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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 69 of the Standing Committee on Finance. Pursuant to Standing Order 108(2), we are continuing our study on a Canadian renminbi trading centre

I want to thank all of our guests for presenting here this morning, both here in Ottawa and in London, U.K.

First of all, we have Professor John Curtis. From AdvantageBC, we have the president and CEO, Mr. Colin Hansen. From the Royal Bank of Canada, we have Mr. Bryan Osmar. From the China Construction Bank, we have Nianbei Sun. From London, we want to welcome Mr. Mark Boleat, chairman, City of London Corporation.

Welcome to all our presenters and thank you so much for being with us. Each of you will have five minutes for your opening statement and then we'll have questions from members.

We'll start with Professor Curtis, please.

Mr. John Curtis (Consultant and Adjunct Professor, As an Individual): Thank you, Chair. Good morning both to you and to honourable members of the committee.

I'm delighted to have been invited to offer my views on the Canadian renminbi trading centre. I am here as an individual with no particular special interest to advance or to represent.

As to my training and career, you introduced me as a professor, Chair, and I'm a sometime professor, having retired from the federal public service in 2006, leaving the government as the first and founding chief economist of the Department of Foreign Affairs, Trade, and Development. I'm an international trade specialist and economist with a particular interest in how the international trade and the investment regime is influenced and shaped by the international financial system and by domestic economic, social, cultural, and political factors.

Although I'm not a China expert—I'll be the first to admit it—I might add that my interest in that country dates from a very early age. I remember well a distant and squeaky voice on the radio on October 1, 1949, proclaiming the People's Republic of China. I remember my father at the time telling me that this was and would be one of the most major developments in my lifetime and I think he was probably right.

Some 12 years later, as a young adult spending time on the beach at Spanish Banks—those of you from the Greater Vancouver area will know what I'm referring to, overlooking Burrard Inlet—I was

looking out at what seemed to be a long line of massive ships full of Canadian wheat destined for China. This is a major event in Canada's economic history and in modern Canada-China bilateral relations that was referred to last week by several of your witnesses here at committee.

Let me make three points. I was always trained to be pithy. Earlier ministers and a prime minister whom I served always said that if I wasn't able to summarize my argument from the second floor of the Parliament Buildings to the first, it was too long. So I'll be very brief.

The creation of a Canadian RMB trading centre, as all your previous witnesses have said, is undoubtedly very good news for Canada, very good news for our financial services sector, and for Canadian commercial enterprises large and small, particularly medium and small business, which I know this committee has been focusing on.

If the concept is explained extensively and clearly to all those involved, or those potentially involved across the country and even abroad, particularly throughout the Americas, before other hubs in our hemisphere come into being, the new Canadian RMB trading centre will be of clear net benefit to us. Amongst all the benefits alluded to earlier in testimony—I've had a chance to read much of it, such as lower transaction costs, better efficiency, etc.—it will further strengthen our already strong and growing financial services sector.

Canadians often seem to forget or to overlook the fact that this country is running a surplus, since 2010 in fact, on our balance of payments in the services account or in the commercial services account. We tend to focus only on merchandise trade. This ongoing strength of ours in the services area, the commercial services area internationally, including financial services, bodes well for our future prospects in the so-called new economy.

•(0850)

Second, the clearing and settlement of financial accounts, important as it is, by no means is the whole story when it comes to international trade activity and performance. In the longer scheme of things it is only a small yet important part. International commercial activity depends largely on what each country can produce, what the other country or countries want from us, and at what price; in other words, supply and demand.

Finally, my third point is that it is important to re-emphasize throughout your consideration, and this discussion, the central role of the United States dollar in global financial transactions. The U.S. dollar won't even be remotely challenged by developments in front of the committee.

Let me say that the process is an ongoing and expected normal result of China's increased share of global trade and investment. We all hope that China's cautious and controlled approach to these matters today will continue well into the future, including what I thought in my presentation might be called "China's peaceful rise in financial markets".

Thank you, Chair.

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

We'll go to AdvantageBC, Mr. Hansen, please.

Mr. Colin Hansen (President and Chief Executive Officer, AdvantageBC): Thank you very much, Mr. Chair.

First of all, just to give you a quick description of AdvantageBC, we're an organization that has history going back to 1986, formerly known as the International Financial Centre, Vancouver. At that time there were two international financial centres established, one in Vancouver and one in Montreal, and the goal was to promote international financial activity to locate in those centres. Actually, if you look back a number of years ago, in 2008 Vancouver was ranked number 33 as a world financial centre. We set a goal, as the Government of British Columbia, to have that in the top 25 two years after the Olympics, in 2012. In fact, we hit number 17 that year, and in 2014 we actually came in at number 14, which I'll talk about a bit later in the presentation.

British Columbia has been a leader in promoting the use of the renminbi in North America. In fact, in November 2013, the Province of British Columbia became the first non-China government to issue a dim sum bond in the amount of 2.5 billion renminbi, and a year later in November of last year a second renminbi bond in the order of 3 billion renminbi was issued by the province. Interestingly, the only other government jurisdiction to have issued a dim sum bond was the U.K. in October of last year.

So, if you go back a year ago when people first started talking publicly about the prospect of Canada becoming a renminbi settlement hub, there was discussion in the media about how this could shape up to be an aggressive competition between Vancouver and Toronto as to where this hub should be located. It was actually our finance minister, Mike de Jong, who started to promote the idea of a pan-Canadian hub, one that wasn't there to be centred in any one particular city but in fact could serve Canada from coast to coast because, in fact, a renminbi settlement hub is not an address. It's not a building. It's a facilitation that really can be accessed from anywhere in the country, and in this case, because we're the only game in North America, anywhere in the Americas.

