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Chair

Mr. James Rajotte

Standing Committee on Finance

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•(0845)

[English]

The Chair (Mr. James Rajotte (Edmonton—Leduc, CPC)): I call this meeting to order. This is meeting number 67 of the Standing Committee on Finance. Our orders of the day are pursuant to Standing Order 108(2) continuing with our study on the Canadian renminbi trading centre.

We are very pleased to have three witnesses with us here this morning.

With the topic as well I'm reminded by a colleague we should note that it is, I think, the first day of Chinese New Year, the Year of the Goat. I want to wish a happy new year to all of you.

First, from the Canadian Chamber of Commerce, we have Mr. Hendrik Brakel, senior director, economic, financial, and tax policy. Welcome to the committee. We have from the Canada China Business Council, the president, Mr. Peter Harder, who had a very distinguished career with Foreign Affairs, Industry Canada, and other departments within the government.

We have, and we want to thank this gentleman very much for appearing at a very early hour from British Columbia, by video conference from Victoria from the British Columbia's Ministry of Finance, Mr. Jim Hopkins, the assistant deputy minister.

Thank you very much for appearing. What time is it there in British Columbia now?

Mr. Jim Hopkins (Assistant Deputy Minister, Provincial Treasury, British Columbia Ministry of Finance): It's 5:45 a.m.

The Chair: Yes, 5:45 a.m.

Thank you very much for being with us at that very early hour.

Gentlemen, we'll start with Mr. Brakel, and then we'll proceed in order with your presentations. Then we'll have questions from members.

Please do begin.

[Translation]

Mr. Hendrik Brakel (Senior Director, Economic, Financial and Tax Policy, Canadian Chamber of Commerce): Thank you, Mr. Chair.

I am honoured to appear today before the members of the committee.

[English]

I'm very excited to be here today to talk about Canada's new renminbi hub for two reasons. First, the internationalization of the renminbi is perhaps the biggest megatrend in global finance since the introduction of the euro. With approximately \$4.3 trillion in trade last year, China is well on its way to becoming the world's largest trader. This will fundamentally reshape the global economy.

The second reason I'm excited is that the Canadian Chamber of Commerce represents 200,000 businesses, and many of them are very excited by the opportunities to do more business with our second-largest trading partner. What does the renminbi hub mean for Canadian business? We think it's probably the best, most effective way to boost trade with China. We now have, or soon will have, the financial infrastructure to easily make payments and receive payments in renminbi right here in Canada.

There are big benefits for trade. First, there will be big savings on foreign exchange. We don't have to do everything in U.S. dollars, and there's no need for the intermediate conversion from RMB to U.S. dollars to CAD. We estimate that this could result in savings of \$6.2 billion over 10 years.

The second big benefit, and the more important one, is more trade, doing more deals with China. In speaking to Canadian exporters, we learned that many of the big commodity deals for such products as coal, iron ore, metals, and lumber were extremely sensitive to payment terms. The prices are set globally, so if a buyer is given 120 days as opposed to 90 days, that could make all the difference and be a huge help in getting deals. We know that many Chinese companies prefer to do business in renminbi. A survey by HSBC said that 55% of Chinese companies were willing to give discounts of up to 5% if the transactions were done in renminbi. A similar survey by the French bank BNP Paribas found that the discounts were between 1% to 3%, and were pretty commonplace, for transactions in renminbi.

On the intangible side, a lot of exporters told us that trade is about building relationships. Customers have to see you as a partner who really understands their needs. The HSBC survey said that two-thirds of Chinese businesses say that international companies doing business in renminbi build stronger relationships. Then we asked which sectors will see the greatest benefits. As I said, we had sort of assumed that the commodity and natural resource companies would see the biggest benefit because of tight margins and competitive pricing. However, after we released the report last year, we started hearing from companies across Canada who were going to benefit from the renminbi hub who were in niche markets that we hadn't thought of, frankly.

There is a company in Toronto called Lord Cultural Resources. They're a small company of consultants who design and set up museums. They do everything from the architecture to the exhibits to the technology. These guys have done the Louvre. They've done the Art Institute of Chicago. They actually did Graceland in Memphis. They designed the whole Elvis thing.

At any rate, this is big business in China because tourism is enormous. Their challenge is that their customers in China are not the big multinational companies that are importing and exporting in U.S. dollars all the time; it's a local museum or a local government or an educational institution. They tell you that you can pay them in renminbi, because it's a big advantage for them. It makes their lives so much easier. They subcontract to local Chinese suppliers, to local Chinese builders, a lot of the work in doing these museums, so the ability to pay in renminbi actually makes their lives a lot easier. They also say that a lot of their competitors are companies in the United States, and that could give them a competitive edge. That's actually where you get big savings on foreign exchange, when you're recycling renminbi. You're being paid in it and then you're paying out your suppliers. A lot of companies in Canada export to China but also use Chinese suppliers as inputs, so they're both buying and selling.

From the study we did back in September, we estimate that the direct benefits of the renminbi trading hub over the next 10 years would be somewhere between an additional \$21 billion to \$32 billion in additional exports, plus discounts on imports totalling \$2.8 billion. There are also significant advantages for Canadian banks in how they serve their U.S. customers and do more trade finance deals. There are enormous opportunities on the investment side. China is not just a trading nation; it's also a saving nation.

In 2013 offshore renminbi deposits amounted to \$1.6 trillion. It's an enormous pool of capital available to companies. We're excited to see Export Development Canada and the Government of British Columbia be the first sovereigns in the world to issue bonds in renminbi. We can't wait to see the first Canadian business raise renminbi funds. There's a ton of advantages in this renminbi hub.

I'm happy to answer any questions, but first we want to thank the government for all the efforts, diplomacy, and negotiations that went into getting the renminbi hub here in Canada. We want to thank the Standing Committee on Finance for your work on this very important issue. It means a lot to Canadian business.

Thank you.

● (0850)

The Chair: Thank you very much for your presentation.

We'll now hear from Mr. Harder, please.

Mr. Peter Harder (Policy Adviser, Dentons LLP, and President, Canada China Business Council): Thank you very much, Mr. Chair.

As you indicated, I'm here representing the Canada China Business Council as its president, but also in my own right as a former deputy minister of foreign affairs and as the first co-chair of the Canada-China strategic working group, a group of bilateral officials that was established 10 years ago to examine ways in which

to strengthen the business and political relationships between the two countries.

The Canada China Business Council, the CCBC, has about 250 member organizations, which represent a broad range of sectors of the Canadian economy. Our members include companies, educational institutions, and governments at all three levels. Increasingly, by the way, municipalities are getting into the economic development game in a very sophisticated fashion, particularly with a focus on Asia.

Our corporate members are approximately two-thirds small and medium-sized enterprises. We provide our members with services that help them do more business between Canada and China. The council has chapters in Ontario, Quebec, Alberta, British Columbia, and then in Beijing and Shanghai.

With respect to the subject before us, in December 2012 the CCBC and the Toronto Financial Services Alliance began discussing the possibility of an RMB trading hub in Canada. At a meeting in January 2013, we convened representatives from two Canadian banks and two Chinese banks to assess their interest levels, which were, I would say, moderate but not overly enthusiastic. Nonetheless, there was enough interest for the TFSA to commission a report examining how such hubs had worked in other jurisdictions. Remember, there is not, until now, a hub in the Americas. By the time the report was presented in June 2013 to a larger group of financial industry stakeholders, the enthusiasm level among players had significantly enhanced, and we observed stronger support in some respects reflecting the growth of RMB use worldwide.

This growth in RMB use has accelerated, including in Canada, although, I'd have to admit, and your report shows, it was a very small base to begin with. However, by mid-2014 it was clear that Canada was lagging behind its peers in use of RMB for trading, even behind peers in the United States, which, I would remind this group, still has not succeeded in achieving an RMB hub.

The CCBC feels strongly that the establishment of a North American RMB trading hub in Canada is a very positive development for Canadian business. We applaud Finance Canada and the Government of Canada for making the announcement a key deliverable in the Prime Minister's November trip to China, which I had the pleasure of hosting the luncheon for.

Why are we in favour of this hub? As the very good report by the Chamber of Commerce summarized last October, and I quote, "This has created a unique, once in a generation opportunity for Canada's businesses and banks to leap ahead of competitors and become early adopters of RMB, currently the world's fastest growing currency."

This is a very positive development in the bilateral relations, and we need to have positive developments in this relationship. In the background, where it's taken two years to ratify the FIPA, where the adjustments to the foreign investment review process involving SOEs has generally been not well received in China, and where Canada has yet to respond to the complementarities study, which was released in 2012, where both parties identified key sectors for future trade liberalization, this is a welcome, positive step and one that should go noticed and underscored by all of us involved in the bilateral relationship.

The RMB is a perfect, non-controversial relationship builder in an environment with many controversial elements. It is non-controversial because it's about putting more money in Canadian companies' pockets. Right now, with most sales and purchase contracts denominated in U.S. dollars, Canadian companies incur significant exchange and transaction costs. As Mr. Brakel referenced, these costs are not just one-way exchanges but often three-way exchanges. That adds to the burden of very small margins.

● (0855)

Many Chinese companies are happy to deal in RMB, as this lowers their transaction costs as well. Research has shown that they are willing to share the savings with their vendors and customers.

The hub also provides a useful hedge for Canadian companies that invest in China. Let me give you an example using our own council. As I mentioned earlier, we have offices in both Shanghai and Beijing. Our representative offices can incur expenses in China, but any revenues must be generated outside of China. Therefore, every month we must wire money to cover our expenses. With the Canadian dollar declining by about 25% in the last year or so, we value the opportunity to convert RMB dollars and hold them, so that we can have a much more predictable rate of expense in our Chinese offices in Shanghai and Beijing.

