insurance are treated. For instance, in the case of Canada and China, China's imports from Canada include the cost of insurance and freight, while Canadian exports to China do not.³⁷⁴

Session, Issue no. 9, p. 14; Sunquist, 40th Parliament, 2nd Session, Issue no. 18, p. 32.

³⁷⁰ O'Hagan, 39th Parliament, 2nd Session, Issue no. 9, p. 15.

³⁷¹ O'Hagan, 39th Parliament, 2nd Session, Issue no. 9, p. 14.

³⁷² Kuntz, 39th Parliament, 2nd Session, Issue no. 9, p. 31.

³⁷³ O'Hagan, 39th Parliament, 2nd Session, Issue no. 9, p. 14.

³⁷⁴ Kuntz, 39th Parliament, 2nd Session, Issue no. 9, pp. 7-8.

As a result, trade data between partner countries, while it should be a mirror image, is rarely the same in practice.³⁷⁵ We were told that Canada's foreign direct investment figures may be significantly underestimated due to the challenges associated with tracking foreign direct investment through other jurisdictions.³⁷⁶ While one set of witnesses was firm that "... we do not feel that there is a huge understatement of Canada's trade,"³⁷⁷ others were concerned that trade may be underestimated in some jurisdictions, including in the emerging economies.³⁷⁸ According to one witness, "our trade is overrepresented with respect to the United States and under-represented with the rest of the world."³⁷⁹

Therefore, as more Canadian firms participate in global value chains and the wider Canada's representation in the global economy, current statistical methodologies for trade and investment will be unlikely to provide the kind of information necessary to make key public policy dimensions regarding Canadian international commercial relations.³⁸⁰

*Economists are increasingly not talking about comparative advantage in a particular good but in a particular activity. We need to know more about these global value chains, but our statistics do not help us much. We need to help Statistics Canada to collect better data so that we can make more informed decisions. Decisions need to be evidence-based; otherwise, they do not really do what they are supposed to do.*³⁸¹

The Committee heard that some cross-departmental initiatives have been underway that aim to overcome some of these challenges. In one respect, new regulations and memoranda of understandings have been put in place by CBSA to ensure that exports

³⁷⁵ Kuntz, 39th Parliament, 2nd Session, Issue no. 9, pp. 7-8.

³⁷⁶ Sunquist, 39th Parliament, 2nd Session, Issue no. 7, p. 17.

³⁷⁷ O'Hagan, 39th Parliament, 2nd Session, Issue no. 9, p. 19.

³⁷⁸ Rao, 39th Parliament, 2nd Session, Issue no. 3, p. 33; O'Hagan, 39th Parliament, 2nd Session, Issue no. 9, p. 19.

³⁷⁹ Curtis, 40th Parliament, 2nd Session, Issue no. 8, p. 42.

³⁸⁰ Hart, 40th Parliament, 2nd Session, Issue no. 17, p. 6.

³⁸¹ Wolf, 39th Parliament, 2nd Session, Issue no. 3, p. 42.

are more accurately recorded.³⁸² In another, FAIT and Statistics Canada are working together on a project to consider possible solutions.³⁸³

There have also been efforts to undertake reconciliation exercises with foreign counterparts; however, these tend to be very difficult, labourious, and lengthy processes, and the results are not entered into official statistics since they are done on a case by case basis.³⁸⁴ In addition, surveys on trade in services and foreign direct investment are being redesigned in order to improve information on geographical breakdown as well as to include goods-producing enterprises that also provide services.³⁸⁵ Moreover, the foreign affiliate trade program at Statistics Canada is being reviewed for ways in which it can better reflect Canadian foreign direct investment.³⁸⁶

The Committee heard testimony that discussions were being held at the international level about redefining trade in order to take in to account goods for processing. China in particular is a proponent of such methodological changes in order that its trade balance with the world be more accurately reflected.³⁸⁷

Other challenges remain regarding accessing statistics on Canadian goods that enter and leave by way of the United States, particularly as the focus of the U.S. Customs and Border Protection is more on security than on statistics.³⁸⁸ In this respect, we heard that it would be useful for Statistics Canada to gain access to the U.S. in-transit document 7512 in order to match up information collected in these forms against transportation documents and existing export declarations.³⁸⁹

³⁸² Kuntz, 39th Parliament, 2nd Session, Issue no. 9, pp. 8, 17-18.

³⁸³ Sunquist, 40th Parliament, 2nd Session, Issue no. 18, p. 39.

³⁸⁴ Kuntz, 39th Parliament, 2nd Session, Issue no. 9, pp. 9, 31.

³⁸⁵ O'Hagan, 39th Parliament, 2nd Session, Issue no. 9, pp. 16, 34.

³⁸⁶ O'Hagan, 39th Parliament, 2nd Session, Issue no. 9, p. 16.

³⁸⁷ Kuntz, 39th Parliament, 2nd Session, Issue no. 9, p. 37.

³⁸⁸ Kuntz, 39th Parliament, 2nd Session, Issue no. 9, pp. 17-18.

³⁸⁹ Kuntz, 39th Parliament, 2nd Session, Issue no. 9, p. 18.

Recommendation 19:

In an effort to improve accuracy, the Government of Canada should take the steps necessary to modify the manner in which data about Canada's trade and investment activities are collected and measured.

VIII. THE STAKES

China and India, with their spectacular growth, are increasingly resource hungry. Canada is resource rich, so we have enormous trade opportunities on this front, but just focusing on resource exports is not enough. ... Canadian companies also have excellent opportunities to satisfy the ... growing demand for infrastructure and other capital investment."

*Sheila Rao
Conference Board of Canada
39th Parliament, 2nd Session, Issue 3, page 13*

China is the biggest user of energy, and they need to conserve it. They need to conserve natural resources. They need to keep the economy clean.

*Robert Clark
Foreign Affairs and International Trade Canada
39th Parliament, 2nd Session, Issue 7, page 60*

Over the long term, the best thing we do is education marketing — having young people from India, Russia and China study in Canada. They become your best advocate and best salespeople. They understand Canada and are proud of their time spent here.

*Ken Sunquist
Foreign Affairs and International Trade Canada
39th Parliament, 2nd Session, Issue 7, page 31*

[Indians] are also keenly aware that Canada is a high-tech country and that we have focused on environmental technologies for some years.

*David M. Malone
International Development Research Centre
40th Parliament, 2nd Session, Issue 8, page 35*

It is one of those situations where if you get a large Canadian company like Magna or Bombardier or SNC-Lavalin involved in the business, then the hope is that other smaller Canadian companies might follow and that they might create opportunities, in the same way that Kinross has created opportunities through its investment for the sale of cold weather technologies. It is just a question of time.

*Robert Hage
Foreign Affairs and International Trade Canada
40th Parliament, 2nd Session, Issue 15, page 16*

We have significant opportunities there. I think our science community in Canada, and our high-tech people who commercialize science will be tremendous boons to the Canadian economy and its role internationally in years to come.

*David M. Malone
International Development Research Centre
40th Parliament, 2nd Session, Issue 8, page 35*

As I said, we have a huge program for infrastructure, over \$500 billion for power stations, roads, bridges, ports. We need equipment for infrastructure-related projects."

*H.E. Shashishekar M. Gavai
High Commissioner for India to Canada
40th Parliament, 2nd Session, Issue 5, page 36*

[W]e are committed to the long term in Russia. The opportunities are too great for us to be otherwise.

*George Haynal
Bombardier Inc.
40th Parliament, 2nd Session, Issue 16, page 7*

The Canadian Federation of Agriculture, CFA, believes we have seen only the tip of the iceberg in potential for access into these markets.

*Ron Bonnett
Canadian Federation of Agriculture
40th Parliament, 2nd Session, Issue 9, pages 24-25*

The powers of mutual attraction are growing.

*Fen Hampson
Norman Paterson School of International Affairs
Carleton University
40th Parliament, 2nd Session, Issue 18, page 13*

"We are at the dawn of an exciting era in India. ... Watch this space, senator, because our ambitions are as dramatic there as anywhere else in the world. As you say, the possibilities are enormous.

*George Haynal
Bombardier Inc.
40th Parliament, 2nd Session, Issue 16, page 15*

[Sovereign wealth funds is] not a phenomenon that will go away. There will be more of these funds; consequently we need a policy to deal with them. If we have a knee-jerk reaction and reject or make it difficult for these funds, they will go somewhere else, and we will lose a lot of opportunity.

*Peter Sutherland
Canada-India Business Council
39th Parliament, 2nd Session, Issue 8, page 39*

The Appeal of the Chinese, Indian and Russian Markets

The Chinese, Indian and Russian markets have tremendous appeal for Canadian commercial interests. In particular, all three countries are experiencing rapid urbanization as well as a fast growing middle class that combined across the three economies is estimated to be more than hundreds of a million people. These two factors are resulting in higher demand for goods and services in general and, with the growing middle class, increasing demand for better-quality and more sophisticated goods, services and foodstuffs. Moreover, like Canada, all three countries have diverse cultures and languages.

In addition, China is appealing because of the complementary nature of its economic demands for natural resources and energy and Canada's rich endowments in these areas. In addition, China is beginning to shift towards developing its non-manufacturing economy.