So our finance minister asked AdvantageBC to lead the private sector push to have Canada designated, and we worked very closely with the Toronto Financial Services Alliance to jointly promote Canada to have this designation. A working group was set up under my chairmanship in British Columbia and we built the case for how Vancouver could complement Toronto and the other centres in

Canada to really make something that is greater than the whole of its parts.

What we find is that different centres in Canada have different strengths when it comes to renminbi settlement. Vancouver is known for trade finance. Calgary is known for inbound foreign direct investment into the western resources industries and Montreal is known for derivatives. Toronto is known for a broad range of other activities. But they complement each other very nicely.

In terms of Vancouver, not only do we have the strength in terms of trade finance but we also have the advantage of time zone. I think when you start looking at that 24-hour clock of commerce around the world, where renminbi trading is going to carry on 24-7, you have the end of the business day in Asia overlapping with a business day in Europe. But then there was a big gap as the Americas did not have that facilitation. So Toronto and Montreal overlap with the end of the business day in Europe, and the west coast overlaps with the start of the business day in Asia. You can wind up with that continuous service of renminbi settlement in real time by taking full advantage of the Canadian time zones that we have to fill that big gap that had existed in the world.

Canada has big strengths that we bring to the table in this file. We have the number one banking system in the world seven years running, according to the World Economic Forum. We have four cities in the top 30 in the rankings of global financial centres. We have Toronto ranked at number 11, Vancouver at 14, Montreal ranked number 18, and Calgary at number 27. I think we as Canadians don't recognize the strengths we have. I do.

I think the November 18 announcement was very important in a couple of respects. First of all, the People's Bank of China designated this settlement hub, the Canadian hub, as not just for Canada but they actually explicitly said that it was there to serve North America. In fact, we can serve all of the Americas through our Canadian financial institutions because we know there are no others in the pipeline that could establish settlement hubs elsewhere in the Americas any time soon.

The RQFII allocation is also important. It's an opportunity for us to service the Americas and to allow access for direct foreign investment into China using onshore renminbi through the RQFII allocation.

●(0855)

The bottom line, I think, is that Canada has a great story to tell when it comes to our international financial institutions. Being designated as the renminbi settlement hub for the Americas is a real opportunity. I think Canadian governments—federal and provincial—and the private sector have to be very proactive in reaching out and seizing that opportunity while it is before us.

Thank you.

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

We'll now go to Mr. Osmar from RBC.

Mr. Bryan Osmar (Managing Director, Head of Market Infrastructure, Royal Bank of Canada): Thank you, Mr. Chair, and members of the committee. I appreciate the opportunity to appear before you this morning and I look forward to responding to your questions.

My name is Bryan Osmar. I am the managing director of market infrastructure for RBC Capital Markets in Toronto.

Our capital markets business within RBC currently operates in 15 countries with over 6,900 employees located across the globe. RBC has taken a leadership role in promoting the use of RMB-denominated products in a Canadian context.

As this committee heard last week, there have been two Canadian issuers of RMB bonds, also known as dim sum bonds. RBC led the \$100 million RMB transaction by EDC, the first for a Canadian issuer, and participated in the Province of British Columbia transactions that raised 2.5 billion RMB in the first issue, and as was mentioned a moment ago, 3 billion RMB in the second offering.

In light of our interest in the RMB market, we've been an active participant in industry efforts to create an RMB hub in Canada. In this regard, I would like to take this opportunity to note our appreciation for the efforts of private sector firms and associations, the provincial government officials and agencies, and in particular the Canadian government, including the Prime Minister, the Bank of Canada, and the Department of Finance, in moving ahead with this initiative.

This partnership between the private sector and the government has been critical to the success of creating an RMB hub for Canada. Once it is fully operational, there are expected to be a number of benefits associated with the Canadian RMB hub.

There will be improved trade flows. Our expectation is that a Canadian hub will help to strengthen commercial and financial ties with China. There will be improved investment opportunities. The new 50 billion RMB RQFII quota under the investment program will facilitate the ability of Canadians to invest in RMB-denominated products and pursue opportunities in Chinese capital markets. Improved efficiency in payments allowing for direct conversion to RMB will expedite the processing of payments and should help to broaden the offshore RMB liquidity pool. Canada may also benefit, as was mentioned, as a first mover by developing the offshore RMB market in this time zone throughout the Americas.

While significant work has already been completed, this initiative is still in its early stages. As this committee heard last week, the clearing bank for Canada, ICBC, is planning to become operational with the first phase of its renminbi clearing operation in the coming weeks.

An important consideration for the Canadian RMB hub and for RMB internationally is that this market is still in its infancy. As experience grows, the market will become more sophisticated, ideally moving to the point where business and financial institutions can more fully engage in RMB markets in the same way they participate in deeper markets such as those in the euro and the yen.

As mentioned earlier, at RBC we are actively engaged in providing a wide range of products and services in RMB in order to meet our clients' needs. We look forward to taking advantage of the benefits of the new Canadian RMB hub as it becomes more fully operational over time.

With that, I would be happy to answer any questions you have.

Thank you very much.

• (0900)

The Chair: Thank you very much for your presentation.

We'll now go to Ms. Sun from the China Construction Bank.

Ms. Nianbei Sun (Principal Officer and General Manager, Toronto Branch, China Construction Bank): Hello, everyone. Today I'm very pleased to take part in this meeting and share my point of view about the RMB hub with members of the finance committee and also with all the experts from related industries.

Today I would like to talk about the following aspects of the RMB hub and RMB market.

The first is about who we are.

Let me give you a brief introduction to CCB. China Construction Bank is one of the leading commercial banks in China and also the second largest bank by assets of U.S. dollars—\$2.7 trillion U.S., as of September 2014. CCB Toronto is the first Chinese branch in Canada, which means we are the home bank of China Construction Bank.

We were granted certain awards by several organizations, including recognition by *The Banker* that we are the second by tier 1 capital among the top 1,000 world banks.