Some people ask why we need a hub if we are already seeing growth in RMB use. Well, the existence of the hub will both increase awareness amongst Canadian companies, and more importantly, at least in our view, encourage small and medium-sized businesses to participate in the growing Chinese market, which we all agree is important for us.

Thank you.

The Chair: Thank you very much, Mr. Harder, for your presentation.

We will now go to Mr. Hopkins, please.

Mr. Hopkins, can you hear me okay?

Mr. Jim Hopkins: I can. Thank you very much.

The Chair: Please begin your presentation.

Mr. Jim Hopkins: Bonjour.

Thank you for the opportunity to speak to you today about Canada's new RMB hub for North America. I applaud the committee's interest in the hub and particularly in diving into the potential opportunities that the hub affords for Canada's economy.

British Columbia, back in 2012, assumed an early leadership position among provinces in identifying that the creation of an RMB hub in Canada had huge and positive potential for Canada's trade and investment relationship with China. The fact that this was of interest to British Columbia and that B.C. was one of the first ones to identify this probably reflects our significant and growing trade relationship with China and also the fact that we both live on the Pacific and have had demographics and people exchanges going back many generations.

As B.C.'s trade with China grew and since it wanted to develop a closer financial and economic relationship with China, the province became the first foreign government to issue an offshore renminbi

bond in late 2013. This provided an important and strategic validation of the international use of RMB. The bond issue was an overwhelming and global success with buyers from Asia, North America, and Europe participating.

Throughout 2014 the British Columbia government, led by Finance Minister de Jong and staff, collaborated with the Governments of Ontario and Canada as well as with industry to consider the merit of an RMB hub in Canada. In late 2014 the province issued another RMB-denominated bond in the offshore capital market. This time it was also received with great success by buyers again from Asia, North America, the Middle East, and Europe. We now have the largest outstanding bond issue by a foreign government, matching that by the United Kingdom, with a three billion RMB bond equivalent to about \$550 million.

As the speakers before me have noted, in November Canada was designated an RMB trading hub for North America. I would echo Hendrik and Peter in congratulating the federal government for providing this leadership in positioning Canada to diversify its trade.

The B.C. government was certainly very supportive of this designation, which as you know includes an RMB settlement and clearing centre operated by the Industrial and Commercial Bank of China as well as a quota to permit qualified Canadian fund managers to invest in mainland bonds and equities on behalf of clients.

It's important to reiterate that the RMB hub is not a place; it's a way of doing RMB-denominated business, trade, banking, and investment. The location of the clearing centre does not define the hub. Indeed it must be a pan-Canadian initiative that seeks to engage Canadian business across the country. I think that's what the Government of Canada with the People's Bank of China has created here in Canada.

The creation of the hub recognizes that the RMB is important internationally and that the international use of this currency is proceeding very quickly. China is now the second-largest economy in the world. It's on the path to becoming the largest. It is already the largest trading nation. The use of RMB has been growing exponentially since the early 2000s. Currently 10.5% of China's trade is settled in RMB. HSBC forecasts that could increase to 30% by 2015 or over \$1 trillion USD equivalent.

● (0900)

The designation of Canada as an RMB trading hub certainly does play to British Columbia's strength as the Canadian province that trades most with China. Our exports represent about 30% of Canada's total exports, or \$6.6 billion in 2013, and it does hold tremendous potential for B.C. business.

Hendrik articulated very well and in a very compelling way the business case for the hub and for the opportunity it affords to Canadian businesses. The only thing I would add to the study findings from the Chamber of Commerce is that, as noted, exports were expected to increase in the range of \$21 billion to \$32 billion over the next 10 years, and British Columbia, as the leading exporter to China among provinces, will likely be a significant winner with an additional expected \$9.4 billion in exports over the 10 years. The lion's share of these export gains would be expected to occur in the more competitive resource sectors, particularly forestry.

Over the next couple of years the British Columbia government will continue collaboration with the Government of Ontario, the federal government, and industry. Really, a big part of our initiative that we see as necessary is marketing the hub to business as well as educating Canadian business on how to engage with Chinese counterparties in productive RMB trade and investment.

We have formed an informal steering committee with the Province of Ontario, Ontario finance; with AdvantageBC, which is a financial institutions group out of Vancouver; as well as with the Toronto Financial Services Alliance. Here we want to promote private sector use of the RMB as well as foster private sector leadership for a Canadian hub.

We will be supporting the Industrial and Commercial Bank of China—

• (0905)

The Chair: Could I get you to wrap up, Mr. Hopkins? We'll go to members' questions shortly.

Mr. Jim Hopkins: I can stop there and just say that the observation has been made that currently, the use of the RMB in Canada is not as significant as in other jurisdictions around the world, and it will, therefore, be very important that the next couple of years be spent on marketing and educating businesses on that opportunity.

The Chair: Thank you very much for your presentation.

We'll begin members' questions for seven minutes.

We'll go to Mr. Cullen, please.

Mr. Nathan Cullen (Skeena—Bulkley Valley, NDP): Thank you, Chair. Thank you to our witnesses, and thank you, in particular, Mr. Hopkins, for getting up early.

Starting off with Mr. Brakel, this is still a controlled currency that we're dealing with. Essentially, the People's Bank still controls how much the Chinese are able to buy and how much the renminbi can be exchanged for—1% or 2%. It increased just this past year.

Mr. Hendrik Brakel: Exactly. It's pegged to the U.S. dollar, but there's a band where they can trade within 1% or 2% of this.

Mr. Nathan Cullen: We've been broadly in support of this initiative from the government, and my predecessor wrote to the government back in June of last year urging the government to act on this.

I'm wondering about any exposure risks we may have if we were to see a large influx of Canadian companies. Our central bank is

backstopping this to \$30 billion in case of crisis or any financial meltdown of significant size.

With our not having any influence on the levers of this pegging—the Chinese have committed to float the currency, but we don't know when, and it's been somewhat of a long-standing commitment—are there any downside risks for Canada if Canadian firms or the Canadian government, bondholders, are highly exposed to a currency that is artificially pegged?

Mr. Hendrik Brakel: Well, firstly, with regard to individual businesses, it actually makes life easier for individual businesses because they are better able to hedge now, because there will be a bigger pool of resources.

Mr. Nathan Cullen: They know exactly where it's going to be.

Mr. Hendrik Brakel: That's why we were saying thank goodness there's the ability to hedge. It makes it much easier.

We talked to some companies and actually some of the banks that said there are Canadian companies that are doing business in renminbi now, but it's so difficult to hedge. You have to go through a Hong Kong sub. They're a little bit more exposed now, so we think that's a really good thing.

In terms of our exposure, you were referring to the swap facilities between the Bank of Canada and PBOC. The bank has them with a lot of markets all over the world. They've never been used. They're a sort of backstop to ensure the financial sector that there is sufficient liquidity, even in a really extreme financial crisis.

Mr. Nathan Cullen: I appreciate that the situation we'd be talking about is quite extreme. The difference between this swap is that it's with a manipulated currency; it's controlled by the central government. That's not the same with the Swiss. It's not...well, I won't say anymore, but it's not the same with other currencies we deal with. I'm just trying to expose if there's any downside risk on that in our exposure over a pegged and controlled currency by a very large trading partner, a globally second, globally competitive, trading partner.

• (0910)

Mr. Hendrik Brakel: The risk is that China would action the swap and would require \$30 billion in Canadian dollars to supply to Chinese banks. China is sitting on foreign exchange reserves of some \$430 billion right now, so they have quite a lot of cash.

Mr. Nathan Cullen: Yet the Chinese are borrowing at an incredibly increasing rate. They've more than doubled the rate of foreign exposure they're using right now within China. Is that all starting to balance itself out? As they normalize the currency, I'm just looking.... You're assuring us that the risk of exposure is so incredibly low for our central bank, but \$30 billion is a lot of money to put on the line. They don't want to call it a backstop, by the way, they just want to call it a certain amount of money that's out there to give confidence, I suppose, to the markets.

Mr. Harder, you worked in Foreign Affairs for many years. I think you were trying to describe somewhat the relationship, the on-again, off-again—I don't want to load the term—Canadian relationship, this government's relationship with China, and that certain things take a while.

Could you potentially forward to the committee that study you talked about on what sectors are open for trade? We don't deal with international trade that often and it would be insightful for us.

Am I fair in describing the Chinese perception of Canada's willingness or openness to engagement as on-again, off-again? Is that too extreme a point of view?

Mr. Peter Harder: I wouldn't characterize it entirely that way. I would characterize it as a relationship that has really matured over the 45 years of diplomatic relations, and even before. Remember, it was Mr. Diefenbaker who sent wheat to China against the express will of the United States at the time.

Where we always advantage ourselves, though, is in establishing agreements and frameworks of working together. That's why this RMB centre is so important. In my view, the reason why the FIPA was important is that this is another confidence-building measure in foreign investment.

The complementarity study—and why I would encourage the Government of Canada to proceed with the complementarity study—is another opportunity for us to establish within the sectors that both sides identified agreed to the lowering of tariffs so that Canadian businesses would compete with Australia, for example, which has a free trade agreement.

Mr. Nathan Cullen: I spoke to some Chinese businesses, and they expressed confusion with the Canadian position at times. Initially, the Prime Minister expressed concerns about human rights and associating human rights changes with trade, that there was some connection. There's the two-year delay on signing FIPA, but not ratifying; and still the current uncertainty around state-owned enterprises where there are different positions within the Canadian government as to whether Chinese state-owned enterprises should have access to essential Canadian companies, resource companies in particular, but also high-tech and the rest.

I still get a sense that the renminbi's nice and it's good, but there's still some confusion as to whether, for example, China has moved on any of the human rights issues to the satisfaction of Canada to allow these other conversations to advance.