With respect to India, it is the world's largest democracy and thereby has the same political system as Canada, together with a strong dedication to the rule of law. Moreover, English is widely spoken and is the official language of commerce, the bureaucracy and government in India. In addition, 50% of its population is under 25 years of age. As one witness remarked; "The private sector in India is expanding fast, and ... young Indians are hopeful for their futures."³⁹⁰ It is also relatively politically stable, notwithstanding the difficult challenges presented by its neighbourhood and some internal disturbances.

For its part, Russia – like Canada – has a highly educated population, and the two countries have a similar climate and endowments in natural resources. As one witness testified; "Russia's market is immature, but it is growing in sectors in which we are excellent. So much of our technology and equipment is relevant, and it works at 40° below. We are used to the distances, and we know how tough the stuff has to be, and we know how tough the people need to be."³⁹¹ Moreover, the Russian government in recent months has been emphasising a shift in its economic priorities towards greater diversification of its economy.³⁹²

The attractions of these economies are evident in for a variety of reasons. Not only do their GDP growth rates highlight the presence of, according to one witness, a "burgeoning middle class ... which could number hundreds of millions of people,"³⁹³ but their populations are becoming, if they are not already, more highly educated. India stands out not only for its large English-speaking population, but also for the large proportion of youth: according to evidence provided to the Committee, more

³⁹⁰ Malone, 40th Parliament, 2nd Session, Issue no. 8, p. 47.

³⁹¹ Westdal, 39th Parliament, 2nd Session, Issue no. 10, p. 17.

³⁹² Mamedov, 39th Parliament, 2nd Session, Issue no. 8, p. 50.

³⁹³ Rao, 39th Parliament, 2nd Session, Issue no. 3, p. 10. According to another witness, the size of the middle class in Russia is expected to increase from 40 million to 60 million. Westdal, 39th Parliament, 2nd Session, Issue no. 10, p. 20.

than 30% of India's population is under 15 years of age.³⁹⁴ We also heard about the tremendous entrepreneurial spirit among the Chinese, Indians and Russians.³⁹⁵

Canadian Commercial Opportunities

The Committee heard overwhelming testimony from its witnesses that there are opportunities for Canadian commercial interests to expand into these markets and to develop Canada's trade and investment relations to help meet their full potential. In particular, we heard that Canadian expertise and strengths in many sectors and industries can make a difference in these economies by fulfilling their socio-economic requirements.³⁹⁶ Moreover, the benefits to Canadian enterprises are substantial in light of changing conditions in other markets, such as the United States.

Canada certainly has a niche role with respect to providing these markets with resources, minerals and primary goods, particularly a secure and reliable supply of energy resources, as well as in extracting the resources these countries possess, notably in China and Russia. Export opportunities in all three markets exist in such sectors as oil and gas, organic chemicals, nickel, iron ore, metals, coal, phosphate, newsprint, pulp and paper, and uranium, to name a few. One witness noted that the physical aspects of transporting these goods, particularly oil, is not an insurmountable challenge under cost-effective market conditions.³⁹⁷

With respect to Russia, given its comparable endowment in such resources and activities as oil, gas, forestry and mining, Canada's niche lies in the development of these sectors using Canadian knowledge and expertise. Indeed, in all of these areas, commercial relations are no longer based on the provision of these resources alone, but also in the supply of the machinery and equipment associated with these activities, which provides opportunities for further growth.

³⁹⁴ Rao, 39th Parliament, 2nd Session, Issue no. 3, p. 10.

³⁹⁵ Malone, 40th Parliament, 2nd Session, Issue no. 8, p. 38.

³⁹⁶ Poloz, 39th Parliament, 2nd Session, Issue no. 6, p. 16.

³⁹⁷ Hampson, 40th Parliament, 2nd Session, Issue no. 18, p. 8.

The Committee also heard from witnesses about Canadian opportunities based on expertise in the construction and housing, information and communication technology (ICT), automotive, aerospace and aviation industries, as these sectors are affected increasingly by urbanisation and a growing middle class. As the Indian High Commissioner to Canada remarked to the Committee, “in January 2009, 16 million new mobile phone subscribers were added, just in one month. In February 2009, car sales increased by 22 per cent.”³⁹⁸

For countries such as Canada that are interested in enhancing their participation in the new global economy in general, and in expanding their commercial relations with China, India and Russia in particular, investment and trade in services have become important in leading to larger value in and volume of exports as well as greater commercial and consumer benefits.³⁹⁹

Many of our witnesses also emphasised Canadian opportunities in the services and knowledge-based sectors of the Chinese, Indian and Russian markets, which are areas where Canadians have expertise. Indeed, the potential benefits to Canada of developing its trade in services with the three countries are tremendous, particularly since services contain some very high-value activities and are generally higher paying.⁴⁰⁰ The areas of opportunities noted by our witnesses include the financial, insurance and business sectors, as well as health and other quality-of-life services. Indeed, the opportunities in financial services reflect the relatively healthy emergence of Canadian, Chinese and Indian banks from the global financial and economic crisis. Other opportunities include hospitality and tourism. As one witness testified, Canada can provide “more services, based on our knowledge capital. That is where we will probably get some growth in the future on the services side.”⁴⁰¹

Canada’s strengths in specific sectors, such as agriculture, as well as high-valued added activities in infrastructure, energy efficiency and green technology, and education, were identified by many witnesses as areas with tremendous opportunities for Canadian enterprises in the Chinese, Indian and Russian markets.

³⁹⁸ Gavai, 40th Parliament, 2nd Session, Issue no. 5, p. 26.

³⁹⁹ Rao, 39th Parliament, 2nd Session, Issue no. 3, p. 13.

⁴⁰⁰ Fuller, 39th Parliament, 2nd Session, Issue no. 9, p. 53.

⁴⁰¹ O’Hagan, 39th Parliament, 2nd Session, Issue no. 9, p. 22.

Agriculture

Canada's agricultural opportunities in these markets build on the long-standing history of trade in this area with these countries, particularly with Russia and China. Though these countries are net exporters in agriculture,⁴⁰² urbanisation has meant that more consumers in these markets will be relying on food grown by others. Moreover, the growing middle class has meant improved diets that are higher in protein and higher food purchases more generally. Thus, their food needs are significantly influencing global trade patterns in agriculture.⁴⁰³

Indeed, Canada's current agricultural trade with China, India and Russia is not insignificant from Canada's point of view. With respect to China, canola seeds and canola oil, barley, peas, flax seed, pork and snowcrabs are among Canada's largest exports. In fact, in 2009, Canada was China's largest supplier of canola seeds, at 98.3% of total Chinese imports.⁴⁰⁴ In the Indian market, Canada is a significant supplier of pulses, such as peas, lentils and chickpeas, as well as wheat. In 2009, Canada provided 73% of India's pea imports. For its part, Russia is an important export market for pork, ham, soybeans, and live cattle.

At the same time, in 2009, Canadian agricultural exports accounted for only 5.1%, 6.8% and 1.1% of total imports for China, India and Russia, respectively.⁴⁰⁵ Therefore, the potential to enhance trade in agriculture, as well as in related activities such as food processing and development of the agricultural industries in these countries, abound. India's reinvestment and development of its agriculture industry beyond a subsistence activity offers many opportunities.⁴⁰⁶ As the Russian ambassador told the Committee: "We are both huge agricultural countries. We can learn a lot from you because Stalin and the totalitarian Soviet state destroyed Russian

⁴⁰² Bonnett, 40th Parliament, 2nd Session, Issue no. 9, p. 26.

⁴⁰³ Coomber, 40th Parliament, 2nd Session, Issue no. 9, p. 30.

⁴⁰⁴ Agriculture and Agri-Food Canada: *China at a Glance* (2010), available at <http://www.ats-sea.agr.gc.ca/stats/5162.pdf> (accessed 16 June 2010).

⁴⁰⁵ Agriculture and Agri-Food Canada: *China at a Glance* (2010), available at <http://www.ats-sea.agr.gc.ca/stats/5162.pdf> (accessed 16 June 2010); *India at a Glance* (2010), available at <http://www.ats-sea.agr.gc.ca/stats/5182.pdf> (accessed 16 June 2010); *Russia at a Glance* (2010), available at <http://www.ats-sea.agr.gc.ca/stats/5205.pdf> (accessed 16 June 2010).

⁴⁰⁶ Malone, 40th Parliament, 2nd Session, Issue no. 8, p. 37.

farmers and our agriculture. We are starting from scratch. We can use a lot of your experience."⁴⁰⁷ The potential in Russia was reiterated by another witness, who noted:

*We are back now to selling them equipment and expertise. If you recall, Minister Whelan had a very good relationship with Gorbachev when he first came here, which excited Gorbachev's interest in Canadian expertise. There is a long history of that. I think it will continue to be the case that some of our farming methods are very applicable, because the land and the conditions they face are similar. That probably is one of those niche markets that makes a lot of sense for Canada.*⁴⁰⁸

Our witnesses told us of opportunities in the pork industry, for instance, particularly in China, the world's largest consumer of this meat. Moreover, China and Russia have been identified as priority markets for beef. In light of the success of the US agriculture sector in its soybean exports to China and India, this area is another highlighted by our witnesses as a potential area for Canadian commercial development.⁴⁰⁹

Infrastructure

The Committee heard from an overwhelming number of witnesses about the infrastructure opportunities available for Canadian companies in China, India and Russia, where infrastructure development has lagged behind the pace of their economic development.⁴¹⁰ These opportunities include not only the actual development of their infrastructure, but also the supply of infrastructure-related equipment, technology and services, such as engineering. Moreover, the size of the physical and economic geography of the three countries, coupled with their large populations, suggest that the scope for expansion in transportation infrastructure is particularly significant.