The second topic is offshore RMB markets.

The Bank of Canada and the People's Bank of China—our central bank—have already signed a deal of \$30 billion Canadian in a bilateral currency swap agreement. Meanwhile, China also provided Canadian institutional investors with 50 billion yuan. We call this the RQFII quota.

The offshore RMB market can be developed through various channels. The first one is the swap agreement. The first swap agreement was signed with the Bank of Korea, for the amount of 180 billion RMB. Since then, China's central bank has dealt with 33 central banks in the world, including those of Hong Kong, Australia, and the U.K., and as of October 2014 the total swap amount is around 3 trillion RMB.

The second channel is the RQFII. The first RQFII were awarded to nine Hong Kong banks. To date, 117 institutional investors in France, Hong Kong, Korea, Singapore, and the U.K. are taking advantage of the RQFII.

The last channel is the RMB clearings. The first clearing centre was announced on November 4, 2011, in Hong Kong. There are currently 11 RMB clearing centres, including Toronto.

The slide I am displaying shows that the RMB market has helped bring consistent growth in the bilateral RMB trading. For example, since the establishment of the RMB centre in the U.K. in 2013, the trade volume has increased significantly, from \$370 billion U.S. to \$1,473 billion U.S.

The third topic is about benefits to Canada.

Establishing the first North American offshore RMB centre in Toronto provided a significant jolt in promoting Toronto as one of the larger world financial centres. The benefits include: first, reducing the current exchange cost; second, promoting the diversification of Canadian capital markets; and third, the enhancement of the competitiveness of Canadian financial markets.

• (0905)

The Chair: Take just one more minute, please. There is just one minute remaining.

Ms. Nianbei Sun: Okay.

The last topic is about how CCB Toronto can help.

We can help in many ways, including asset management, liability management, clearing and settlement, and treasury management.

In 2014, we were the second in RMB clearing service by volume in the industry. We also issued several dim sum bonds in the financial centres with a total amount of 7.2 billion.

This slide is about our team at CCB Toronto. We all work together to provide local corporations and individuals with more optimized RMB products and service.

Thank you for your time.

The Chair: Thank you very much for your presentation.

We will now go to the City of London Corporation, to Mr. Boleat, please.

Mr. Mark Boleat (Chairman, Policy and Resources Committee, City of London Corporation): Thank you, Chairman. I'm very pleased to be able to give this brief presentation.

I'm up early. I'm the chairman of the City of London's policy and resources committee. The City of London is the local authority for the Square Mile. We do many other things as well. My role is the nearest we have to being the political leader.

Being chair of the City of London RMB initiative is one of my central roles, and I've been actively involved in the initiative since shortly after its establishment. The initiative was formally launched in 2012, although there had been discussion of it previously through the economic and financial dialogue between the United Kingdom and the Chinese governments in 2011, when it was agreed that supporting the internationalization of the RMB would bring mutual benefits in trade and the global development of financial services.

The City of London has been uniquely placed to serve as the secretariat for the initiative. We have a long track record of engagement with China. We have offices in Beijing and Shanghai

and we have very strong links with the banks and other financial institutions in London. We are not a government body and we're not a commercial body, so we've been very acceptable to all parties to lead the initiative. We are neutral as far as commercial and political goals are concerned, and by chairing the initiative we have allowed the participants to concentrate on finding practical solutions to developing efficient services.

The initiative is currently made up of 13 global banks, including the five major Chinese banks established in the United Kingdom. It has official support in the form of observers from the treasury and from the Bank of England. We limit membership only to keep the initiative to a manageable size, but we engage a wide range of other stakeholders in other ways.

The main activities that we have supported can be split into three complementary categories. First is ensuring the correct clearing and settlement infrastructure exists for RMB business to be carried out efficiently and effectively. London is, by a long way, the largest international foreign exchange centre, and therefore, London has been well equipped to take on this additional role. That role has been enhanced through the establishment of a swap line between the Bank of England and the People's Bank of China, and also by the appointment of the China Construction Bank as a clearing bank. Both these moves confirm the official support for the development of the market in London and help to underwrite liquidity in the market.

Second, the initiative has supported industry participants by creating the right opportunity and environment to develop market products and services. This has covered the work we did in analyzing the products and services being used in other centres, in bringing together the very different players in the market, and in discussing with corporates what their wants were, as well as looking at trends in the world in relevant markets and identifying any barriers to the market developing, and opportunities to help the market develop more efficiently.

Finally, we've been involved in education and marketing. It's been important to highlight the relevance of the market in London to corporates. Some corporates just find it a bit too easy to continue trading in U.S. dollars, as they've always done, so we've had quite a big program of work in communicating to corporates the benefit of trading in RMB, and that's been quite an important part of my own personal role.

We've also produced data using Bourse Consult, demonstrating the growth of the market, and that's been very helpful to all the participants.

All of these activities are aimed at building the end goal of a sustainable RMB market that operates effectively and creates the right environment to enable financial institutions to meet the needs of corporates. We want to see the RMB treated as another currency for doing business alongside the long-established currencies of the dollar, the euro, and sterling. To achieve this we need ongoing and effective dialogue with the Chinese authorities, not only on the RMB but on wider financial sector liberalization and reform in general; commitment from industry; and the efforts of stakeholders such as the City of London to raise awareness, to monitor developments, and to react to new developments.

Thank you.

• (0910)

The Chair: Thank you very much for your presentation. Mr. Boleat, I understand you have about an hour with us here this morning. You do have an appointment to get to.

Mr. Mark Boleat: I do indeed.

The Chair: Thank you so much.

Mr. Mark Boleat: I think I'm okay for 40 minutes.

The Chair: Okay. I want to highlight that for members.

We'll go to members' questions. We'll do the first four members at seven minutes, and then we'll go to five-minute rounds.

We'll start with Mr. Cullen, please.