Mr. Peter Harder: I can't speak for the Government of Canada, but what I can say is that my organization, the Canada China Business Council, would wish both sides to proceed with building more structured frameworks for economic relationships. The most advantageous opportunity we have before us is proceeding on the basis of the complementarity study, which identified key sectors, and I wish we'd do that.

Mr. Nathan Cullen: Do your council's policies make any connections, as the Conservative government did at one point, to the human rights record and trade or are those divided issues for you in our trade relationship?

Mr. Peter Harder: The Canadian companies that operate in China bring the values of businesses in Canada with respect to how they conduct themselves and how they conduct their working relationships in China. That's an expression of our values in that, while they aren't first and foremost engaged in human rights activity, they're engaged in business. They conduct themselves in a way that I think Canada could be proud of in terms of conducting their

businesses in a fashion that is in conformity with both Canadian law and approaches.

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

We'll go to Mr. Saxton, please.

● (0915)

Mr. Andrew Saxton (North Vancouver, CPC): Thank you, Chair. Thanks to our witnesses for being here today.

Thank you, Jim, for waking up so early in the morning to join us by video conference. My first question is for you, Jim.

First of all, congratulations on being the first province to issue now two bonds in RMB. You were the first to issue the first one and the second one. In fact, you're probably the first government in North America to do that. I don't know of any other government, including in the United States, that's done that yet, so congratulations.

My question is this. With the new establishment of the RMB trading hub, how will that benefit provinces that wish to issue bonds in RMB going forward?

I understand that you have hedged your currency risk. Now, with the ability to go directly from Canadian dollars into RMB and vice versa, I assume the cost of that hedge would be reduced significantly.

Mr. Jim Hopkins: Traditionally, when we go into the offshore markets into dollars, or euros, Swiss francs, or Aussie dollars, we're always looking as to how we can swap the liability back into Canadian dollars—that's our traditional approach to the capital markets. We're looking there to solve for savings for the taxpayers, actually, as well as getting the diversity.

In the case of the offshore RMB bond issue we did in 2013 and 2014, in neither case were we able to make the economics work, where we could swap the liability back into Canadian dollars as something that was economic compared to our domestic cost of borrowing at the time. What we did was borrow in RMB and we put those moneys in a secure investment with a high-quality, high-grade entity. It's not really the purpose of the exercise, but in fact we've hedged our FX because we have an investment now that's denominated in RMB, and we're actually generating a positive carry on the investment versus our cost, so we are making a small profit.

The marketplace in offshore RMB, bringing the liability back into the home currency, is something that, for an entity like British Columbia, a high-grade province with very low cost of funds, we're not yet able to make those economics work. Nor, for example, have other entities that have gone into this market, including the United Kingdom, most recently in October 2014; or the World Bank; or KfW, which is the German counterpart to the EDC. They've also issued in renminbi.

That is a current reality of this marketplace, so we did not bring that liability back into Canada. It's not to say we couldn't, but we couldn't do it at a favourable cost for us, from a treasury perspective. What we wanted to achieve, certainly, was the diversity. We wanted to be a first mover in a market that we believe has a very strong future. By getting that name recognition, we think there's a dividend paid to the province, as well as forging that relationship.

Mr. Andrew Saxton: With a new trading hub here in Canada and the ability to go directly into RMB from Canadian dollars, that may change the economics of your hedge in the future, where it does make sense. Is that correct?

Mr. Jim Hopkins: Right. I agree. Yes.

What it can also do is generate RMB deposits here in Canada. They'll be looking for more interesting things to invest in, or higher, more safe investments, like British Columbia bonds. There could be a favourable synergy there, too.

Mr. Andrew Saxton: Right, so you're offering Canadian companies that wish to maintain their RMB positions an alternative, AAA investment vehicle in which to hold their RMB deposits.

Mr. Jim Hopkins: Exactly.

Mr. Andrew Saxton: Thank you.

My next question is for Mr. Brakel.

Mr. Brakel, how do you see that Canadian businesses will benefit as a result of the new hub? What sorts of savings would they be looking at?

Mr. Hendrik Brakel: I think the first thing is the direct foreign exchange savings. There are a few businesses right now that are doing business in renminbi, and it's very costly. There are a whole bunch of administrative loopholes to go through because they have to do RMB business through bank subsidiaries in Hong Kong or Singapore. It's a big rigmarole for them. That's why the use of renminbi is so low. I think that less than 5% of companies doing business with China use renminbi.

That's why we're optimistic with having it right here in Canada. They'll speak to their bankers and see the opportunities. They can reach out to their Chinese buyers and suppliers, and say, "Hey, if we do business in renminbi, is there a cost advantage for you?"

What is interesting is that we heard very different views from Canadian businesses. Some were very enthusiastic, "Oh yeah, this is a huge advantage." Others were saying, "Well, you know, we'll wait and see. We're perfectly happy getting paid in U.S. dollars."

We think it's good, and what we've seen from other countries' experiences, like the Australians, is a pretty enthusiastic pickup that went up quickly. I think with the Australians, their renminbi deals grew 248% in the first year, so there was pretty quick pickup, but it was from a low base.

We think there would be big advantages for them.

• (0920)

Mr. Andrew Saxton: Do you see this as being an advantage for Canadian businesses over U.S. businesses?

Mr. Hendrik Brakel: That's one of the messages we'd heard from exporters. Because a lot of these natural resource deals are so competitive and prices are set globally, it can be an advantage. You know, if I give you 90 days versus 120 days, it can be an advantage.

If you can offer payment in renminbi, it is a big advantage. That's why we're going to make sure that Canada not only can win more trade deals, but that we don't fall behind some of those countries in Europe or Australia that are able to do renminbi deals.

Mr. Andrew Saxton: I have one very quick question to Mr. Harder.

How will the new hub help Canadian businesses raise capital?

Mr. Peter Harder: It will only be by making their businesses more efficient and their trade with China more robust. Their business case would make them more attractive investments.

In and of itself, this is just an ingredient. It's not a panacea for a capital raise.

The Chair: Thank you, Mr. Saxton.

[Translation]

Mr. Dubourg, you have the floor. You have seven minutes.

Mr. Emmanuel Dubourg (Bourassa, Lib.): Thank you, Mr. Chair.

Good morning to you and also to all of the members of the committee. I also want to greet the three gentlemen who have come here to enlighten us and to help us in the decisions we will have to make.

I will begin with a series of questions for Mr. Brakel.

In your presentation, you showed some enthusiasm for the renminbi. I find this very interesting, but at the same time, I share my colleague's thoughts to some degree.

First of all, you would like to see more trade and you think this will be beneficial for small and medium businesses. Do you also think that there are a certain number of risks for small and medium businesses in Quebec? Do you think we should go toward this type of trade as a priority? Are there any specific risks you would like to point out in connection with the renminbi?

Mr. Hendrik Brakel: There may be risks for SMEs, but we tell businesses to discuss this with their banker so that he may offer them options and strategies to protect themselves against the risks of a big fluctuation in the currency's value.

To our way of thinking, the idea is to offer a tool. It will be very useful for certain companies, particularly the SMEs who sell electronic commerce tools through Alibaba, as they will be able to receive payments in renminbis. They have to ask their bankers if they are protected in the case of a large fluctuation in the value of the currency. At this time there is a fixed rate, but if there were to be a large fluctuation, will those companies be protected?

Mr. Emmanuel Dubourg: Do you think that all sectors of economic activity will be able to benefit from this, including natural resources?

Mr. Hendrik Brakel: I think so, yes, but it depends on certain factors. A Chinese buyer may need machines and very specific products. In that case, a price difference of 3% more or 3% less will not matter to him, because he needs that particular product. The price of certain products thus has less elasticity.

We think that this could be really beneficial for SMEs in particular. We spoke to representatives of companies such as Peller Estates Winery, who sell some of the wines they produce in China. It is very advantageous for those companies to receive renminbis rather than always asking for American dollars.

Yes, there are risks, but we think that the advantages will outweigh them.

• (0925)

Mr. Emmanuel Dubourg: Very well. Thank you.

Mr. Harder, my next question is for you.

This is further to what Mr. Hopkins mentioned. In his presentation he talked a lot about promotion and educating businesses.

How can this be promoted so that Canadian businesses are made aware and can benefit from this change?

Mr. Peter Harder: That is a good question.

My organization has already begun to organize round tables in cities throughout Canada to explain how small and medium enterprises can use this mechanism.

I know that representatives of Canadian banks, and Mr. William Zhu from ICBC, appeared before this committee a few days ago. The banks have already begun to make arrangements with their clients. I would like to add that Premier Couillard and a delegation of SMEs from Quebec visited China in October and this topic came up often in speeches. I think that businesses have begun to appreciate the advantage this initiative can represent.

Mr. Emmanuel Dubourg: You alluded to the premier of Quebec, Mr. Couillard, and that is a good thing. He came to power recently and this was one of his first important trips. We know about the relationship between the federal government and China since 2006. We know that the Prime Minister also met the Dalai Lama. Canada had a great deal of trouble establishing a relationship that allowed for this type of initiative.

In your opinion, has this slowed down Canada to some extent? We know that the Chinese economy is important. Should we have been there sooner and established better relations to facilitate things? Now we are in catch-up mode.

Mr. Peter Harder: Of course.

Concerning relations with China, that country has always had visits from other politicians. When Mr. Baird was Minister of Foreign Affairs, he visited China on seven occasions. It is an advantage for us to have another Canadian representative who has close relations with our Chinese counterparts. This is true at all levels of government.

Premier Couillard's visit was in the context of the Council of the Federation visit and the other premiers were also present. It was the third time the premiers visited China together. According to our organization, the more the better. We have to have close and constant dialogue.

Mr. Emmanuel Dubourg: Fine.

The Chair: Mr. Dubourg, your time has expired. Thank you.