⁴⁰⁷ Mamedov, 39th Parliament, 2nd Session, Issue no. 8, p. 51.

⁴⁰⁸ Hart, 40th Parliament, 2nd Session, Issue no. 17, p. 21.

⁴⁰⁹ Bonnett, 40th Parliament, 2nd Session, Issue no. 9, p. 27.

⁴¹⁰ Haynal, 39th Parliament, 2nd Session, Issue no. 3, p. 67.

With respect to India, the Committee heard convincing testimony from the Indian Minister of Road Transport and Highways about its infrastructure needs and the government's ambitions of investing \$500 billion over the next five years to develop this sector, particularly transportation and energy.⁴¹¹

In the transportation sector, opportunities exist in respect of all methods of transportation, including road construction, high-speed commuter and civilian rail systems and trains, rail systems for commodities and industrial purposes, airports and airplanes for the movement of goods and people, and public transportation, such as subway systems.

In Russia, Canada's comparative advantage is its knowledge of infrastructure for cold climate conditions.

Alternative Energy and Environmental Technology

As already mentioned, the high energy demands of China, India and Russia to fuel their rapid economic development present significant opportunities for Canadian expertise in energy resources. At the same time, the environmental challenges associated with their economic growth, in particular the impact on climate change and greenhouse gas emissions, have presented additional opportunities for Canadian expertise in alternative energy and environmental technology as well as in energy efficiency. Similar to infrastructure development, opportunities also exist in relation to services, such as engineering.

Recommendation 20:

As part of its efforts to enhance Canada's commercial relations with China, India and Russia, the Government of Canada should

⁴¹¹ Nath, 40th Parliament, 3rd Session, Issue no. 2, pp. 32, 35.

take the necessary steps to support opportunities for, and to realise the full potential of, Canadian commercial expertise in such complementary sectors and industries as agriculture, infrastructure (including transportation), and alternative energy and environmental technologies.

Education

We need to increase that, and we can.

*Honourable Stockwell Day
Former Minister of International Trade
and Minister for the Asia-Pacific Gateway
40th Parliament, 2nd Session, Issue 19, page 15*

Universities are important windows on the world for Canada, and strive to foster an in-depth understanding of the interconnectedness of today's globalised knowledge economy in Canadian students, as well as to provide the international knowledge and cross-cultural skills they need to prosper in a global environment.

*Paul Davidson
Association of Universities and Colleges of Canada (AUCC)
40th Parliament, 3rd Session, Issue 4, page 6*

The AUCC believes that the post-secondary and research sector is in a position, through its well developed academic exchange system, to play a vital role in developing robust ties between Canada and emerging economies such as India and China.

*Paul Davidson
Association of Universities and Colleges of Canada (AUCC)
40th Parliament, 3rd Session, Issue 4, page 6*

We need to take advantage of this moment in the development of Canada's and India's relationships and accelerate our efforts.

*Paul Davidson
Association of Universities and Colleges of Canada (AUCC)
40th Parliament, 3rd Session, Issue 4, page 8*

Universities have invested their own resources and identified target markets. Now the stakeholders are committed to working together in a consortium approach. What we need now are the resources to market like crazy into those emerging markets. That marketing can be anything and everything from Internet marketing to bricks-and-mortar presence in key markets, to putting the Canada brand into the minds of young Indian and Chinese students and their families.

*Paul Davidson
Association of Universities and Colleges of Canada (AUCC)
40th Parliament, 3rd Session, Issue 4, page 18*

The Committee heard compelling evidence about the tremendous opportunities in post-secondary education services as a component of improved Canadian commercial relations with China, India and Russia. In this respect, we heard persuasive testimony from a number of witnesses about the relatively low number of foreign students, particularly from China, India and Russia, who attend post-secondary institutions in Canada. They were concerned about the impact of this low attendance on Canada's commercial relations with the three countries was a concern.

In particular, other countries attract a greater number of students from these three countries than does Canada.⁴¹² For instance, Australia issued more than 265,000 study visas in 2008-2009; India ranked first, with more than 65,000 students, followed by China with more than 47,000 and Russia a distant third with 423 students.⁴¹³ In terms of enrolment, we heard that there are approximately 51,000 Chinese and 28,000 Indian students at Australian universities for the current academic year.⁴¹⁴

In contrast, according to the most recent complete and comparable statistics, only 79,509 foreign students entered Canada in 2008. China was the second most

⁴¹² Zeiler-Kligman, 39th Parliament, 2nd Session, Issue no. 2, p. 56; Davidson, 40th Parliament, 3rd Session, Issue no. 4, p. 10.

⁴¹³ See the 2008-2009 table produced by the Australian Department of Immigration and Citizenship of statistical data comparing student visas that have been granted in Australia (onshore) and overseas (offshore) with those in other countries, including Canada. Available at : http://www.immi.gov.au/media/statistics/study/_pdf/2008-09-offshore-onshore-combined-grants.pdf (accessed 16 June 2010).

⁴¹⁴ Davidson, 40th Parliament, 3rd Session, Issue no. 4, p. 10.

important source country for foreign students at 13,668 individuals, or 13.1% of the total; India was seventh, with 3,244 students or 4.1% of the total, while Russia was seventeenth, with 705 individuals or 0.7% of the total. In terms of enrolment, there were 15,000 Chinese and 2,800 Indian students in Canadian universities in 2008. Moreover, we heard that, whereas Canada once ranked in the top five destinations for foreign students, we are now in fourteenth place.⁴¹⁵

We believe that foreign students become important agents for marketing Canada as a country with whom business can be conducted.⁴¹⁶ We heard from numerous witnesses about how the experience of foreign students in Canada raises awareness of our country, particularly of the capabilities and advantages associated with bilateral commercial relations. At the same time, according to the testimony we received, we believe that increasing the number of foreign students in business and management programs would enhance these skill-sets among Canada's commercial partners, thereby deepening the expertise and knowledge-base on which Canada's commercial relations with China, India and Russia can improve.

The benefits for Canadian students of exposure to other cultures were also raised by our witnesses as an important method by which awareness of these countries can be improved. At the same time, Canada would become more known and familiar to future leaders and policymakers who are alumni of Canada's post-secondary institutions. In this way, important long-term connections are built that potentially have future benefits. In one example presented to the Committee of the value of such experiences, India's current Minister of Agriculture was a Commonwealth exchange fellow working in the Prime Minister's Office in Ottawa in 1965.⁴¹⁷ As another example, the current Chinese Ambassador to Canada attended McGill University and Queen's University as a graduate student.⁴¹⁸

The benefits derived from a more robust education services component in Canada's commercial relations with China, India and Russia are also evident in the contribution of foreign students to the Canadian economy. According to a study commissioned by

⁴¹⁵ Zeiler-Kligman, 39th Parliament, 2nd Session, Issue no. 2, p. 56; Malone, 40th Parliament, 2nd Session, Issue no. 8, p. 32.

⁴¹⁶ Sunquist, 40th Parliament, 2nd Session, Issue no. 18, p. 44.

⁴¹⁷ Malone, 40th Parliament, 2nd Session, Issue no. 8, p. 36.

⁴¹⁸ Davidson, 40th Parliament, 3rd Session, Issue no. 4, p. 9.

Foreign Affairs and International Trade Canada, foreign students contribute approximately \$6.5 billion annually to Canada's GDP, more than the value of export of coniferous lumber.⁴¹⁹

While foreign education is not a strong tradition in Russia, the potential regarding China and India – given the high number of students from these countries that do study abroad – needs to receive more attention by Canadian policy-makers. As the former Minister of International Trade noted: “This is a win-win situation.”⁴²⁰

Canada's post-secondary education system certainly has much to offer. For instance, our tuition rates are low relative to post-secondary institutions in the United States and the United Kingdom, yet the quality of education is comparable. The Government of Canada also recently enhanced the work program for foreign students during their studies and is also permitting them to find employment in Canada after graduation. With scholarships such as the Vanier Canada Graduate Scholarships and now the Emerging Leaders Scholarships, there are additional funding opportunities available to foreign students. Moreover, foreign students may identify themselves as prospective citizens before they come to Canada in the new Canadian experience class of immigrants.⁴²¹ Some of these elements can easily be integrated into Canada's more general branding campaign recommended by the Committee earlier in this report, and can build on the Canada education brand that was developed as a national framework integrating the provinces and the universities.⁴²²

At the same time, the Committee heard testimony about other dimensions related to the education sector that would also benefit Canada's commercial relations with China, India and Russia. In particular, many witnesses spoke of the value of building linkages and partnerships between Canadian institutions and those in the three countries in order to advance cooperation in research and development as well as in skills and technology exchanges.⁴²³ These efforts could contribute to strengthening Canada's skills, particularly in the high-value knowledge and innovation sectors of the economy, and advance the commercialisation of products that result.

⁴¹⁹ Davidson, 40th Parliament, 3rd Session, Issue no. 4, p. 8.

⁴²⁰ Day, 40th Parliament, 2nd Session, Issue no. 19, p. 16.