Mr. Nathan Cullen (Skeena—Bulkley Valley, NDP): Thank you, Chair.

Thank you to all our witnesses and to Mr. Boleat for being here from overseas.

First things first, Mr. Curtis, there will be no talk of the view from Spanish Banks this morning, as we're in Ottawa today and just the idea of being down there chills me even more.

Welcome to Mr. Hansen from British Columbia.

I'll start with you, Mr. Boleat, since your time is short. You are a few years out in front of Canada with respect to the creation of your RMB trading hub. Is there anything particular, in your experience, that you would advise Canada about in setting up our own in a friendly, competitive kind of way?

Mr. Mark Boleat: I'm sure it should be friendly and competitive, but indeed, we welcome the development of RMB trading around the world.

I suppose the one thing that's a bit different from other markets in dealing with China is that symbolism is quite important. The establishment of a clearing bank and the swap line have attracted a great deal of publicity, and they have undoubtedly helped to accelerate the market. But if we were doing this in Britain, we would tend to leave a lot of these things to the market.

I think that in working with China it's very important to recognize that concrete actions, announcements, and decisions all help to create the right sort of atmosphere.

Mr. Nathan Cullen: That's interesting. I want to explore that but my time is limited. Do North American firms trade right now through the RMB hub in London? Do they clear their accounts?

Mr. Mark Boleat: They do indeed. We have a number of the North American banks involved in the initiative. They will trade everywhere that it suits them. They're certainly fully involved in our initiative, and they played a very major part in it.

Mr. Nathan Cullen: Thank you for that.

Mr. Hansen, you talked about the competitive advantage with respect to Canada having this. In other testimony, we've heard that the predominance of the advantages for the financial sector is that they will be doing transactions, and because this is two continents

wide, this could be a clearinghouse for all North and South American firms seeking to clear in RMB. Is that right?

• (0915)

Mr. Colin Hansen: Absolutely, and given the fact that we've been explicitly designated as the settlement hub for North America, I think it signals that China is not anxious to establish a similar kind of agency in North America. There is no indication we've heard of that there are any discussions under way vis-à-vis South America.

When you think about where the currency settlement operations take place, some of that obviously comes through New York, but I think what China is trying to do is establish their own place as a global currency. For a lot of the others, if it's not coming through New York currently, it's typically going through Hong Kong, and when you think about it, that's a different calendar day for a settlement.

Mr. Nathan Cullen: Let me square this, because that's been well understood by the committee, yet there's also been the perception that Canadian small and medium-sized businesses will have a distinct advantage over—potentially—an American or South American counterpart. If it's equal access, if a mining company in the States can clear out their RMB through Canada equal to a Canadian company, I'm trying to square where the advantage is on the Canadian side of things, not for the financial sector but for the business looking to clear.

Mr. Colin Hansen: I think there are two answers for that. First of all, I think you're correct, in that it would be an advantage for non-Canadian firms as well—

Mr. Nathan Cullen: Right.

Mr. Colin Hansen: —but if we want to actually build Canada's reputation for a financial services industry, I think that's to our benefit.

Mr. Nathan Cullen: Sure, so in understanding the advantage, the preponderance of the advantage is in that aspect of Canada taking a larger international role as a financial services hub and as a place where people can come to do business if they're looking to do business with China.

Mr. Colin Hansen: Yes. Whether it's a Canadian firm or a non-Canadian firm, I think there would be a cost advantage for those companies to do currency settlement through the Canadian hub.

Mr. Nathan Cullen: Okay.

Mr. Curtis, you were a chief economist at Foreign Affairs. Is that right?

Mr. John Curtis: Yes.

Mr. Nathan Cullen: Was there ever a connection in terms of the setting up? Would you classify this as an important announcement between Canada and China?

Mr. John Curtis: Oh, indeed, very much so.

Mr. Nathan Cullen: Traditionally for any trading or negotiations with China, there was, in various iterations of various governments, some connection to an advancement in human rights and that increased trade activity, one to the other. You were in Foreign Affairs. I assume that was a policy that you were aware of or a position that the Canadian government took from time to time.

Mr. John Curtis: Aware of, although as economists we tended to focus on the trade and investment innovation aspects of that. We were aware of the context, but certainly weren't the—

Mr. Nathan Cullen: It wasn't a prescriptive element in Foreign Affairs as you were looking to do or enhance new negotiations that this conversation was also implicit?

Mr. John Curtis: We were aware of the context in which we were working, but I wouldn't offer any more than that.

Mr. Nathan Cullen: Okay.

Mr. Osmar, Mr. Hansen has well articulated B.C.'s position in terms of wanting a pan-Canadian model here, not focused.... Initially when the RMB was being discussed in Canada, it was who gets it. Is Vancouver going to get this or is it going to be Toronto? Then, of course, this is not your typical trading floor. It's not a physical structure. Does it make any difference at all in terms of the locality of where the trade is actually initiated with your financial institution or any other, if it's your offices in Vancouver or in Montreal or Toronto?

Mr. Bryan Osmar: To the comment that was raised by Colin earlier that this is a facilitation, there is a lot of book entry going on with electronic transactions so that the actual physical location is less important, not unlike now where you can walk into virtually any branch in the country and transact, even if it's not your branch, in terms of transacting basic banking services. So this is very similar and the location of where the trades take place will often be driven by pricing, time zones, a whole range of client preference for access. It is a facilitation that will help access, but it doesn't necessarily have a physical bias toward it.

Mr. Nathan Cullen: Okay, this is my very last question, Mr. Curtis. You suggested that this wouldn't advance significantly the idea that the yuan would become a challenge to the U.S. greenback for global currency clearing. Is this not a step in that direction? We've seen the increase in global trade on the yuan versus the dollar. Is this not a development that way? I don't put any pre-judgment to that comment.