[English]

We'll go to Mr. Cannan.

Welcome to the committee, Mr. Cannan. I believe it's your first meeting joining us.

Mr. Cannan is replacing Mr. Richards.

Hon. Ron Cannan (Kelowna—Lake Country, CPC): Thank you, Mr. Chair, and thanks also to my colleagues across the way.

I'm new to the committee for finance, but I've been on the trade committee for nine years, and I appreciated it, Mr. Harder, when you mentioned the Canada-China FIPA that's been in the works for a number of years, probably when you were working on it in the department.

I know that business likes the confidence, the stability, and some certainty that's provided by FIPA. How will this, the RMB combined with the FIPA, help our bilateral relationships with China?

• (0930)

Mr. Peter Harder: I think it's another gesture of confidence in establishing the frameworks. I guess I would say it's a compliment to the fact that we have a FIPA and the RMB centre, in that the American chamber of commerce and the American counterpart to my organization, the U.S.-China Business Council, have as their top priorities that the United States should have a FIPA and that the United States should seek an RMB centre. We have those advantages, and I hope that we take early-mover advantage now, because the United States will accomplish those things, although not this year or next, so that gives us a few years of a head start.

Hon. Ron Cannan: From the chamber's perspective, do you think this enhances the trading opportunities? What impact will it have on the Canadian economy?

Mr. Hendrik Brakel: Absolutely. To build on Mr. Harder's comments, at our last annual general meeting, the 150 businesses voted unanimously in favour of endorsing the FIPA, so business really thinks there are enormous advantages here.

Looking at the long term, it is a big advantage. So we want to have this first move or advantage over the U.S. It's a big advantage for our banking sector in terms of pulling in more trade finance deals. It's a big advantage for Canadian business in sort of having that extra push for those closer relationships and that structure and framework around it.

Hon. Ron Cannan: You mention Peller Estates. I'm the member of Parliament for Kelowna—Lake Country, and we have sort of a wine caucus. Obviously it's a big economic driver, not only for British Columbia but all of Canada. I had the honour of going to South Korea with the Prime Minister last March for the signing of the free trade agreement. South Korea has the highest price point for red wine. We know that's the Asia-Pacific gateway and corridor that we're working on, so \$50 million right into through South Korea and into China.

This leads me to Mr. Hopkins. Thank you for being here this morning. Congratulations on a third consecutive balanced budget to you and Minister de Jong, who was with several members of Parliament who met on the Hill last year advocating for this RMB. I appreciate his leadership and yours. My colleague, Mr. Saxton, alluded to the second successful bond that was just recently launched.

I want to follow up on the potential with this RMB trading hub coming into effect basically next month, the time aspect. What will this do for our cultural ties, specifically for the Asia-Pacific gateway?

Mr. Jim Hopkins: It builds on a foundation that was set earlier in the decade by this government. We have a very large Asian community in British Columbia. The fact that there is such a large community and such a large exchange of peoples, as well as now tourists who travel between China and British Columbia, this only will reinforce that and build on it. I see it as very positive.

Hon. Ron Cannan: So there's a pan-Canadian perspective. You mentioned you're working with the Ontario government, and there's a coalition in Vancouver, and Mr. Harder alluded to some of the members. What's happening as far as expanding from western Canada to across Canada goes to help prepare Canadian SMEs and provincial perspectives and partners to get this RMB into effect next month? From what I've read, there are three or four years of a short window for us to maximize the opportunity of this hub.

Mr. Jim Hopkins: Right. We would agree with that. That's why from the outset Minister de Jong made it a mission to connect with the Province of Ontario, particularly with Toronto, which is currently the financial centre in Canada. We quickly concluded with the Toronto Financial Services Alliance, the Province of Ontario, and with the federal government that the most successful platform for the RMB hub is one that truly operates on a pan-Canadian basis, one that operates coast to coast in hours of business across the country.

The hub is not a city event; it's not a one city event. Certainly ICBC is headquartered in Toronto, and the settlement and clearing centre will be based in Toronto. But ICBC is also advising that they're planning to have a dedicated team in Vancouver, which will ensure that settlement and clearing can occur during west coast hours as well.

I think that serves the success of this whole initiative, that you engage a part of the country that is trading 30% of exports for Canada. That, I think, is the intent of all the parties, which is very positive.

• (0935)

Hon. Ron Cannan: Thanks.

I have one last question to Mr. Brakel. I know that Mr. Harder talked about Canada China Business Council and their members working to try to prepare to take advantage of it. Is the chamber working with SMEs to educate them about this opportunity that's forthcoming?

The Chair: Just a brief response, please.

Mr. Hendrik Brakel: Absolutely.

We actually did a joint event with CCBC, where we were speaking to business. There was a lot of enthusiasm. It is incumbent

on the banks and all of us to work together to spread the word about this because there's been an issue of awareness. We all have a responsibility, absolutely.

Hon. Ron Cannan: Thank you.

The Chair: Thank you, Mr. Cannan.

[*Translation*]

Mr. Dionne Labelle, you now have the floor. You have seven minutes.

Mr. Pierre Dionne Labelle (Rivière-du-Nord, NDP): Thank you, Mr. Chair. Good morning, gentlemen.

My first question is for Mr. Harder.

In your presentation, you said that the hub is a non-controversial element that can maximize trade while minimizing costs for Canadian businesses. You also referred to the bilateral 2012 study in which the Chinese government said it was interested in developing free trade with Canada, but that the Canadian government has not wanted to do so.

In your opinion, which conditions are not being met right now and are in the way of a free trade agreement with China?

Mr. Peter Harder: I should first of all specify that the economic complementarity study was released by representatives of both governments. It stated that six priority sectors had been selected for negotiations on reducing tariffs. In my opinion, it was to Canada's advantage to undertake negotiations and benefit from the availability and the openness suggested by the study.

Mr. Pierre Dionne Labelle: If I understood correctly, you believe that we will bring our values to China by trading with it. However, we do a lot of trade with Saudi Arabia. Nevertheless, I don't have the impression that our values have taken root over there.

Can you explain to me how, in your opinion, the fact of doing more trade with China and increasing our investments there will mean that our values will be upheld there?

Mr. Peter Harder: It is by doing responsible trade and respecting the laws. In my opinion, economic provisions are the most sophisticated aspect in China. After joining the WTO, China adopted many laws to ensure that it respected the rules of that organization. These changes in Chinese legislation are consistent with a clear and transparent legal framework. Canadian businesses in China respect the law and put their values in practice. Magna International, for instance, has 10 manufacturing facilities in China. The values that are practised in those plants are the same as in Canada or in Europe. That is one way of—

• (0940)

Mr. Pierre Dionne Labelle: Allow me to add a nuance on this topic.

Mr. Peter Harder: It is a way of transferring one's commercial culture.

Mr. Pierre Dionne Labelle: I would like to put the following question to all of our guests.

You say that this trading hub will further greater market openness and access to Chinese financial products such as bonds, funds, and so on. Mr. Harder, you say in your document—but the question is also addressed to the other witnesses—that this will allow pension funds, among others, to participate more easily in the Chinese financial market.

However, I am sure you know that in Quebec, the Caisse de dépôt et placement lost \$40 billion, a third of its assets, because of derivatives that were sold to us by well-known banks. What are we to think of the Chinese products whose sale will be facilitated? Will our pension funds not be taking risks by investing in Chinese products, in light of the situation of Chinese banks?

As we know, in November, China introduced quantitative easing measures because several banks were having liquidity problems. Among other things, there is a real estate bubble. I do not believe that investing in China is a very safe thing to do for pension funds, local investors and Canadian consumers.

[English]

Mr. Peter Harder: Let me be clear. There are risks in investing anywhere.

This gives us an advantage in the QFII, the qualified investors, a larger pool of capital to invest directly in China. That saves on transaction costs and it allows the participation of those Canadians that choose to invest in China to have the protection that this offers. They'll have to make their individual decisions on individual actions.

[Translation]

Mr. Pierre Dionne Labelle: I will put my question another way.

Would you advise my mother to purchase bonds from certain Chinese banks, given the context and situation in China?

[English]

Mr. Peter Harder: Let me simply say that there are many global investors investing in Chinese corporations directly and indirectly, and they're doing that because they're making the judgment that those are good investments.

[Translation]

Mr. Pierre Dionne Labelle: Thank you.

[English]

Mr. Peter Harder: Perhaps it's all speculation.

The Chair: Mr. Adler, you have seven minutes.

Mr. Mark Adler (York Centre, CPC): Thank you very much, Chair. Thank you, witnesses, for being here today.

I do want to pick up on something that you said, Mr. Harder. This was not by any means a foregone conclusion that Canada was going to be selected by the Chinese to be the RMB hub. We were up against some pretty stiff competition from the U.S. Chamber of Commerce as you had indicated. They did want an RMB hub located within their own jurisdiction. They are currently pushing for a FIPA, as you had mentioned.

Here are just a few things about our own economy. We are the best performing in the G7. We have created 1.2 million net new jobs since the end of the recession. We have the best net debt to GDP

ratio of any G7 country. We are the second best place to be doing business according to Bloomberg. We do have the soundest financial sector for seven years in a row running, according to the World Economic Forum.

Wouldn't you say that in the selection of Canada as the RMB hub, these factors were critical in China making that assessment and coming finally to that decision to choose Canada, that these were strong factors in their decision-making process? Would you agree?

Mr. Peter Harder: The factors you refer to are very positive environmental factors for investment in Canada. The parallel for this is when the CIC, the Chinese Investment Corporation, opened its first office in North America. They opened it in Toronto and for many years it was the only office in North America. They've now opened in New York.

That early period in which Canada was the unique North American office was an advantage for us. In the same fashion, with the RMB trading centre, we have those few years of advantage to help brand ourselves as the advantageous marketplace for investment and for trade. The points you make are part of that attraction.