⁴²¹ Davidson, 40th Parliament, 3rd Session, Issue no. 4, p. 11.

⁴²² Davidson, 40th Parliament, 3rd Session, Issue no. 4, pp. 11, 16.

⁴²³ Gavai, 40th Parliament, 2nd Session, Issue no. 5, p. 35.

One other dimension highlighted by witnesses that would potentially benefit Canada's commercial relations with China, India and Russia was the establishment of satellite campuses in the three countries.⁴²⁴ In part, such initiatives would help them meet their need for quality educational institutions. In this respect, we heard testimony that India recently passed legislation that would allow foreign universities to establish satellite campuses in that country. Indeed, we were told that some universities from the United States and the United Kingdom already were undertaking such initiatives.

The Committee also heard testimony about the post-secondary funding structure that exists at the provincial level whereby institutions do not receive funding from the provinces for foreign students; with this situation, institutions have no incentive to increase the number of foreign students.⁴²⁵ We also heard concerns about limited space and resources at Canadian post-secondary institutions that affect their ability to accommodate higher number of students, whether domestic- or foreign-born..

We believe that the numerous benefits derived from expanding Canada's educational services override any concerns that exist. Moreover, we heard that capacity at Canadian universities varies and opportunities not available at one may be available at a number of others.⁴²⁶

In this respect, we were pleased to hear about government initiatives that aim to expand Canada's educational services. These include, in particular, the launch of Edu-Canada to promote Canada to international students and government-sponsorship of university and post-graduate fairs in the countries we are studying.⁴²⁷ We were also pleased to hear about education roundtables that had been held recently at the prime ministerial level.⁴²⁸

Other initiatives include the promotion of post-secondary and research institution networks in research and development, knowledge and innovation, such as the

⁴²⁴ Gavai, 40th Parliament, 2nd Session, Issue no. 5, p. 35.

⁴²⁵ Evans, 39th Parliament, 2nd Session, Issue no. 3, p. 56.

⁴²⁶ Davidson, 40th Parliament, 3rd Session, Issue no. 4, p. 19.

⁴²⁷ Beck, 39th Parliament, 2nd Session, Issue no. 4, p. 10; Davidson, 40th Parliament, 3rd Session, Issue no. 4, p. 7.

⁴²⁸ Davidson, 40th Parliament, 3rd Session, Issue no. 4, p. 8.

conclusion of science and technology agreements between various universities and research institutions. These arrangements and partnerships can also serve to strengthen Canada's commercialization of its knowledge and innovation.⁴²⁹ Indeed, in part as a result of such initiatives, we heard that Canadian universities currently have approximately 400 active academic research partnerships with China and approximately 65 with India.⁴³⁰

Student and faculty exchanges are also valuable experiences that build relations between Canada and the emerging economies. We were interested in the testimony about the many exchanges available, such as the Canada-China Scholars' Exchange Program that was established in 1973 and with which Canada made its mark as a pioneer in such relations with China.⁴³¹

We feel that these initiatives can be supplemented by other suggestions that require little, if any, additional resources, such as the conclusion of student and research mobility agreements with China, India and Russia.⁴³² These relate to presenting a more cohesive image of Canada's educational services, in part to avoid having universities and provinces undertake campaigns that end up at cross-purposes. Another initiative concerns expediting the visa processing time for students, which witnesses identified to be an important element disadvantaging Canada relative to other countries.⁴³³

One witness recommended that the Government of Canada invest in the development of an international student recruitment strategy that, in the end, would benefit national interests. Some of the elements of such a strategy could include a government role in coordinating and financing promotion and outreach on behalf of the Canadian education sector.⁴³⁴

Any effort to expand Canada's education services in its commercial relations with the three emerging economies currently being studied by us should be comprehensive and

⁴²⁹ Day, 40th Parliament, 2nd Session, Issue no. 19, p. 16.

⁴³⁰ Davidson, 40th Parliament, 3rd Session, Issue no. 4, p. 6.

⁴³¹ Davidson, 40th Parliament, 3rd Session, Issue no. 4, p. 10.

⁴³² Dutkiewicz, 39th Parliament, 2nd Session, Issue no. 8, p. 44.

⁴³³ Davidson, 40th Parliament, 3rd Session, Issue no. 4, p. 13.

⁴³⁴ Davidson, 40th Parliament, 3rd Session, Issue no. 4, p. 11.

include universities, colleges and vocational schools, as well as reputable professional training institutions.

Other recommendations raised by witnesses require substantial resources and would require a well-thought out and clearly articulated value-based strategy before any final decisions could be reached. These include increased funding and scholarships for foreign students. They also include the suggestion to establish a research foundation on Russia similar to the Asia Pacific Foundation, whose mandate covers China and India in its strategic research on Canada's economic, political and social relations with the region.⁴³⁵

Recommendation 21:

The Government of Canada should, in consultation with the provincial and territorial governments, relevant industry associations and post-secondary institutions, including universities and colleges, undertake the following activities with a view to enhancing Canada's education services as a component of its commercial relations with China, India and Russia:

- develop an international foreign student recruitment strategy that would increase the number of students from China, India and Russia attending post-secondary education in Canada and which would focus on Canadian scholastic and vocational expertise and other comparative advantages;**
- increase financing and scholarships for students from China, India and Russia as well as for Canadian students interested in studying at post-secondary institutions in these countries;**
- establish more student and faculty exchanges as well as research partnerships between post-secondary institutions in Canada and China, India and Russia;**

⁴³⁵ Hampson, 40th Parliament, 2nd Session, Issue no. 18, p. 8.

- continue the Edu-Canada initiative;
- develop and implement a strategy for presenting a cohesive image of Canada's education sector when marketing Canadian post-secondary institutions to foreign students; and,
- undertake the necessary steps to expedite the visa processing time for students in order to improve Canada's competitiveness in this regard.

Canadian Successes in China, India and Russia

It is entirely possible for Canadian companies to capitalise on the opportunities present in China, India and Russia, and to achieve success in their markets. Indeed, at its hearings in Ottawa and during its fact-finding missions to China and Russia, the Committee heard from, or about, Canadian firms that have achieved success in these markets. These companies represented a wide range of sectors and industries. In the natural resources and extractive industries, they include KinRoss Gold Corporation (the largest Canadian investment in Russia),

In infrastructure, engineering and transportation, they include SNC-Lavalin and Bombardier. For its part, Bombardier has had success in private as well as regional aircraft, urban transit and intercity rail. The Committee experienced personally Bombardier's achievements regarding the people-mover at the Beijing airport. In India, Bombardier has established a manufacturing operation.

In information and communications technology, successful Canadian companies operating in China, India and Russia include Waterloo-based Research in Motion (RIM), manufacturer of the Blackberry. In the financial and insurance services, they include BMO, Manulife Financial, SunLife Financial, Royal Bank, Scotiabank. In agriculture, they include cattle and pork producers.

Recipe for success

Over the course of our hearings and two fact-finding missions, the Committee heard about what is required in order to achieve success in the Chinese, Indian and Russian markets. While the specific proposals varied according to the experiences and sectors of the our witnesses, for the most part we heard about the importance of being patient, having a long-term perspective, knowing the business culture, and being – and staying – well-informed about the market situation and local circumstances, which are likely to change rapidly in these economies. Some witnesses emphasised the importance of behaving as a local company, drawing from the local skills and talents, and finding a reliable and knowledgeable local partner. Some Canadian companies have joint ventures in these countries, while others are working independently.

Opportunities for Small and Medium-Sized Enterprises (SMEs)

“The interesting thing ... is that while SMEs started the wave, the big companies are now involved in just about all of those places in an investment way.”

*Ken Sunquist
Foreign Affairs and International Trade Canada
39th Parliament, 2nd Session, Issue no. 7, p. 25.*

You should not expect Russia to be full of small- and medium-sized businesses. Our history is different from yours.

*H.E. Georgiy Mamedov
Ambassador, Russian Federation
39th Parliament, 2nd Session, Issue no. 8, p. 63.*

While most of the success stories and opportunities available for Canadian companies focused on medium- and large-sized businesses, the Committee heard testimony from

witnesses about the potential role that can be played by small and medium-sized enterprises (SMEs) in the Chinese, Indian and Russian markets. Indeed, we were told about the activities of smaller companies in the extractive industries, for instance. At the same time, the Committee heard about the experience in India, where smaller companies – rather than larger entrepreneurs – have focused their efforts: ⁴³⁶

In one respect, the presence of large-sized companies in these markets provides opportunities for SMEs to carry out activities that contribute to the larger enterprise. As well, larger companies can serve as an example for SMEs, as noted by one witness: “First, some of the large Canadian companies bring small companies with them. ... [W]e work with the big companies doing the big projects to maximize Canadian content within them.”⁴³⁷ Through their association with larger enterprises, SMEs develop a “track record” on which to build and expand their commercial presence independently.