The Chair: Okay, just a brief response, please.

Mr. John Curtis: The answer is that it's a step, but the United States dollar is dominant and 87% of the world's transactions of commerce investments remain in United States dollars.

The Chair: Thank you.

We'll go to Mr. Saxton.

● (0920)

Mr. Andrew Saxton (North Vancouver, CPC): Thank you, Chair.

Thanks to our witnesses for being here today and a special welcome to those who actually travelled quite far to be here.

My first question is for Colin Hansen from warm British Columbia.

Colin, it is very appropriate that you are here today, given your background as former minister responsible for the Asia-Pacific initiative and the Olympics, former minister of finance for British Columbia, and you and I both sat on the Asia Pacific Trade Council together about 10 years ago. Thank you for being here, and also thank you for pioneering and championing this particular issue

through AdvantageBC. I know that you wrote a paper on it and you were very helpful at the early stages. That is very much appreciated.

Can you explain how this new trading hub is going to impact B.C.'s economy?

Mr. Colin Hansen: There are a couple of things. First of all, it's an opportunity for us to further strengthen our financial services sector in Vancouver, and as I mentioned, it's largely around trade finance but the other big advantage is time zone. I think we don't recognize how strategic that is for Canada, and when you look at British Columbian companies that are exporting into China, British Columbia has the largest percentage of its exports going to Asia of any province in Canada, by a fairly substantial measure.

To be able to do that transaction in renminbi, as opposed to the extra cost and risk and time delay of going through the U.S. dollar, would be a financial benefit to B.C. companies as well.

Mr. Andrew Saxton: Thank you.

China's direct investment in British Columbia in natural resources, in forestry, and now LNG has expanded rapidly in the last few years. Do you see how that may be positively impacted as well as a result of this trading hub?

Mr. Colin Hansen: Yes, both through our growing partnership with China and the reputation that Canada is gaining in China as a trusted partner. We have seen over the last number of years a significant bias with more Canadian investment going into China than vice versa. We've now seen that equalize, but in the coming years we're going to see that two-way flow of investment grow significantly and the new RQFII allocation is a big opportunity for western Canadian investment firms to actually invest directly into Chinese equities as well.

Mr. Andrew Saxton: Thank you very much.

My next question is for Madam Sun.

Madam Sun, China has opened up a number of RMB trading hubs around the world in the last few years and the question begs itself as to whether or not, eventually, this is going to lead to a liberalization of the RMB or a free float of the RMB. What is your opinion on that?

Ms. Nianbei Sun: I think China is now paying more attention to the renminbi hubs across the world; 11 RMB centres have already been set up. Now China will move forward with this strategy and will promote the RMB further worldwide.

The central bank in China is now developing the new system for RMB clearing and settlement. It estimates that new system will be launched in 2016. After that all RMB clearing in overseas countries will be more on time.

The second measure is that in China they also have several free trade zones, including Shanghai. Guangzhou is also coming up and other cities like Tianjin. This could be a company accessing the prices of the RMB hub through an overseas account from abroad. Because the free trade zone can do more flexible business on the currency side, and the—

Mr. Andrew Saxton: I'm sorry to interrupt.

My question is more specifically with regard to the free floating of the RMB, so it becomes less of a controlled currency. Do you foresee that taking place?

Ms. Nianbei Sun: Yes, I think the Chinese government will take major steps to liberalize the RMB in the future.

Mr. Andrew Saxton: Okay, thank you very much.

Bryan, can you tell us what the impact is going to be on the Canadian financial sector? What preparations are banks taking to get ready for this trading hub?

Mr. Bryan Osmar: Certainly we are in the early stages, as I mentioned in my remarks, so the potential of this over time will continue to grow as we better understand the advantages that will come from it in trade and investment facilitation.

Again, because this is largely a book entry oriented facilitation and a regulatory privilege facilitation, a huge, direct investment in the financial system is not required here. It's mainly going to be helping end users and clients and others in being able to transact, either financially or commercially.

As I've mentioned before, this is very much like a lubricant that will help facilitate and reduce transaction friction for participants, in that the transaction volume will grow over time as there's more awareness regarding the advantages and there's more ability to leverage the advantages from it.

• (0925)

Mr. Andrew Saxton: Thanks.

The training in RMB is going to go through your current currency department, I presume. Will there be a need to hire new people specific to this particular trade?

Mr. Bryan Osmar: In the short term, I don't think there will be. I can't speak for the other banks. I don't think there will be a significant employment pickup from the financial sector. We actively trade in 30 currencies now, including the renminbi and the CNY, or the offshore version of the renminbi, the CNH. So in many respects, a lot of the services being provided are already there. This will be a facilitation to accelerate what can be done in this space, but don't expect it to contribute significantly to a—

Mr. Andrew Saxton: Okay, thank you.

Professor Curtis—who I just found out went to the same elementary school as I did—do you have anything to add about how this is going to help with the trade with China?

The Chair: Reply very briefly, please.

Mr. John Curtis: Some.

Mr. Andrew Saxton: Dim sum?

Voices: Oh, oh!

The Chair: Thank you, Mr. Saxton.

We'll go to Mr. Brison, please.

Hon. Scott Brison (Kings—Hants, Lib.): Thank you very much.

Thank you very much to each of you for joining us today. I appreciate your insight and the importance of the renminbi hub for Canada.

The whole question of China-Canada relations and two-way investment flows is an important one to Canadians. Some Canadians are asking, what should our treatment be of state-owned enterprise investment in Canada? It's an important question and I'd appreciate your insights on that.

There's a range of views. Some people say that as long as they're abiding by Canadian regulations and paying royalties, whether it's labour or environment or whatever the rules are, we ought to effectively treat them as equal to other investors.

I would be interested in your views.