The Chinese at some point will be present in the United States with these instruments, FIPA or an RMB trading hub. The challenge for us is that in this period of first-mover advantage, let's ensure we move collectively and as broadly as possible.

• (0945)

Mr. Mark Adler: I'm glad you said that; it's a good segue into my next question. How many members do you have in your organization?

Mr. Peter Harder: We have about 250 organizations.

Mr. Mark Adler: Primarily business...?

Mr. Peter Harder: Primarily business and primarily SMEs, but we do have the large corporations. We have a large number of educational institutions, quasi-government, and government organizations.

Mr. Mark Adler: Mr. Brakel, how many members does the chamber have?

Mr. Hendrik Brakel: There are 450 local chambers all across the country and there's a network of 200,000 businesses.

Mr. Mark Adler: Thank you.

Mr. Hopkins had said earlier that the hub is not a place. We recognize that. It's more of a process. Given the virtual nature of this process, we heard in the last session from Peter Hall, the chief economist with EDC, that in their assessment only 5% of Canadian businesses seem to be aware of the existence of the hub. Our current two-way trade is roughly \$73 billion. We have an opportunity to grow that exponentially over the next 10 years. I'm wondering how we raise awareness among businesses so that it's not 5%, so that it grows and grows to the point where every business is aware of it, and so that we can take advantage of what you were talking about earlier, because we do have that leg up right now on the United States.

How do we cash in on this now so that we can maximize the economic benefit to Canada, and create the jobs and the economic opportunities that should be created here in Canada? How do we do that? Could you both answer that?

Mr. Hendrik Brakel: Sure. Absolutely.

I think you're right. That's really going to be the key, to see how fast we see the uptake. We've seen incredible uptake at some of the other hubs in the U.K. or in Australia, but it does take a multi-pronged approach.

As I said, at the chamber, we've really tried to raise awareness among our members. We've done joint events with the Canada China Business Council in Toronto. There is a lot of enthusiasm out there. The banks have also acknowledged that they have a big role to play when their trade finance people talk to businesses: "This is what we can offer in terms of cash management and trade plans. Oh, by the way, we can do the deals in renminbi and this could be a big advantage for you."

What we're telling businesses is to first assess what their needs are, and then talk to some of their suppliers and salespeople about what the advantages are. It's very different in terms of some businesses seeing huge advantages, others being a little bit more cautious and conservative, and some saying that they're perfectly happy doing business in U.S. dollars right now. You're right. It is really a multi-pronged approach.

Mr. Peter Harder: The only thing I'd add is that the Business Development Bank, EDC, and the local and regional economic development organizations must have some of the tools for publicizing this and for working with the SMEs, in particular, that they know well. Members of Parliament can do their share of raising awareness, because the facility will launch next month I believe, on March 23. It gives an opportunity for networks across Canada to repeat the message.

Mr. Mark Adler: But you've both committed budgetary resources to promoting—

Mr. Peter Harder: Absolutely.

Mr. Mark Adler: Substantial budgetary resources....

Mr. Peter Harder: We're not-for-profit. There's no such word as "substantial".

Mr. Mark Adler: That's just a legal designation.

The Chair: You have time for one very brief question.

Mr. Mark Adler: Okay.

Mr. Brakel, you had said, on November 11, when it was announced that we have the RMB hub, that this is a big win for Canadian business. You said that this could boost Canada's exports to China by as much as \$32 billion over the next decade.

I think that really positions Canada well given that China is the second-largest growing economy, and perhaps could overtake the U.S. as the largest economy in the world over the next decade.

• (0950)

The Chair: Thank you. We'll take that as an agreement.

Thank you, Mr. Adler.

[*Translation*]

Mr. Côté, you have the floor. You have seven minutes.

Mr. Raymond Côté (Beauport—Limoulu, NDP): Thank you, Mr. Chair.

I thank the witnesses for appearing before us today.

Mr. Harder, I will direct my question to you and come back to the matter of awareness-raising among Canadian SMEs, which seems to be an important issue. As Mr. William Zhu said, clearly, the time we have to take advantage of this business opportunity is very limited. When Mr. Zhu talked about our competitive advantage, he said we had a period of three or four years, because China will be pursuing trade and currency liberalization. That seems inevitable.

Do you share his perspective?

Mr. Peter Harder: Yes.

Mr. Zhu is a member of our organization. He took part in the discussions in our organization and I agree with him entirely.

Mr. Raymond Côté: Fine.

Since Canadian entrepreneurs are clearly less aware than entrepreneurs in other countries—I am thinking of our American neighbour and even of Europe—we are lagging behind and are playing catch-up. Have any particular efforts been made to correct this? Do you have any suggestions to make?

You referred to doing our share by informing our entrepreneurs. Do you think there is something more we could do to meet this challenge, as we are in a race against time?

Mr. Peter Harder: Yes, and I'd like to give a few examples.

Investissement Québec organized many seminars for businesses. Montreal International did so as well. Economic groups followed suit in various cities.

It is important that the organizations that are very close to SMEs have the necessary tools to explain how, in this case, this initiative can help businesses in Quebec cities. As a national organization, we want to work with them to ensure that a series of seminars will be held.

Mr. Raymond Côté: At a committee meeting, Mr. Zhu spoke to us about another concern regarding the thresholds and the quotas that have been set. He seemed to be saying that the quota might potentially be insufficient in light of the volume of transactions in goods and services with China.

Do you share that concern about the agreement?

Mr. Peter Harder: If the quotas are used this means that the businesses want to invest and benefit from this opportunity. Perhaps the quotas can be increased when they have been used up.

Mr. Raymond Côté: I see.

I'd like to discuss another aspect.

As Mr. Zhu indicated, as a trading hub linked to the bond market, Canada is a medium power. Economically speaking, it is not a major player who can influence the course of events. That also is a challenge for Canada, which must have a sufficient volume for this type of market in order to justify the trading centre. Do you share that concern?

Perhaps Mr. Hopkins would also have an opinion on this?

Mr. Peter Harder: The Chinese government invited Canada to take part in this initiative. I think that businesses are going to use this tool. William Zhu and his bank have benefited from this initiative.

It is true that we are not a great power, but we have quite a good record in our economic relations with China.

• (0955)

Mr. Raymond Côté: Mr. Brakel, what do you think?

Mr. Hendrik Brakel: I'd like to add something to Mr. Harder's comments.

Regarding the volume of transactions, since there is quite a large clientele in the United States, if Canadian banks could increase transactions with the United States and see to it that many of those transactions and trades with the United States are done through Canada, the volume could increase. We are quite optimistic in that regard.

Mr. Raymond Côté: I have to admit that I share the concerns of my colleague Pierre Dionne Labelle. We should not deceive ourselves; China's current position is due to the fact that it developed its economy through a type of leap forward. They put a great deal of emphasis on job support job, but they did not respect international trade rules.

China is now complying with international trade rules, but there are still concerns related to the real estate bubble and the fact that the Chinese domestic market has to convert in a massive way.

Do you also have concerns about the future? China was seen as an economic growth engine for the future. But we may find ourselves dealing with a rift due to this Chinese growth.

[English]

Mr. Peter Harder: Let me very briefly remind everybody that China has been in the WTO now for over 10 years. It has been an active member and has taken a number of issues to the WTO for adjudication, and others have taken China there. In each case, China has upheld whatever the decision has been in that process. That

shows that the WTO accession and the rule of law in commerce is important internationally.

The second point I'd make is that what China is doing under President Xi in this new five-year plan is exactly what we've advised China to do through the World Bank study and the NDRC World Bank study, and that is to grow their domestic market and not just be an export economy, and to lower their growth rates to a more sustainable level. It is doing that.

That transition will have a lot of grind in it, but the overall direction is one that will ensure a more stable and sustainable Chinese partner in a global economy where it will represent 25% of global GDP.

The Chair: Thank you.

We'll go to Ms. Bateman, please.

Ms. Joyce Bateman (Winnipeg South Centre, CPC): Thank you very much, Mr. Chair.

Thank you to all of our witnesses this morning. I really appreciate your comments.

I'd like to start with Mr. Harder.

You referred several times in your remarks to us this morning about the early-mover advantage, the head-start advantage. You said in another example that you recounted that the early-start advantage gives us the opportunity to brand ourselves, to secure that market, to make something happen. You said that we must act collectively and broadly.

Could you put a little more meat on those bones, some specifics?

Mr. Peter Harder: Sure.

I'll give you a classic opportunity that is before us. Australia has just concluded a free trade agreement with China. We don't have the particulars yet because the agreement has not yet been made public. We have pieces of it. But Australian barley farmers, for example, will be able to export their barley to China without a tariff. Canadian barley farmers will have that tariff.

Why aren't we negotiating actively with China to have access, particularly in those sectors that both sides have agreed ought to be a priority?

Ms. Joyce Bateman: Who is the "we"?

• (1000)

Mr. Peter Harder: I mean the Government of Canada.

China has offered, and the Government of Canada has said they're too busy. I think Canada should take the opportunity to engage. It won't be a quick negotiation. This will take some time, but the first step is the first step.

Ms. Joyce Bateman: What about the specifics of a small business?

Mr. Brakel, I so appreciated your example of the small business that was going to benefit from the renminbi centre, the virtual centre, with the museums, for example, and the small organizations.

How do we embrace the financial sector? In Winnipeg South Centre, for example, at the corner of Niagara Street, how do we walk down to that bank and perhaps assist a business person in my riding to access this opportunity, which is immense?

Mr. Hendrik Brakel: It is exciting, and it is about small business.