However, the challenges that SMEs face in these emerging markets are not of the same scale or impact as those facing larger companies. Indeed, in light of these challenges, a cost-benefit analysis by SMEs frequently results in a decision not to expand into the emerging economies.⁴³⁸ In particular, the nature of the emerging economies being such that they prominently feature large-sized even state-based enterprises means that the advantage will fall to large size companies, thereby disadvantaging SMEs. As the Russian ambassador noted in his remarks to the Committee

For other enterprises, however, these markets may well be a right fit. While the Government of Canada’s Global Commerce Strategy does not have a specific SME focus, that focus does exist within EDC and the Trade Commissioner Service, which may be of particular benefit. Indeed, the Committee was told that most of the efforts on the part of the Canadian government are directed to supporting and expanding SMEs. According to one of our witnesses from Foreign Affairs and International Trade Canada, “if we determine there is an opportunity here in the sector for Canadian products, there are creative ways we can help” in order to facilitate the

⁴³⁶ Sunquist, 39th Parliament, 2nd Session, Issue no. 7, p. 24.

⁴³⁷ Sunquist, 40th Parliament, 2nd Session, Issue no. 18, p. 41.

⁴³⁸ Wolf, 39th Parliament, 2nd Session, Issue no. 3, p. 39.

expansion of Canadian companies into these markets, to access working capital and financing, and to mitigate any risks. For instance, in order to assist companies as they undertake their cost-benefit analysis, sector and market reports providing intelligence are regularly made available by FAIT, EDC and the Trade Commissioner Service. In other respects, the support from government may come in the form of helping build local relationships and demonstrating Canadian government support for a particular Canadian company.

Recommendation 22:

Because small and medium-sized enterprises (SMEs) generally lack adequate resources in order to penetrate foreign markets, such as China, India and Russia, and thereby benefit from the growth of their economies, the Government of Canada should ensure that SMEs continue to receive the support and guidance they need to enter these markets. In particular, SMEs should continue to be assisted by Foreign Affairs and International Trade Canada and Export Development Canada as they undertake needed cost-benefit analyses, develop market strategies and realise their commercial goals.

Sovereign Wealth Funds

So far, no sovereign wealth fund has acted in a way that would give any first-hand evidence to those who are concerned, because they have behaved like market-driven investors.

*Wendy Dobson
Rotman School of Management, University of Toronto
40th Parliament, 2nd Session, Issue no. 18, p. 42.*

The Committee heard testimony about sovereign wealth funds being one means by which Canadian companies could engage in – or enhance – commercial relations with China, India and Russia. However, the issue of sovereign wealth funds has given rise to some concerns about the extent to which the funds might be invested in a manner

that advantages the country that is the source of the funds at the expense of the country in which the investments are made. In particular, there are some concerns that such funds can be invested in a manner that facilitates possession or control of large companies, especially in the resource and commodity sectors; market concentration and restrictive trading practices are also of concern as these large funds seek investment opportunities. In the Canadian context, to date the concern has been the involvement of sovereign wealth funds in such strategic industries as oil, gas, mining and steel.⁴³⁹

In the context of this report, sovereign wealth funds from China, India and Russia, arising in large part due to the rapidly expanding wealth of their economies, or of specific sectors of their economies, were raised during some of our hearings. Indeed, Canadian government policy – as conveyed to the Committee – is: “We do not have a problem with state-owned enterprises, per se, as long as they operate in a transparent manner and are not instruments of the foreign policy of another government.”⁴⁴⁰ This policy is outlined in Canada’s recently amended *Investment Canada Act*, which also requires that investments of a certain size are reviewable according to legislated criteria for being in “Canada’s best interests.”⁴⁴¹

The Committee did not hear testimony that such investments in Canada should be prohibited outright. Indeed, witnesses overwhelmingly said that these investments offer an important opportunity to develop Canada’s economy, and may – in fact, - be critical for saving and creating employment in value-added, high-paying sectors, including infrastructure, for instance. Such forms of investment may be especially relevant in terms of encouraging Canadian companies to be globally competitive. Indeed, many witnesses did not support the creation of new barriers to investment, particularly when more – rather than less – investment is needed.

We were told that one measurement used by the Canadian government in determining whether sovereign wealth funds would be permitted to be invested in Canada has been whether a state-owned firm is listed on the national stock exchange and has accountability provisions similar to a Canadian firm as well as a transparent

⁴³⁹ Dobson, 39th Parliament, 2nd Session, Issue no. 3, pp. 24-25; Hampson, 40th Parliament, 2nd Session, Issue no. 18, p. 8.

⁴⁴⁰ Sunquist, 39th Parliament, 2nd Session, Issue no. 7, p. 29.

⁴⁴¹ Sunquist, 39th Parliament, 2nd Session, Issue no. 7, p. 29.

governance structure that is accountable to the shareholders. We were told that a number of state-owned firms meet this standard.⁴⁴² Moreover, according to testimony from the Chinese ambassador, almost all Chinese state-owned enterprises have undergone dramatic structural reforms and are publicly listed.⁴⁴³

Several witnesses pointed to the experiences of other countries regarding sovereign wealth funds. For the most part, these countries have welcomed this form of investment. The Australian High Commissioner to Canada explained that Australia has a “national interest” test against which the activities of state-owned enterprises and sovereign wealth fund investments in Australian assets are measured.⁴⁴⁴ In particular, the test allows discussion with the applicant about how the national interest returns from the proposals can be maximised, as well as to ensure that they are commercially credible and to address any sensitivities that may have arisen. Other criteria include less than 50% control over assets in the resource sector over a certain size and a minimum number of independent directors.⁴⁴⁵ With this test, more than 97% of the acquisition requests are approved.⁴⁴⁶

While witnesses generally supported Canada’s current policy regarding sovereign wealth funds, many identified the issue as one that warrants further consideration.⁴⁴⁷ In the process, they highlighted the need for guidelines regarding important considerations when thinking about sovereign wealth funds as a source of investment in Canada. As an example of one guideline, a witness suggested that such investments should be carried out consistent with Canadian national interests.⁴⁴⁸ Another element in the proposed guideline concerns clarification of expectations and the parameters by which the Canadian government applies its national security test, thereby reducing the ad hoc nature by which the tests are conducted and introducing greater enforceability

⁴⁴² McGovern, 39th Parliament, 2nd Session, Issue no. 7, p. 30.

⁴⁴³ Lijun, 40th Parliament, 2nd Session, Issue no. 8, p. 14.

⁴⁴⁴ Brown, 40th Parliament, 2nd Session, Issue no. 10, p. 22. Some interest has been shown from Chinese state-owned enterprises in acquiring Australian iron ore assets to secure reliability of supply from the mine through to the foundry.

⁴⁴⁵ Hampson, 40th Parliament, 2nd Session, Issue no. 18, p. 10.

⁴⁴⁶ Brown, 40th Parliament, 2nd Session, Issue no. 10, p. 22.

⁴⁴⁷ Curtis, 39th Parliament, 2nd Session, Issue no. 2, p. 46; Hampson, 40th Parliament, 2nd Session, Issue no. 18, p. 9; Harder, 39th Parliament, 2nd Session, Issue no. 8, p. 39; Evans, 39th Parliament, 2nd Session, Issue no. 3, p. 58.

⁴⁴⁸ Hampson, 40th Parliament, 2nd Session, Issue no. 18, p. 9.

into the results.⁴⁴⁹ Indeed, in this respect, it was suggested to the Committee that Australia’s model should be more closely examined, given that it has industries similar to those in Canada that its industries are attracting investment in the form of sovereign wealth funds.⁴⁵⁰

Witnesses also offered suggestions regarding the role that domestic legislation can play in managing the possible implications of sovereign wealth funds investments in Canada. More specifically, it was suggested that greater efforts should be made in ensuring the existence of an appropriate regulatory framework that would encourage these foreign investors to “play by our rules and not theirs.”⁴⁵¹

Other suggestions came in the form of standards to be set internationally concerning the operation of sovereign wealth funds. These include initiatives being undertaken at the Organisation for Economic Co-operation and Development (OECD) to create a code of conduct, and at the International Monetary Fund (IMF) to develop a set of “best practice” guidelines for sovereign wealth funds. In this respect, in the opinion of another witness, considering Canada’s relatively small share of North American foreign direct investment, it may be in our interests to avoid unilateral measures and, instead, to work with international authorities that are developing codes of best practice.⁴⁵² In the end, whether the solution is determined domestically or internationally, the priority must be standards and clear criteria that offer certainty and predictability. In the view of one witness, “that is what investors need.”⁴⁵³

Recommendation 23:

The Government of Canada should take the necessary steps to develop and implement a strategy in relation to foreign investment by sovereign wealth funds and state-owned enterprises. The

⁴⁴⁹ Hampson, 40th Parliament, 2nd Session, Issue no. 18, p. 9.

⁴⁵⁰ Hampson, 40th Parliament, 2nd Session, Issue no. 18, p. 14.

⁴⁵¹ Hampson, 40th Parliament, 2nd Session, Issue no. 18, p. 20; Jiang, 39th Parliament, 2nd Session, Issue no. 7, p. 67; Wolf, 39th Parliament, 2nd Session, Issue no. 3, p. 43; Helliwell, 39th Parliament, 2nd Session, Issue no. 2, p. 21.

⁴⁵² Dobson, 39th Parliament, 2nd Session, Issue no. 3, pp. 24-25.

⁴⁵³ Curtis, 39th Parliament, 2nd Session, Issue no. 2, p. 44.

strategy should take into account Canada's existing standards and regulations regarding foreign investments.