Mr. Colin Hansen: I'll jump in first. My quick answer would be that I don't think we should treat the SOEs any differently from how we treat non-SOEs. I also think that when it comes to the renminbi settlement issue, there may be an advantage to working in partnership with the SOEs in that they're probably in a better position to offer better price advantages to Canadian exporters and importers than perhaps some of the non-SOEs are able to do. So I think some of the SOEs may be much more aggressive when it comes to giving Canadian companies price advantage.

Mr. John Curtis: Any thoughts, Mr. Osmar?

Mr. Bryan Osmar: I think it would be very situation specific. I don't have broad views on the subject.

Mr. John Curtis: I'll add a very brief point to say that SOEs and the way they are treated in the international trade system is under negotiation in several fora internationally, particularly the trans-Pacific forum. I think the answer to your question will emerge as various negotiations emerge.

Hon. Scott Brison: Jim Prentice, former federal minister and now Premier of Alberta, in a speech in London, in December 2013, said that the tone must change in terms of Canada's approach to foreign investment, specifically Chinese investment. He said that Canada's new takeover rules were scaring off foreign investment and he cited the CNOOC-Nexen precedent and the ambiguity created by that precedent, specifically that foreign investment or direct investment in Canadian natural resources fell off a cliff in 2013, dropping by 92%.

Do you have any thoughts on how we should add more clarity to our foreign investment rules in order to attract more investment as opposed to scaring it off?

● (0930)

Mr. Colin Hansen: There was a chill, and I think it comes down to communication, because in anything to do with international business, international finance, companies and countries are looking for certainty and they're looking for stability. I think just the fact that Canada changed its policy would cause concern and people would want to know what the new direction would be. I think we're getting past that and people are understanding that.

Initially, right afterwards, we certainly had Chinese companies asking whether Canada still welcomed their investment renminbi. The answer would be yes. Rules are changing and they need to understand that, but I think we're now getting to a new sense of stability.

Hon. Scott Brison: Ms. Sun.

Ms. Nianbei Sun: That's an interesting question. My Chinese clients asked me, I think in the past year, especially after the great Nexen deal was finished and Canada announced some information to the Chinese enterprises. Those kinds of messages slowed down the investment activity from China because the message conveyed to the Chinese enterprises in the natural resources ore industry was that maybe Canada wanted to slow down investment activity and also the MMA activity from China.

I think we need to change this message and give new information to Chinese enterprises and let them know more about the new policies and strategies of Canada. For example, next week we will have PDAC mining conference in Toronto. You could send more messages through this conference and convey a more positive message to the Chinese enterprises.

The Chair: Mr. Curtis wanted to comment as well.

Mr. John Curtis: I'll be very quick. I learned this in the public service and elsewhere. While politics always influences and is an element of commercial activity—and I would suggest you look at point one of my presentation—ultimately investment and trade depend on the economics, on what's worth doing and what is not worth doing. That's really the key point.

Hon. Scott Brison: Sure.

So when the Prime Minister said, "Canadians have not spent years reducing the ownership of sectors of the economy by our own governments, only to see them bought and controlled by foreign governments instead", that may not have been helpful at the time, but perhaps a new tone will emerge in terms of the attitude towards Chinese investment.

In terms of renminbi bonds, is there potential to finance some of Canada's infrastructure needs through bonds issued in renminbi? I'd be interested in the potential for that. We require a lot of investment, even for projects like the Ring of Fire and Plan Nord. Is there potential?

The Chair: Who would like to take that? We'll maybe have one person.

Mr. Bryan Osmar: I'd be pleased to answer that.

The access to bond markets, in virtually every currency, is often a function of what price the issuer can get. RBC Capital Markets, for example, issues bonds in a variety of currencies. We may have

European issues in Australian dollars or foreign investors in Canadian dollars. They may or may not hold on to the original currency; it may be swapped back into other currencies. Ultimately it's a function of the cost of the borrowing in that currency and whether it creates the right distribution of investment in the liabilities of the issuer.

The offshore market for the RMB has much lower rates than the onshore market, so some of the suppression and activity in the dim sum market is because there is a difference between the onshore and offshore rates driven by regulation.

The hub and the RQFII and the liberalization will eventually diminish that difference. I would basically say that it's a cost decision that's driving a lot of it now. The appeal of the swapped dim sum issue may not be as attractive as other alternative financing methods, but if it were attractive, it would certainly be an alternative. I wouldn't rule it out, but I think cost is going to be a principal driver.

● (0935)

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 very much to all of our witnesses today.

I'm going to start with Mr. Boleat, because of your time constraints, sir.

We have a unique opportunity because we have a fairly blank piece of paper in front of us and you have gone before us in this market. What would you do again? What wouldn't you do? What advice could you give us to fully embrace this opportunity to the best advantage possible?

Mr. Mark Boleat: I think you need to remember our starting point. London is by far the biggest foreign exchange centre in the world anyway, and that has been an essential foundation on which we have built the work.

I think the second point is to be inclusive. In looking through the list of the 13 banks we have involved, only four of them are British. One of those, Standard Chartered, doesn't do much business in Britain. Another one, HSBC, as its name suggests, is predominantly an Asian bank. We have embraced all of the international banks; this has not been a purely British initiative.

We've been focused continually on making life easier for corporates. That's been the principal objective, to facilitate trade and investment between Britain and China; it hasn't simply been to build the numbers and to make announcements. I think we've been very successful in doing that, by engaging with corporates, knowing what they want, and engaging with as many banks and other institutions as we can.

It has been done as a pretty comprehensive exercise, gathering evidence and dealing with issues, but recognizing, as I said a bit earlier, that dealing with China is a bit different from dealing with other countries and you have to recognize the way they work.

Ms. Joyce Bateman: Thank you very much. That's a very helpful response.

I want to move to Mr. Hansen.

You have clearly done a lot of advance work on this opportunity, with your papers and whatnot, and previous work.