During the Prime Minister's trip to China, our CEO, Perrin Beatty, hosted a moderated talk with Jack Ma, the head of Alibaba, which people often call the Chinese Amazon. In fact, Amazon only has \$90 billion in revenue, and Alibaba has \$240 billion, so this is massive. He was saying that Alibaba and the electronic commerce is really about empowering small business. It's not that you have to have a big retail thing or a big multinational. You can go and list and use those electronic tools, even if you're in Mississauga or Winnipeg or Charlottetown. You can use those things.

When you speak to your banker, the local banker will call in the trade finance department at head office and say that renminbi exists. One of the challenges for the banks is to push these tools and this knowledge out to the local branches and local people.

We say, firstly, that there are a lot of electronic commerce tools available to SMEs, but also it's to talk to your bank and ask what tools are available to you.

Ms. Joyce Bateman: We're very well positioned, then, with the strength of our banking sector and its ability to reach out and support the various agreements that the government has put in place.

Mr. Hendrik Brakel: We hope so.

We've heard from the banks that they're excited about it, and they want to get geared up and make sure that they have—

Ms. Joyce Bateman: What are you hearing is the plan? March 23 is fast approaching.

Mr. Hendrik Brakel: Well, yes, but March 23 is ICBC actually launching and saying that this hub is available. The banks have, I think, already started making sure that they have the services in place. When we were doing our report on the renminbi, what we wanted was to have companies announcing that they were planning to do or thinking about doing business in renminbi. The challenge is that they want to have all their ducks in a row and all of the arrangements made in advance.

Yes, we think there will be a pretty strong uptake, but it will take time.

Ms. Joyce Bateman: Good stuff.

Mr. Hopkins, at the end of your remarks you spoke of the importance of marketing to and educating Canadian businesses.

What is your perspective on how best to achieve that?

Mr. Jim Hopkins: Well, it's meat and potatoes. It starts with forums. For example in Vancouver, our counterpart to the Toronto Financial Services Alliance—a group called AdvantageBC—will host a forum for business and financial institutions in Vancouver to showcase the RMB hub opportunity. Our government is setting aside a small budget to help in these endeavours.

They will also be doing workshops at the sectoral level. The business dynamics of a forestry company, by comparison with those of a mining company or a high-tech company, are unique, and we

think that workshops that are sectorally focused will be helpful in getting traction with businesses in terms not only of their appreciating the opportunity but, at a granular level, of knowing how you contract with a Chinese counterparty. It's easy to say, but it doesn't just happen; you really must have that granular appreciation. We think that's very important.

The other thing I'll add is that, from our reading of the literature, another opportunity for getting better traction on this is trade missions into China itself to switch on Chinese businesses to the opportunities that exist to do business with Canadian companies in RMB and to invoice in RMB, because you have counterparties here in Canada who may be interested in engaging with you in RMB-denominated trade. There is also a missing link in that these Chinese companies don't fully appreciate what is happening in Canada and that we are open for business in RMB-denominated form.

It will take years of working this initiative, but this, we believe, is the first step.

• (1005)

Ms. Joyce Bateman: Thank you very much.

The Chair: Thank you, Ms. Bateman.

We'll go to Mr. Van Kesteren, please.

Mr. Dave Van Kesteren (Chatham-Kent—Essex, CPC): Thank you, Chair.

Thank you for being here. I have a few questions.

I want to go to you first, Mr. Brakel. You made a statement to our honourable member from the NDP. When he talked about wine, you said it's better to receive RMB than U.S. dollars. I have a whole whack of questions, but can you tell me why there's an advantage there?

Mr. Hendrik Brakel: It's just the conversion costs. The Chinese buyer has to convert into U.S. dollars, and then someone has to convert into U.S. dollars. So it's just the conversion.

Mr. Dave Van Kesteren: But if he's selling wine or if Quebec is selling wine and the agreed price is \$10 U.S. a bottle, what kind of conversion needs to be done? The Chinese have—what?—\$4 billion of American money in their banks? Why would there be that advantage? I don't understand.

Mr. Hendrik Brakel: Well, first it's the conversion costs from the double conversion. That alone is about 1%.

Mr. Dave Van Kesteren: You're missing my question. If the price is \$10 U.S., since they have lots of U.S. dollars, why don't they just give them \$10? Then the transaction is done and they have \$10 U.S. that they can spend right next door. I don't understand what the advantage is.

Mr. Hendrik Brakel: You're right; there are certain companies that are perfectly happy to pay in U.S. dollars. What we're saying is that for certain companies in China it is sometimes easier to borrow in RMB than it would be to borrow U.S. dollars.

Mr. Dave Van Kesteren: Do you stand by your statement that it's better for them to get RMB than U.S. dollars? Are you saying that?

Mr. Hendrik Brakel: That's why we're saying that in certain circumstances they can do more business. If you're a retailer—

Mr. Dave Van Kesteren: This might not be the—

Mr. Hendrik Brakel: No, you're right. It may not be ideal for Peller Estates; that's true.

Mr. Dave Van Kesteren: Okay.

I want to go to Mr. Harder. He has had lots of experience.

I looked at your dossier, and it's quite remarkable, sir.

There's a huge advantage, you have to confess, in having a dominant dollar, a trading dollar. Everybody trades with the U.S. dollar. I can see that the Chinese might love to have this dominance removed, but isn't that something—I asked this question last week and didn't get an answer—that the United States would guard against fiercely, the possibility that they might lose that prominent position?

Mr. Peter Harder: I'm not a monetary economist but the global trends are clear. The RMB has been a more used currency in the past number of years. I don't have the precise percentage now of international commerce in RMB, but it has to be 23% or so.

Mr. Hendrik Brakel: Yes, in trade financing—

Mr. Peter Harder: Yes, and with liberalization of the RMB, which will come, it will become a reserve currency. It already is being held by a number, and there will be a normalization over a long period of time.

What we are talking about in the RMB conversion settlement issue is not really about currency and reserve currency, it's about transaction costs, and SME transactions are often beginning and ending in the local respective currencies. The price is set at the U.S. dollar currency, which creates a lot of friction costs in trade, and that's what we are eliminating.

Mr. Dave Van Kesteren: Let's go there first and let's talk about SMEs. There has been a lot of talk about the advantages for SMEs in being able to trade. I can understand the Australians, being of close proximity—

Mr. Peter Harder: Vancouver is closer than Sydney.

Mr. Dave Van Kesteren: Vancouver is, but we're a whole lot closer to the U.S.A. and it's been to our advantage to have that currency.

I'm a little bit puzzled. Like you, I'm certainly not an economist. I'm just a country boy but I've run a business and I'm doing a little bit of farming. Somebody made the statement—it was you, sir—that the Chinese offered Canada an agreement. You're absolutely right; we need to start selling our barley and our wheat and we need to have that market. I raised that with the Chinese gentleman as well. Are you saying that the Canadian government said that we're too busy to do that?

•(1010)

Mr. Peter Harder: That was what Mr. Fast said when asked. He said we're preoccupied; we have other priorities.

Mr. Dave Van Kesteren: Okay. I have talked to the Minister of Agriculture and Agri-Food and he has assured me that he has made a number of trips—

Mr. Peter Harder: He's great.

Mr. Dave Van Kesteren: He has been making this a top priority, but it seems to be that the Chinese, and God bless them, are good business people, but they do use strategic practices to favour one and let the other one go by the wayside. Is this something that's going to enable us to sell wheat and barley more easily to the Chinese?

Mr. Peter Harder: On this transaction, the RMB standard or not, my point is that we need to have a broader architecture of engagement, and in the complementarity study, both sides, Canada and China, identified sectors in which they would both benefit from by lowering tariffs, and I'm saying we should get on with that.

Mr. Dave Van Kesteren: I want to go to Mr. Hopkins.

Mr. Chair, what...?

The Chair: You have a minute and a half.

Mr. Dave Van Kesteren: Okay, I want you to clarify something. When you talk about the bond, in essence you're saying that you've raised money to finance operations in B.C. Is that correct? It's a bond market. Basically, that's what governments do, so rather than get it from traditional banks, you went to China and borrowed the money from China. For the lay term, is that a fair description?

Mr. Jim Hopkins: That is correct, except in this case we did our RMB bond as a matched book trade where we borrowed the proceeds in RMB and actually invested those proceeds into an RMB-denominated investment, so we didn't use the proceeds in this particular case for financing capital spending here in British Columbia. Rather we did it as what we call a matched book trade. We do that from time to time in running our liability management program.

The Chair: Thank you very much, Mr. Van Kesteren.

Colleagues, we have three motions that we have to deal with today, but I did want to get one question on the record and I would like to get a brief response today, and perhaps our witnesses can follow up.

Mr. Brock, in your presentation you talked about China being a saving nation with an enormous pool of capital available to companies and governments. Then you talked about EDC, and Mr. Hopkins as well talked about the bond issue, which Mr. Van Kesteren just mentioned, but then you said we can't wait to see the first Canadian business raise renminbi funds.

So my question is to ask you to expand on that to say how and then to address the specific issue of whether mainland Chinese investors will be able to invest, not as institutional investors but as investors in issues issued by the Canadian stock exchanges.

This is a question I'll follow up with the Toronto Financial Services Alliance, but I wanted to get you to expand on that as well.

Mr. Hendrik Brakel: Yes, we were thinking of it as a possibility. I was speaking to some folks at the Bank of China about a Canadian company that wanted to invest in China. Instead of borrowing Canadian dollars, converting to renminbi, and making that investment there, they could issue bonds in renminbi the same way B.C. or EDC did, raise the funds in renminbi, and make the investment overseas.

Even better, because we're the only jurisdiction in the Americas that has it, what about a Brazilian company that wants to invest in China? They could do that through their Canadian bank partner, like Scotia or whatever, that's very active in Latin America. Wouldn't it be cool if Canada became this conduit or was able to raise funds in renminbi? We would really love to see a Canadian company—

The Chair: With respect to Canadian companies doing share offerings on the Canadian exchanges, do you see mainland Chinese investors using this as a tool to invest...?