WITNESSES AND BRIEFS

Agriculture and Agri-Food Canada

Blair Coomber, Director General, Bilateral Relations and Technical Trade
Policy Directorate
(2009-05-26)

Amnesty International Canada

Alex Neve, Secretary General
(2008-04-09)

Asia Pacific Foundation of Canada

Paul Evans, Co-Chief Executive Officer and Chairman of the Executive
Committee
(2008-02-05)

Association of Universities and Colleges of Canada

Paul Davidson, President
(2010-04-21)

Pari Johnston, Director, International Relations
(2010-04-21)

Australia, High Commission for Australia to Canada

Justin Brown, High Commissioner
(2009-05-27)

Balsillie School of International Affairs

Ramesh Thakur, Director, Balsillie School of International Affairs and CIGI
Distinguished Fellow
(2010-03-31)

Bombardier Inc.

George Haynal, Vice President, Government Affairs
(2008-02-06 & 2009-10-07)

Borden Ladner Gervais LLP

Robert R. Shouldice, Partner
(2010-05-05)

Burton, Charles

Associate Professor, Department of Political Science, Brock University
(2008-04-09)

Canada Border Services Agency

Geoff Leckey, Director General, Intelligence and Targeting
(2010-04-22)

Rick Herringer, Director of the National Security Screening Division,
Intelligence and Targeting Operations
(2010-04-22)

Canada China Business Council

Peter Harder, Member of the Board of Directors
(2008-04-29)

Canada Eurasia Russia Business Association

Piotr Dutkiewicz, Member of the National Board
(2008-04-29)

Canada-India Business Council

Peter Sutherland, Vice-Chair
(2008-04-29)

Rana Sarkar, President and Executive Director
(2010-05-05)

Canada India Foundation

Aditya Jha, National Convenor
(2010-04-14)

Canadian Agri-Food Trade Alliance (CAFTA)

Darcy Davis, President
(2009-05-26)

Jim Everson, Director and Vice President Public Affairs, Canola Council of
Canada
(2009-05-26)

Canadian Chamber of Commerce

Michael Murphy, Executive Vice President, Policy
(2007-12-11)

Brian Zeiler-Kligman, International Policy Analyst
(2007-12-11)

Canadian Council of Chief Executives

David Stewart-Patterson, Executive Vice President
(2009-06-02)

Sam Boutziouvis, Vice President, Economics and International Trade
(2009-06-02)

Canadian Federation of Agriculture

Ron Bonnett, First Vice President
(2009-05-26)

Robert Godfrey, Director of Trade Policy and International Relations
(2009-05-26)

Canadian International Council

Douglas Goold, Senior Research Fellow
(2010-04-15)

Canadian International Development Agency

Robert Greenhill, President
(08-06-11)

Allan Culham, Acting Vice President, Pan-Geographic
(08-06-11)

Canadian Life and Health Insurance Association

Frank Swedlove, President
(2010-04-14)

Michael Landry, Vice President, Corporate Development, Manulife Financial
(2010-04-14)

Janice Hilchie, Vice President, Legislative Relations
(2010-04-14)

Canadian Manufacturers and Exporters

David T. Fung, Immediate Past Chair of CME and Chairman and CEO of
ACDEG International Inc.

(2009-10-27)

Jean-Michel Laurin, Vice President, Global Business Policy

(2008-05-07 & 2009-10-27)

Canasia Power Corporation

Ashok Dhillon, Chairman and Chief Executive Officer

(2010-05-06)

Centre for International Governance Innovation

John M. Curtis, Distinguished Fellow

(2007-12-11 & 2009-05-05)

China, Embassy of the People's Republic of China to Canada

H.E. Lan Lijun, Ambassador

(2009-04-29)

Wenze You, Counsellor

(2009-04-29)

Shan Jiang, Minister Counsellor (commerce)

(2009-04-29)

Citizenship and Immigration Canada

Réneald Gilbert, Director General, International Region

(2010-04-22)

Conference Board of Canada

Brenda Lafleur, Program Director, Forecasting and Analysis

(2008-01-30)

Sheila Rao, Senior Research Associate, Forecasting and Analysis

(2008-01-30)

Glen Hodgson, Senior Vice President and Chief Economist

(2008-04-16)

Dobson, Wendy

Professor and Director, Institute for International Business, Rotman School of Management, University of Toronto
(2008-01-30)

Energate

Niraj Bhargava, Chairman and Chief Executive Officer
(2010-05-12)

Export Development Canada

Stephen Poloz, Senior Vice President, Corporate Affairs & Chief Economist
(2008-04-09)

Eric Siegel, President and Chief Executive Officer
(2009-03-10)

Benoit Daignault, Senior Vice President, Business Development
(2009-03-10)

Foreign Affairs and International Trade Canada

Honourable Stockwell Day, Minister of International Trade and Minister for the Asia-Pacific Gateway
(2009-11-25)

Ken Sunquist, Assistant Deputy Minister, Global Operations and Chief Trade Commissioner & Assistant Deputy Minister (Asia and Africa) and Chief Trade Commissioner
(2008-04-15 , 2009-11-04 & 2010-03-24))

Stewart Beck, Assistant Deputy Minister, Investment, Innovation and Sectors
(2008-02-13)

Robert Ready, Director, Investment Trade Policy Division
(2008-02-13)

Robert Clark, Director General, Economic Policy Analysis and Consultations
(2008-02-13)

Richard Bale, Director, North Asia Commercial Relations
(2008-02-13)

Foreign Affairs and International Trade Canada (cont'd)

Audri Mukhopadhyay, Director, South Asia Commercial Relations
(2008-02-13)

Gordon Houlden, Director General, East Asia Bureau, Bilateral Relations
(2008-04-15)

Peter McGovern, Director General, Bilateral Commercial Relations, Asia and
Americas Global Operations
(2008-04-15)

Patricia Fuller, Chief Economist
(2008-05-27)

Erik Ens, Senior Economist, Office of the Chief Economist
(2008-05-27)

Martine Moreau, Acting Director, Strategic Initiative Division
(2008-05-27)

Robert Hage, Director General, Europe
(2010-04-22 & 2009-10-06)

Leigh Sarty, Director, Europe and Central Asia Relations
(2009-10-06)

James Hill, Director, Europe and Central Asia Commercial Relations
(2009-10-06)

Ping Kitnikone, Director, North Asia Commercial Relations
(2009-11-04)

Eric Walsh, Director, North Asia Relations
(2009-11-04)

Ken Macartney, Director General, South, Southeast Asia and Oceania
(2010-03-24)

Luc Santerre, Director, South, Southeast Asia and Oceania Commercial
Relations
(2010-03-24)

Fraser Institute

Raaj Tiagi, Senior Economist, R.J. Addington Center for the Study of
Measurement
(2009-06-03)

Grey, Clark, Shih and Associates Limited

Peter Clark, President
(2008-04-16)

Hart, Michael

Simon Reisman Chair in Trade Policy, Carleton University
(2009-10-20)

Helliwell, John

Professor Emeritus of Economics, University of British Columbia
(2007-12-04)

India, Government of

The Honourable Kamal Nath, Minister of Road Transport and Highways
(2010-03-25)

Narinder Chauhan, Deputy High Commissioner, High Commission of India
(2010-03-25)

India, High Commission for the Republic of India to Canada

H.E. Shashishekar M. Gavai, High Commissioner for India to Canada
(2009-04-01)

Institute for Democracy and Cooperation

Andranik Migranyan, Director
(2009-10-06)

International Business Group Ltd.

Irina Bobrysheva, President
(2009-09-30)

Bernard Borg, Chairman
(2009-09-30)

International Development Research Centre

David M. Malone, President
(2009-05-05)

Jiang, Wenran

Acting Director, China Institute, University of Alberta
(2008-04-16)

Mandel-Campbell, Andrea

Author
(2009-06-03)

Norman Paterson School of International Affairs, Carleton University

Fen Hampson, Director
(2009-11-03)

Port Metro Vancouver

Chris Badger, Chief Operating Officer
(2009-12-01)

Duncan Wilson, Director, Communications and Government Affairs
(2009-12-01)

RGA International Corporation

Gary Comerford, Executive Vice President and Chief Marketing Officer
(2010-04-29)

Russian Federation, Embassy of the

H.E. Georgiy Mamedov, Ambassador
(2008-05-06)

Statistics Canada

Craig Kuntz, Director, International Trade Division
(2008-05-14)

Patrick O'Hagan, Director, Balance of Payments Division
(2008-05-14)

Steger, Debra P.

Professor and Director, EDGE Network, University of Ottawa Faculty of Law
(Common Law)
(2007-12-04)

Taipei Economic and Cultural Office

David Tawei Lee, Taiwan's Representative in Canada
(2009-05-27)

Telfer School of Management

Gurprit S. Kindra, Professor
(2010-05-12)

Westdal, Christopher

Former Canadian Ambassador to Russian Federation
(2008-06-10)

Wolf, Bernard M.