You're not in the financial sector per se; you're not with a big bank. What's your perfect vision for strengthening our financial services sector to embrace this opportunity, and as Mr. Boleat said, perhaps enabling many international banks to embrace this opportunity with us?

Mr. Colin Hansen: AdvantageBC is a non-government body. It's a not-for-profit. We receive no government funding. We're funded by our members who are primarily operating in the financial services sector in British Columbia.

I think we have to be sensitive to what the market needs. The success of a Canadian RMB hub is not going to be driven by governments. It is not going to be driven by an organization like AdvantageBC. It's going to be driven by the marketplace and by the private sector. As corporations throughout the Americas see that there is a price advantage, a cost advantage, a profit advantage, they will be more attracted to bringing their financial service activity to Canada.

I think part of that is the strength that Canada has in our financial services sector. As I said earlier, I don't think we do enough to promote that. We need to go out and market Canada, certainly to the Americas, to really take full advantage of this opportunity.

Ms. Joyce Bateman: Thank you very much.

Professor Curtis, I would love for you to add on to that. Also, you had such a truncated response to my colleague's brilliant question. Feel free to work that in as well.

Mr. John Curtis: I'll be very brief, and that is that I entirely agree with what Mr. Hansen has said.

Canada has lots of advantages, some of which we don't perhaps market as well as we might. There's a real opportunity for us and particularly for our young people. There are more young Canadians who can use chopsticks than is true in the United States or in the rest of Latin America. We are a much more internationalized society. I think it's a context in which things work, which was, I think, what Mr. Hansen was saying. That is very important. Ultimately, it's all part of the Canadian identity of being open and welcoming. As stated by Mr. Boleat, the more inclusive we appear to be and are, in fact, the more our private sector can take advantage of this within the context of all governments working well together within Canada.

● (0940)

Ms. Joyce Bateman: Excellent.

Would you like to add to that, Mr. Osmar?

You have the unique perspective of being in the banking system and you did say this is going to have a huge impact in terms of your

client services. I get that it's not a physical transaction, but I suspect the opportunity to promote greater client services is always something that you would want to embrace. How do you see doing that?

Mr. Bryan Osmar: Certainly the RMB hub and the RQFII is a positive in that it's both a facilitation, which will help enable those transactions to occur and an accelerant, as was mentioned in terms of branding Canada with China or the symbolism with China. So it's very positive in that regard.

Ms. Joyce Bateman: What kind of new products for your clients will the bank be...?

Mr. Bryan Osmar: It's early days, but some of the products on the investment side would involve accessing the renminbi qualified foreign investment pool where clients on the fund side or the insurance side, or even on the banking side, may look to find diversifying assets into Chinese equities, etc. There may be greater openness to be able to access that. Fundamentally, it's going to be a risk decision.

Ms. Joyce Bateman: Could we briefly just hear from Mr. Hansen on how the bond.... You were the first government with that bond. You were a part of it. Could you just tell us the hows and whats?

Mr. Colin Hansen: It was about three years in the making. I was actually serving on Treasury Board when this initiative was first contemplated. We talk about the symbolism of the relationships between China and other countries. This was motivated by a desire to make a statement to China that British Columbia wants to be very aggressive as a partner in international commerce and I think we succeeded at that. The rollout of the bond was a huge success. It was oversubscribed, both the first one and the second one, and they wound up, actually, at an interest rate that was more favourable in both cases than they had anticipated when they went into it.

Ms. Joyce Bateman: Wonderful, thank you.

[Translation]

The Chair: Mr. Dionne Labelle, you have the floor for five minutes.

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

My first question is for Ms. Sun.

With regard to the hubs—

[English]

The Chair: For those of you who do not understand French, there's an earpiece.

Mr. Pierre Dionne Labelle: Sorry for this, but I express myself better in French.

[Translation]

The Chair: Ms. Sun, since everything seems to be working, I will give Mr. Dionne Labelle the floor again.

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

Ms. Sun, you mentioned 11 agreements in your documents. Are those 11 worldwide agreements aimed at creating trading hubs like Canada's? Are there 11 clearing houses elsewhere?

[English]

Ms. Nianbei Sun: Yes. There are 11 agreements renewed by this agreement, because for the swap agreement we have an expiry date of three years. After three years, the central government will review this agreement. Now 11 agreements have already expired, and the central bank has already reviewed those 11 agreements. This doesn't mean it's only 11 agreements.

[Translation]

Mr. Pierre Dionne Labelle: At this point, will our renminbi trading hub be for three years? Are we also talking about a three-year agreement?

[English]

Ms. Nianbei Sun: Yes, but they can renew when it expires.

• (0945)

[Translation]

Mr. Pierre Dionne Labelle: Okay.

I assume you have a five-year strategic plan for the development of trading fields with other countries around the world. In the next five years, how many trading hubs do you plan to create to facilitate the trading of the renminbi around the world?

[English]

Ms. Nianbei Sun: Now, I think most important financial centres have already reached agreements with the Chinese central bank. In the future this RMB hub will be extended to certain other countries, I think especially in Europe and other countries in Asia.

[Translation]

Mr. Pierre Dionne Labelle: Do you currently have any in continental Europe, that is on the European continent?

[English]

Ms. Nianbei Sun: In the U.K.? I'm sorry, in Europe?

[Translation]

Mr. Pierre Dionne Labelle: I'm talking about Europe, not the United Kingdom. I was talking about continental Europe, so on the European continent.

[English]

Ms. Nianbei Sun: Yes, continental Europe.

[Translation]

Mr. Pierre Dionne Labelle: Okay.

The question that comes to mind is this.

Since we've been addressing this topic, we have spoken at length obviously about a competitive edge that our trading hub would have. How long will we keep this competitive edge if trading hubs like this are being opened around the world?