Mr. Hendrik Brakel: A lot of mainland Chinese companies and banks, particularly the banks, are listed already in Hong Kong, and I think there are a couple of Chinese companies that are listed in New York. I'm not an expert in this. I think we might see more but I'm not sure it makes a big difference.

The Chair: Mr. Harder, do you have a brief comment?

Mr. Peter Harder: I think that they would.... This is more on transactions than on investment, but I'll look at it.

The Chair: I appreciate that. I wish I had more time to go into that, but we do have three motions here we have to deal with today.

Thank you so much to our witnesses for a fascinating discussion. If you have anything further you wish the committee to reflect upon please submit that to the clerk and we'll make sure they get it.

Colleagues, we'll suspend for a minute or two to say goodbye to our guests, and then we will proceed with motions.

Thank you.

•(1010) _____ (Pause) _____

•(1015)

The Chair: I call this meeting back to order.

Colleagues, we do have three motions. We received Mr. Cullen's motion first, Mr. Dionne Labelle's motion second, and Mr. Saxton's motion third. We'll proceed in that order.

We'll start with Mr. Cullen, please.

Mr. Nathan Cullen: Sure. I can give some context too.

The committee members have heard me talk about this motion before. We tried to construct it in such a way as to take any partisanship out of it or any angle out of it. It is certainly on the minds of Canadians I've talked to and Canadian businesses I've talked to. It is the state of affairs, the both positive and negative impacts on the resource sector prices that we've seen, particularly oil, but others as well.

I come from a mining sector in northern B.C., and we've seen a dramatic change in the prices. I know Mr. Cannan as well would... aside from wine there are some other things that happen or don't happen. An understanding of where the Canadian economy is would

be appropriate. I'm glad about the government's enthusiasm for the PBO report and the veracity of their undertakings. It's a good tone.

Mr. Brison—and I know he's not here today—had some notions about amending it. We are of course open to amendments.

As well, not to speak too much to Mr. Saxton's motion that's coming, but I know that at a public safety meeting a motion almost identical to this has been moved to look at the terrorist financing issue, which I know is important to the government and obviously to the minister who sent us a letter. We try to do give and take. We talked—Mr. Keddy was in that conversation before—in terms of how the committee structures itself and what our agenda is. We think this is a high priority for Canadians and a high priority for the government.

I want to emphasize that we've tried to construct this in such a way that it will be informative to members of the committee and all parliamentarians. More broadly, we want the Canadian public and Canadian businesses to understand what the impacts are going to be of what seems to be a relatively stable price on oil, as well as the impacts we're hearing about in the manufacturing sector.

It's a repetition of a pitch I've made to members before. I know the Liberals have expressed support before. We look forward to doing this and getting on with the work.

•(1020)

The Chair: Thank you. Is there further discussion?

Mr. Saxton.

Mr. Andrew Saxton: Thanks, Mr. Chair, and I thank Mr. Cullen for his proposed motion before the committee.

I just want to remind my colleagues that the finance department is studying the impact of oil price fluctuations on the Canadian economy. The Parliamentary Budget Officer has also done a study on this. The Governor of the Bank of Canada has also done a study on this, so it is being studied in a number of different places. We feel that there is another very urgent priority for this committee to look at. I'll bring that up when my motion is discussed later.

The Chair: Thank you.

Mr. Cullen, it's your turn again.

Mr. Nathan Cullen: I know we're combining a couple of conversations, but I'm not sure if Mr. Saxton heard when I initially introduced this that an incredibly similar but not identical motion has been moved at the public safety committee, which will be dealing concurrently with C-51 when it leaves the House. We don't have a sense from the government if that's going under time allocation, but it's been imagined today already. So that committee is dealing with the broader aspects of terrorism and terrorist financing. It seems like a natural fit to a committee that's already engaged in changing Canadian law around terrorism and anti-terrorism measures.

The Governor of the Bank of Canada did do a study on this and then acted. That was part of the point. The bank surprisingly lowered the lending rate, which was surprising to the markets. No one predicted it. If the finance department is studying this, one wonders why it isn't also engaged in studying terrorism financing, if that's the first priority.

I'm a bit befuddled, Mr. Chair. It's a bit of a strange moment, I suppose, when it's New Democrats who are asking to study the economy, particularly the impacts on the oil sector, which we think is very important, and we have Conservative colleagues across the way saying it's not as important. I suppose it's just a moment in time for the dynamic of this government, which spent a great deal of energy, effort, and time talking about oil in particular and the economy at large. This is a motion that we are willing to amend. However, simply saying that others are doing the work.... Again, I'm glad for the government's new-found enthusiasm for the Office of the Parliamentary Budget Officer, and not seeing them in court maybe on their particular assessment of the economy.

My point is this. If there is a reason why, and the government says it has new coherence and understanding about what the impact of low oil is on the Canadian economy, I would love to see it.

I think this is exactly what the finance committee should be doing. I think this is what Canadians would be looking for us to do, and if we're able to have an undertaking of terrorist financing, which is an important issue for all Canadians, done at the committee that is dealing with terrorism issues, then it's complementary, certainly.

I would urge the government again to rethink its stated position on this, and there is give-and-take that happens at committee. We are spending four days on the renminbi. That was something of the government's interest. We've had this throughout the history of this committee. This is an important issue to study. This is an important issue, I would assume, for government members to understand, as well.

I'll end on this, Mr. Chair. I truly want to know what the impact is on the manufacturing sector of an 80¢ dollar. Are we picking up the gravitational pull from a helpful U.S. economy that's performing GDP-wise at twice or so the rate that we are, or are we not? We had some significant manufacturing losses. Are those losses being picked up? We are hearing conflicting signals from some in the manufacturing sector as to whether this is good or not and whether they are going to replace some of those jobs. We've seen recent reports out of Alberta and some of the other provinces impacted by oil prices that the housing market is being impacted. How?

I dare say that nobody around this table fully understands and appreciates what that impact is on the Canadian economy. If the next election, and what we're engaged in, is about the economy, which everyone tells us, then why not understand it? Why not get to this motion? Why not simply accept it? Again, we are open to amendments. We are open to a focused debate on this.

I want to say one last thing. I was given some concern that this motion had been discussed and issues had been discussed. I'll note that the finance minister's letter to us was also given to the *National Post* to ensure there was some public commentary on this before the committee had a chance to review it. It's somewhat concerning to me

and some others that, after being so properly chastised by some of my colleagues across the way, the next thing the government did was send its intentions for this committee out to the public through a national newspaper. There we have it; do as I say, not as I do.

• (1025)

The Chair: Thank you, Mr. Cullen.

[*Translation*]

Mr. Côté, you have the floor.

Mr. Raymond Côté: I have to admit, Mr. Chair, that Mr. Saxton's remarks disturbed me somewhat.

He almost seems to be suggesting that the work of the Standing Committee on Finance is of little importance. And yet we deal primarily with the directions we will take, the budgets we adopt and issues related to the economy. This is fundamental.

The fluctuation in the exchange rate of the Canadian dollar against the American dollar is of course one of the very numerous consequences of the decline in the price of oil. Another is an increase in the cost of fruit and vegetables imported from abroad. This has a direct impact on middle-class families. That is a very specific example among many others, and with all due respect to the work of the Bank of Canada, the Department of Finance and other organizations, our committee must get to the bottom of this and analyze it all. We have to define or at the very least try to see where we are headed with all this.

The last Monetary Policy Report of the Bank of Canada was extremely clear. Indicators showed that Canada's position is not very competitive in the face of the challenges posed by the decline in the price of oil on world markets. This is causing a transition in our economy and in activities in various parts of the country. It is important for the people of Alberta, among others, to know what is going to happen to them and what we are going to be able to do to help them with the challenges they face. The same thing applies to the people of Quebec and other parts of the country.

So I absolutely do not understand how anyone can minimize the interest of the topic my colleague Nathan's motion proposes we study.

I will conclude with that.

The Chair: Very well, thank you.

Mr. Dubourg, you have the floor.

Mr. Emmanuel Dubourg: Thank you, Mr. Chair.

I would also like to say a few words about the motion tabled by my colleague.

In his introduction he said he was open to amendments. We do not intend to present amendments to his motion. We support it for several reasons. Among other things, there is the price of oil. In fact, in the House the Prime Minister spoke at a certain point about an economic crisis. I put a question to him on that and I did not receive an answer.

It is so important that the government decided to postpone tabling the budget. In the final analysis, we need this information so that the budget can be duly tabled. Now this has been postponed till April. We don't know if it will be tabled in the first part of the month of April or later.

Thus it is becoming increasingly important and urgent for the committee to meet witnesses and discuss these things. Mr. Saxton stated that the Parliamentary Budget Officer had carried out a study. That is very good and it is an indication, but even if the price of a barrel of oil goes back up to \$80, that does not necessarily translate into stability.

I think it is important that we examine these points, all the more so since this situation has an impact on the manufacturing sector. I don't have to list all of the big businesses that are closing their doors or laying people off. We are talking about several thousand jobs.

We are in February. Since the tabling of the budget has been postponed till April, it would be interesting for the committee to consider this motion and undertake the impact study it proposes.

•(1030)

[English]

The Chair: I'll move to the vote on the motion.

(Motion negatived)

•(1035)

[Translation]

The Chair: We will now move on to Mr. Dionne Labelle's motion.

Mr. Dionne Labelle, you may go ahead.

Mr. Pierre Dionne Labelle: Thank you, Mr. Chair.

My motion reads as follows:

That the Finance Committee study how to combat tax evasion strategies used by some Canadians listed by HSBC's Swiss branch as secret account holders and which was made public by the International Consortium of Investigative Journalists.