Professor, Department of Economics and Director of International MBA
Programs, York University
(2008-02-05)

FACT-FINDING MISSIONS TO RUSSIA AND CHINA

MOSCOW, RUSSIA

Bombardier

Sergey Ermolaev, Chief Country Representative (Transportation and Aerospace), Bombardier

Mark Gilbert, Director of Business Development and Sales for Russia and the CIS, Bombardier

Canada Eurasian Business Association (CERBA)

Nathan Hunt, President, CERBA Moscow

John C. Campbell, Price Waterhouse Coopers, Moscow

Carlo De Benedictis, Chief Representative, Russian Federation, Scotiabank

Tatiana V. Govorukhina, Turianski Wolfsson

Yuriy Gudz, Territory Manager (Eastern Europe), Vanden Bussche

Brad Pielsticker, Mikhailovsky Development Group, Moscow

Chris Skirrow, Partner, Consumer Industrial Products, Price Waterhouse Coopers

Neil Withers, Senior Vice President, Investor Relations, ISC VTB Bank

Olga Kameneva

Canadian Embassy to the Russian Federation

H.E. Ralph Lysyshyn, Ambassador

Gilles Breton, Deputy Head of Mission

Canadian Embassy to the Russian Federation (cont'd)

Klaus Buttner, Minister Counsellor (Trade)

Denis Chouinard, Head of Political Section

Johanne DesLauriers, Immigration Counsellor

Garth Eardhart, Senior Policy Advisor, Agriculture Canada

Sohrab Oshidar, Trade Commissioner (Agriculture),

Deborah Dunton, Second Secretary (Political)

Julie Rechel, Second Secretary

Maria Slepchenko, Press Officer

Nikolay Duplenskiy, Interpreter

Carnegie Endowment for International Peace

Masha Lipman, Editor, Pro et Contra

Dmitri Trenin, Director

European Bank for Reconstruction and Development (EBRD)

Eric Rasmussen, Director, Corporate Sector

Jason Verville, Senior Counsel

Export Development Canada

Rod Lever, Chief Representative, Russian Federation and CIS

Kinross Gold Corporation

Lou Naumovski, VP and General Director, Moscow Office,

Stanislav Borodyuk, Manager Government Relations and Public Affairs

Julia Latynina, Novaya Gazeta

Semyon Novoprudsky, Vremya novostey

Russia Federation, Council of Federation

Mikhail V. Margelov, Chairman, Committee for Foreign Affairs, Federal Assembly

Gennady D. Oleynik, Representative of the Government of the Khanty-Mansiysk Autonomous Okrug – Ugra in the Council of the Chairman, Committee for Northern affairs and indigenous people, Federal Assembly

Vitaliy Malkin

Zyad Sabsabi

Anatoliy Korobeynikov

Ilyas Umakhanov

Aslambek Aslakhanov

Russian Federation, Duma

Konstantin Kosachev, Chairman of State Duma Committee on Foreign Affairs

Elena A. Chistyakova, Committee on International Affairs, Counsellor, the Federal Assembly, Parliament of the Russian Federation, the State Duma

Michail Terentier, Vice President, Pan-Olympic Games Committee in Russia

Anatoly Stradubetz

Russia Federation, Government

Ivan Materov, Deputy Minister, Ministry of Trade and Industry

Sergey Ryabkov, Deputy Minister, Foreign Ministry

Belyayev, Deputy Minister of Agriculture

Dina Jabrailova, Foreign Ministry of Agriculture

Odd Per Brekk, Senior Resident Representative, Russian Federation

Nikolay Silayve, Expert magazine

SNC-Lavalin International

Yuri Kotlyarov, Senior VP

Ivan Zavedeev, Deputy Director General

Sergey Strokan, Kommersant

Ivan Sukhov, Vremya novostey

Terralink

Ron Lewin, Managing Director

Nikolay Vardul, Gazeta

Mikhael Zigar, Russia Newsweek

World Bank

Klauss Rohland, Director, Resident Representative in the Russian Federation

Zolotaya Osen' Agricultural Fair

Chakir K. Abdullaev, Head of Russian Branch, CanBaikal Resources Inc.

Albina Akhmadeeva, Technical Support and Nutrition Specialist, Comtois International Export Inc.

Rod Guilford, President, XPorts International

Ted Haney, President, Canada Beef Export Federation

Kate Kolstad, Vice President, Alta Exports International Ltd.

Jim Long, President – CEO, Genesis Inc.

Don Mackenzie, President, Canadian Beef Breeds Council

Dr. Leszek Mardarowicz, Regional Manager, Genesis Inc.

Dmitry Sharikov, Semex Russia

Zolotaya Osen' Agricultural Fair (cont'd)

Peter Simedrea, Geneticist, Genesis Inc.

Gary Smith, President, Alta Exports International Ltd.

Xports International, Representatives from

KHANTY-MANSIYSK, RUSSIA

Khanty-Mansiysk Autonomous Okrug – Ugra

Aleksandr V. Filipenko, Governor, Chairman of the Government

Gennady D. Oleynik, Representative of the Government of the Khanty-Mansiysk Autonomous Okrug – Ugra in the Council of the Chairman, Committee for Northern affairs and indigenous people, Federal Assembly – The Parliament of Russia, The Council of Federation

Zinaida Borisovna Sakhautdinova, Chairperson, Committee for External Relations

Sergei Bronislavovich Arnold, Deputy Chairperson, Committee for Physical Culture and Sport

Vasily Sergeevich Dudnichenko, Director, Regional Center for Investments

Gennady Nikolaevich Erokhin, Director, Ugra Research Institute of Information Technologies

Alla V. Gribtzova, Director of Department of education and science

Nikolay Ivanovich Ivanov, Director General, JSC “Surgutmebel”

Vladimir I. Karasev, Deputy Head of Government

Alexandr Alexandrovich Kolmogorov, Deputy Director General, JSC “Timber Holding”

Maria Gennadievna Krasko, Director, Department for Population's Labor and Social Support

Anton Sergeevich Ladnov, Director, Department for Investments, Science and Technologies

Alexander Anatolyevich Matrosov, Director, Nature Park "Samarovski Chugas"

Rustam Rifovich Mirsayapov, Deputy, Director, Department of Construction

Alexey Ovsyannikov, Deputy Chairman of the Government, Director of the Department for Indigenous Affairs

Veniamin Fedorovich Panov, Director, Department for Oil, Gas and Mineral Resources

Evgeny Petrovich Platonov, Director, Department of Forestry

Yuri Ilyich Reutov, Director, Techno-Park of High Technologies

Maxim Pavlovich Ryashin, Director General, Regional timber company "Kodales"

Dmitry Yurievich Savateev, Consultant, Committee for Tourism

Alexander V. Shpilman, Director, Research and Analytical Center of Natural Resources Rational Management named after V.I. Shpilman

Pavel Petrovich Sidorov, First Deputy Director, Department for Economic Policy

Artur Arturovich Tabert, First Deputy Director, Department for Healthcare

Galina Anatolyevna Tkachenko, Deputy Director, Department for Environment Protection and Ecological Safety

Petr Nikolaevich Zakharov, Chairman, Committee for Forest Resources Management

Natalya L. Zapadnova; Natalya L. Zapadnova, First Deputy Chairman of the Khanty-Mansiysk Autonomous Okrug-Yugra, Government for Social Policy

Khanty-Mansiysk Autonomous Okrug – Ugra, Duma

Vasily S. Sondykov, Chairman of the Duma, Russian Federation Duma of the Khanty-Mansiysk Autonomous Okrug – Ugra, Deputy Chairman of the Duma

Yeremey Aypin, Deputy Chairman of the Duma, Chairman of the Assembly of Northern Indigenous Peoples

Vitaly Bakhirev, Chief of Administration of the Duma

Kirill Dmitriev, Assistant to the Duma Chairman

Lilia Dmitrieva, Press Secretary of the Duma Chairman

Tatiana Gogoleva, Deputy of the Duma, Deputy Chair of the Assembly of Northern Indigenous Peoples

Alexander Noviukhov, Assistant to Deputy Chairman of the Government, Director of the Department for Indigenous Affairs

Olga Plamadilova, Head of Information and Analysis Department of the Duma

Alexander Salnikov, Deputy Chairman of the Duma

Viktor Voropayev, Head of Legal Support Department of the Duma

Chamber of Commerce and Industry of Khanty-Mansiysk

Alexander Kobanov, President

Carter Randy Wade, General Director, Newco

Jean-Philippe L. Messier, Director, United Nations Educational, Scientific and Cultural Organization

Yugra State University

Tatiana Korminskaya, First Pro-Rector

Nikolay Pelikhov, Director of the International and Innovations Faculty

BEIJING, CHINA

BMO

Roger Heng, General Manager, Beijing

Canadian Embassy to the People's Republic of China

H. E. David Mulroney, Ambassador

Jeff Nankivell, Minister

Louis-Martin Aumais, First Secretary and Vice-Consul

Duane McMullen, Minister (Commercial) – Country Manager - China

Mark Kruger, Minister Counsellor (Head of Section)

Olivier Jacques, First Secretary (Immigration)

Hilary Bauer, Intern, Political and Economic Affairs Section

China Council for the Promotion of International Trade and China Enterprise Confederation

Zhang Wei, Executive Vice Chairman, China Council for the Promotion of International Trade (CCPIT)

Li Mingxing, Vice Chairman, China Enterprise Confederation (CEC)

Zhan Ruichao, Deputy Director, Dept. of International Relations, CCPIT

Zhang Xin, Officer and Interpreter, CCPIT

Mitel

Ricky Weiqiang Ma, General Manager

National Development and Reform Commission

Peng Sen, Vice Minister

People's Republic of China - National People's Congress

Zheng Silin, Vice Chair of the Foreign Affairs Committee and the Chinese Chair of China Canada Legislative Association

Chen Zhili, Vice Chair of the Standing Committee

Jin Mao, Member of the Foreign Affairs Committee

Yang Huizhu, Member of the Foreign Affairs Committee

Gao Zhiguo, Member of the Foreign Affairs Committee

He Xiaowei, Member of the Financial and Economic Committee

Hong Yingchun, Deputy Director General, Foreign Affairs Committee

Han Lei, Officer, Foreign Affairs Committee

You Wenze, Counsellor, Chinese Embassy in Ottawa

Peng Qiao, Officer, Foreign Affairs Committee

Yi Li, Foreign Affairs Committee

People's Republic of China - Ministry of Commerce

He Ning, Director General, Department of American and Oceania Affairs

Zhang Fan, Director, Department of American and Oceania Affairs

Feng Chun, Department of American and Oceania Affairs

People's Republic of China - Ministry of Foreign Affairs

Zhang Zhijun, Vice Minister

Power Pacific Corporation Ltd.

Victor Yang, President

RBC

Mike Chen, Chief Representative

RIM

Greg Shea, President

SNC-Lavalin

Sheldon Xie, Chief Representative Director, Great China Area

Tembec Inc.

Tiean Huang, Managing Director

SHANGHAI, CHINA

BMO

Bob Martin, Managing Director and Head of Asia

British Columbia Trade and Investment Office

John E. McDonald, Managing Director

Bureau du Québec à Shanghai

François Gaudreau, Director

Canada China Business Council

Helena Chen, Chief Representative

Canadian Consulate General – Shanghai

Nadir Patel, Consul General of Canada, Shanghai

Jordan Reeves, Deputy Consul General and Senior Trade Commissioner

Sumeeta Chandavarkar, Consul

Export Development Canada

Winston Kan, Chief Representative, Greater China,

People's Congress Shanghai Province

Hu Wei, Vice Chairman

IMW Compressor (Shanghai) Co. Ltd.

Kirk Livingston, Chief Executive Officer

Manulife – Sinochem Life Insurance Co., Ltd.

Phuong Chung, Senior Vice President

Lawrence Nutting, Vice President and Branch General Manager

Shanghai Academy of Social Sciences (SASS)

Jianwen YANG, Research Professor, Director of Sectoral Economy Research Center

Yuli YANG, Research Professor, Director of Public Economy and Administration Research Center

SNC-Lavalin

Keith Pedwell, Managing Director, Vice President, China

Woodbridge Group

Wilfred Cheng, Managing Director, Greater China

GUANGZHOU, CHINA

Canadian Consulate General – Guangzhou

François Rivest, Consul General of Canada, Guangzhou

David Bostwick, Consul and Senior Trade Commissioner

Eric Strong, Trade Commissioner

Gloria Han, Public Diplomacy Officer

Honda Plant (Guangzhou)

Huawei Headquarters (Shenzhen)

Carl Liu, Executive Vice President, *Huawei Technologies (USA)*

Guangdong Provincial People's Congress

Chen Yongzhi, Vice Chairman

Li Yujing, Deputy Director General of the Financial and Economic Committee

Chen Xiaodan, Deputy Director General of the Foreign Affairs Committee

Zhao Jianhua, Deputy Counsellor of Development and Reform Commission of Guangdong Province

Zheng Jianrong, Deputy Director General of Foreign Trade and Economic Cooperation Department of Guangdong Province

Su Caifang, Deputy Director General of the Foreign Affairs Office

Wang Pingsheng, Member, Standing Committee of Guangzhou Municipal People's Congress, Commission for Overseas Chinese, Foreign Affairs, Ethnic and Religious Affairs

Xiaping Zhao, Office Director, Foreign Affairs Commission

HONG KONG, CHINA

Canadian Consulate General – Hong Kong

Doreen Steidle, Consul General of Canada, Hong Kong

Alain Tellier, Consul and Program Manager for Political, Economic and Public Affairs

John Zimmerman, Senior Trade Commissioner

Shirley Ong, Consul and Trade Commissioner

Hong Kong - Canadian Chamber of Commerce Board of Governors

Victor Apps, Governor

David Armitage, Governor, President & Chief Executive Officer, Velocity Solutions Limited

John W. Crawford, Governor, Chairman, International Quality Education Limited

Janet De Silva, Governor, Director, Retails Asia Limited

Bruce Hicks, Governor, Managing Director, TPIZ Resources Limited

Lincoln Leong, Governor, Finance & Business Development Director, MTR Corporation Limited

David Nesbitt, Governor, Managing Director, EIM (Asia) Pte Limited

Stephen Rajotte, Governor, President, Sun Life Financial Asia

Kathleen E. Slaughter, Governor, Dean – Asia, Professor of Management Communications Richard Ivey School of Business/Asia The University of Western Ontario

Steve Tait, Governor, Senior Partner, Tait & Associates - Human Capital Consulting

Elizabeth L. Thomson, Governor, President, Sun Life Financial Asia

William Shue Lam Yip, Governor, Chairman, Canada Land Limited

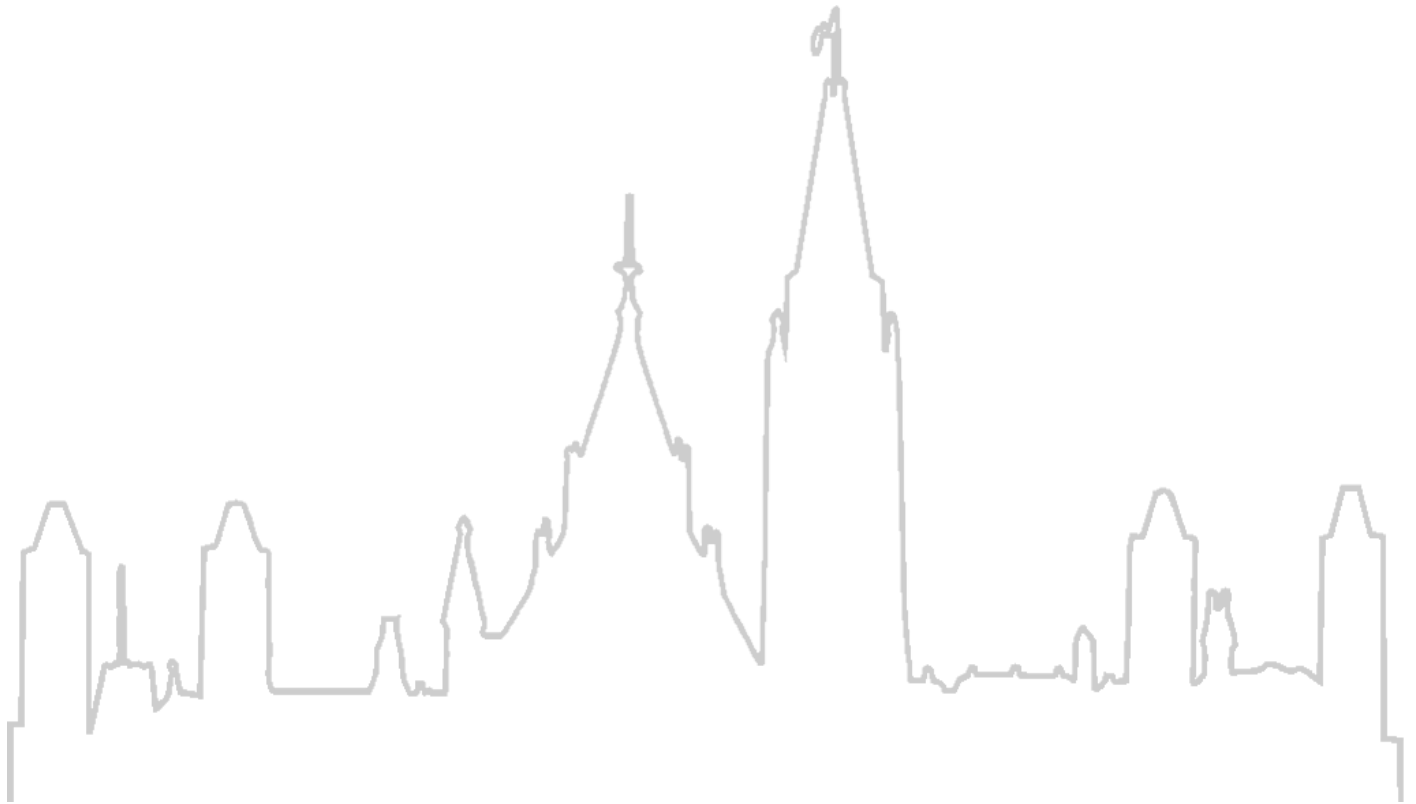
Hutchison Port Holdings, Hong Kong Port

John R. Harries, Port Development Director

Desmond S. K. Lai, Finance Director, Americas, Middle East & Africa

Michael Mak, General Manager, DMX Technologies (H.K.) Ltd.

Dwayne Ripley, Club Manager, Hong Kong Typhoons Ice Hockey Club Ltd.



Ce rapport est aussi disponible en français.

Des renseignements sur le comité sont donnés sur le site :

www.senate-senat.ca/foraffetrang.asp.

Information regarding the committee can be obtained through its web site:

www.senate-senat.ca/foraffetrang.asp.