Yesterday, Swiss authorities searched the offices of HSBC's Swiss banking subsidiary. The bank committed fraud, allegedly helping to launder terrorism- and drug-related money. We know that the details of some 100,000 secret accounts were leaked and that 1,859 of them belong to Canadian clients.

France undertook an investigation into the matter, and the country's public prosecutor will soon lay charges. Argentina has accused the bank of wrongdoing, and the U.S. has conducted an investigation. In the United Kingdom, a group of MPs will soon open an inquiry into the issue. Belgium, too, is investigating the matter.

The purpose of the motion is to let Canada do its homework and figure out what transpired. The point is to identify the methods and strategies people use to hide money in Swiss accounts. That is not to say that all 1,859 Canadian clients did something illegal. But, in France's case, the data revealed that the money in 94% of the identified accounts had not been reported to the tax man. That raises the question.

I think it would be useful to hear from witnesses who are familiar with these strategies. We could hear from experts. High-ranking officials obtained the list in 2010. The people who come to mind are Guy Bigonnesse and Minister Blackburn, who asked the French authorities for the list.

We want to know what happened and how these people managed to hide their money from the Canada Revenue Agency. Why did they do it? What we're trying to do is figure out the strategies they used in order to prevent tax evasion in Canada through other channels. We want to know how it was carried out and what we can do about it.

Through its voluntary disclosures program, the Canada Revenue Agency managed to recover \$28 million from 264 people on that list. What's happening with the investigations into the others on the list? Can we find out a little more about that? Did international intermediaries have a hand in managing the accounts of those 264 individuals who owed the unpaid taxes? Were there Canadian intermediaries? We want to get to the bottom of the entire situation.

This scandal is making its way around the world. Other governments are actively pursuing the matter. Canada, however, seems to be completely out of touch, hence the reason for this motion.

Thank you.

The Chair: Thank you, Mr. Dionne Labelle.

[English]

Mr. Keddy.

Mr. Gerald Keddy (South Shore—St. Margaret's, CPC): Thank you, Mr. Chairman. Thank you, Monsieur Labelle, for your summation.

I'm going to give a fairly lengthy answer. You took some time to lay down the parameters of your motion.

The reality is that we do have a very good record. The Government of Canada has a very good record of combatting international tax evasion. Let's be very clear that we know that record. Since 2006 we've audited over 8,600 international tax cases and identified \$5.6 billion in additional taxes that are being collected.

Your numbers, with respect, are incorrect. I'm going to give you the correct numbers here today. When I'm finished with all the numbers and the actions we've taken as government, you'll be satisfied that actually this file has been handled extremely well.

To begin with, CRA became aware of the account holders of the HSBC accounts long before the International Consortium of Investigative Journalists did. You referenced Minister Blackburn travelling to France in 2010. He personally collected this list from France's tax collection authority and since that time strong actions have been taken.

Contrary to the numbers in the media reports, the total number of files is 1,349 received from France related to HSBC. Of the 1,349 files received, 154 were duplicates and 801 were accounts that contained zero dollars. I'm giving you as much information as we have. The remaining 394 were deemed to be high-risk, high-dollar files. Of those files, the relevant accounts that have been reviewed have resulted so far in 200 audits that are either completed or currently under way. As a result of these audits, \$21 million in federal taxes and penalties have been reassessed to date, and the compliance action obviously continues.

On top of that, CRA has received 264 voluntary disclosures related to Canadians with HSBC accounts worldwide. The unreported income identified through these HSBC disclosures for this period totals nearly \$123 million. To be clear, disclosures are only accepted by CRA if the disclosures are voluntary, meaning that the taxpayer cannot submit a disclosure if he or she becomes aware that CRA has audited them. They can't come in after the fact; they have to be proactive on their own part.

We also need to recognize that CRA was commended by the Auditor General for handling a separate list of Canadian taxpayers with offshore accounts, known as the Liechtenstein list, in his fall 2013 report on offshore banking.

Aside from the HSBC accounts, the government has implemented a number of tools over the past years aimed at cracking down on international tax evasion and aggressive tax avoidance. As a result, capacity to combat international tax evasions is stronger than it's ever been.

We included \$30 million in 2013 for CRA to specifically target international tax evasion. We created an offshore compliance division that includes 70 full-time specialized auditors; the requirement for financial intermediaries, including banks, to report electronic transfers over \$10,000; an offshore tax informant program, which allows CRA to pay individuals for information collected that results in federal tax being collected.

We strengthened the foreign income verification, or the T1135, which introduced new reporting requirements—

• (1040)

The Chair: Sorry, Mr. Keddy, the bells are going.

Colleagues, can we extend another five minutes and then we'll go to the House?

Mr. Gerald Keddy: I will wrap this up very quickly.

The Chair: Okay.

Mr. Gerald Keddy: What we've seen is a dramatic increase in the number of taxpayers using the voluntary disclosures program. Last year, for 2013-14, we received 5,248 disclosures for a total of \$303 million in unreported income. For this year, 2014-15, as of February 1, we've received 8,795 voluntary disclosures for a total of \$605 million.

The system is working. There's work to be done. We recognize that. For the HSBC case alone—that case is almost completed but is still under way—the numbers that were in the paper are incorrect. I've given you the correct numbers here today.

In 2006, voluntary disclosures were at 1,158. Today, they're at 8,795. Along with extra auditors, we have a system in place that I think is really showing that the CRA is doing a good job here. We've signed a number of tax treaties—92 tax treaties—and we have 22 tax information exchange agreements in force. Everything is in place to tackle tax evasion and tax avoidance in an aggressive way.

The Chair: Thank you.

I have Monsieur Dubourg and then Monsieur Dionne Labelle.

[*Translation*]

Mr. Emmanuel Dubourg: Thank you, Mr. Chair.

I'll keep it brief.

First of all, I fully support getting an update on the situation for a number of reasons.

When I joined the committee, I was brought up to speed and told about the work the committee had done previously. It had reported on tax evasion and the use of tax havens. But a lot has changed since then, hence the importance of obtaining more up-to-date information.

To the point my colleague, Gerald Keddy, made about the great job CRA is doing dealing with tax evasion, I would say that all these numbers simply underscore the problem around transparency. How is it that we're getting that information now? Everyone knows that the Parliamentary Budget Officer formally requested the data but wasn't able to obtain it.

The member is claiming that CRA is doing a great job dealing with tax evasion, and yet the Parliamentary Budget Officer isn't even being allowed to evaluate that performance. Other countries have taken things further. If we want to show that the situation has improved, we have to know where we stand. Let's start by giving the Parliamentary Budget Officer access to the relevant information, and from there, we can determine how much progress has been made. We can't do that right now. We're forced to accept the figures Mr. Keddy is giving us.

As parliamentarians, we should, under normal circumstances, have access to that information.

Thank you.

[*English*]

The Chair: Colleagues, it looks like we'll have to deal with Mr. Saxton's motion at the next meeting, but I would like to have a vote on this.

Very briefly, we'll hear from Mr. Dionne Labelle and then Mr. Cullen.

[*Translation*]

Mr. Pierre Dionne Labelle: Mr. Chair, you'd like me to make one last comment, so here it is.

I listened to the figures cited by the member. The International Consortium of Investigative Journalists will obviously verify all those numbers because they don't entirely square with what was said.

What's more, the member is trumpeting a disclosure mechanism for international tax evasion, but we have nothing in that respect so far. In fact, the mechanism hasn't produced any results. And no charges have been laid in relation to the 264 cases in which agreements were made. Those individuals have intermediaries somewhere. You don't just throw \$20 million or \$30 million in a suitcase and travel to Switzerland. The money moves in certain ways through certain channels.

The purpose of the motion is to identify the strategies that were used. What were they? Who were the offshore companies involved? Were Canadian intermediaries involved? The member can't even name one. These things didn't just happen on their own, so we need to do this study.

Thank you.

•(1045)

[*English*]

The Chair: Merci.

Mr. Cullen, do you need to add...?

Mr. Nathan Cullen: I appreciate this. I had questions actually on what Mr. Keddy was saying because there was a mixing between the specific ones that Swiss Leaks pointed out and the general efforts of government for tax evasion, so I feel like what was offered back for the government not to approve this motion was a mixture.

I'm looking through the countries that have launched criminal investigations on this exact same file, which Canada has not, and they include Belgium, Britain, Switzerland, France, the U.S., Argentina and on down the list. So for a government that shows aggressiveness on this, they're not showing it. Voluntary is nice, but with this we were handed, as the British said in their case, 6,000 files ripe for investigation in Canada. Mr. Keddy is going to claim some

number less, but there are apples and oranges being mixed in terms of how many of the Swiss Leaks accounts have actually been followed up and what is the actual amount the Canadian government has recuperated from this and mixing that with other voluntary disclosures on files that are not at all connected to the motion Monsieur Dionne Labelle put forward today.

I feel like the government is evading the question, not to use the term too much, as to our ability to get at this. For a government that is facing budget shortfalls, I would imagine that being aggressive on some of these things would be directly in the interests of making their promise to balance the books by going after some of the biggest tax cheats, who, by the way—and I'll end on this, Chair—may be very much connected to the international terrorism that the government seems consumed with right now.

That's what some of these exact accounts were used for. They were for funnelling money through legitimate accounts to illegitimate accounts then funding some of the worst and heinous acts going on around the globe. That's what the British and the French and the Americans have been finding. Why this Canadian government seems so interested in voluntary action is beyond me.

I know you want to get to a vote, and we can move on to Parliament.

The Chair: Thank you.

All those in favour of the motion...?

(Motion negated)

The Chair: That motion is defeated, so, Mr. Saxton, we'll do your motion at the next meeting.

Thank you. The meeting is adjourned.

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