The three other witnesses—Mr. Curtis, Mr. Hansen and Mr. Osmar—could answer this question as well

You really stressed the competitive edge, but it won't last long.

[English]

Mr. Colin Hansen: I think first of all there's no indication that there would be a new settlement hub established anywhere in the Americas anytime in the near future. So we do have that advantage of being the first opportunity in the Americas, and we need to capitalize on that.

But I think that within time, whether it's five years or longer, when China gets to the point when they can fully open up and liberalize their currency to the point that it's not a controlled currency—which I think clearly is their objective—settlement hubs will no longer be as relevant. You'll be able to settle, really, from anywhere at any time to anywhere in the world, the same as we can currently do with the U.S. dollar, the euro, or any of the free-floating currencies.

But I think in the meantime Canada has an opportunity to take advantage of that competitive advantage and really entrench Canada as a place through which to do international financial transactions. That will have benefits for generations to come, regardless of what happens in the liberalization of the renminbi.

[Translation]

Mr. Pierre Dionne Labelle: Mr. Curtis, would you like to add anything?

[English]

Mr. John Curtis: Just very quickly, the skills will be built up whether or not there are new human resources brought into the banks, for example. Our reputation will be somewhat larger.

But ultimately there's a very interesting question, which has been raised by Mr. Hansen in response to your point. Ultimately, over the long term, the Chinese currency will become like every other currency, a normal currency. It will be freely traded. But that will take changes in their interest rate policy and in the relationship between the bank of China and its banks. There will be any number of changes that will be required, taking many years, but I think the Chinese are clearly heading in that direction.

[Translation]

The Chair: Thank you, Mr. Curtis.

[English]

We'll go to Mr. Cannan, please, for five minutes.

Hon. Ron Cannan (Kelowna—Lake Country, CPC): Thank you, Mr. Chair, and thank you to our witnesses for being here today. Also, to fellow British Columbian and former premier, Mr. Hansen, I thank you as a British Columbian on a third balanced budget.

Premier Clark was just in my riding on Friday as one the MLAs I work with. I appreciate that.

Mr. Nathan Cullen: All right, all right.

Hon. Ron Cannan: Well, I know he had a strong hand in providing that framework.

An hon. member: He was deputy premier.

Hon. Ron Cannan: No, he was leading the way.

I just wanted to follow up on one of your comments. We briefly chatted before the meeting about the importance of forestry, a big sector of our economy, but also LNG and the potential with this RMB trading hub. Do you think it will help facilitate further investment in both forestry and the LNG sector?

● (0950)

Mr. Colin Hansen: Yes, absolutely.

We already have some of our forest exporters who are exporting into China and who are piloting the use of renminbi direct currency exchange. It's in the early stages. We've been doing programs through AdvantageBC to help educate the private sector in British Columbia as to what they need to do to make that transition. Part of it is identifying what the cost-benefit would be. An HSBC study last year said that the price advantage to non-Chinese companies is anywhere from 3% to 5%. I think Canadian companies, particularly the exporters from British Columbia, need to know how to harvest their share of the savings that will be realized. We're working with resource companies to make sure that they understand how best to negotiate those savings.

Hon. Ron Cannan: I think the strategy of diversification.... Canada was doing about 85% of our trade with the U.S. Alberta is still in the high eighties, and we know the challenge that's facing. British Columbia is down about 50%, and almost 18% to 20% is with China.

I noticed one of your comments at the launch of the RMB was—actually in the fall of 2014 and prior to that Minister de Jong had met with some of us from British Columbia advocating for the RMB hub—there's an estimated impact of up to \$480 million in additional Canada-China trade, including up to \$120 million in additional B.C.-China trade.

Can you share with the committee how you came up with those dollar values?

Mr. Colin Hansen: Yes.

This was a study that AdvantageBC commissioned from MMK Consulting, based in their Vancouver office. It was looking basically at trade volumes and what would be the cost that companies would incur if they had to go through the U.S. dollar. They would have the cost of two currency exchanges plus the additional cost of hedging, if that's the route they take, plus the additional risk. When you start taking away that cost and giving that price advantage to a Canadian exporter, by that marginally lower cost, what would that increased export potential buy? That's where that number was derived from.

Hon. Ron Cannan: Thanks.

I'm going to shift over to Mr. Curtis as he's been on the trade committee for nine years. You've testified several times as an expert witness. I appreciate your experience.

I was thinking back to that conversation your dad had in 1949 with you, your 35-plus years in the department, and that we have the Foreign Investment Promotion and Protection Agreement that's come into place to provide the stability and confidence for business.

Can you verify those numbers that Mr. Hansen indicated are the great potential of this deal, or is that realistic in your perspective?

Mr. John Curtis: I have not looked at the numbers themselves directly. Overall it sounds reasonable. It sounds within the realm of possibility.

I always think that we economists—I was taught this at graduate school—make astrologers look good. I'd be very careful in forecasting anything, and I always look a little skeptically at all numbers. I think what was stated sounds more or less correct. I think it's important for members to remember that ultimately most trade, particularly in the resource sector but in all areas, is in United States dollars. We're talking about settlement and it's a small portion of that. I think it sounds quite reasonable.

Thank you.

Hon. Ron Cannan: Thanks.

I think \$480 million is more than “some”. My colleague asked you the question, and you said “some”. Half a billion is a pretty good impact.

I have a quick question for Ms. Sun.

We talked about how this RMB hub is one of the first in North America. How long do you think it will take before Canadian businesses will be able to take up this initiative?

The Chair: Give a brief response, please.

Hon. Ron Cannan: The opportunity is there for Canadian businesses. What are you doing and how long do you think it will take Canadian businesses to take advantage of this?

Mr. Nianbei Sun: I think if the trade volume between the two countries can be continually increased, Canada will continue to have an advantage.

The Chair: Thank you.

We'll go to Mr. Côté, *pour cinq minutes*.

[Translation]

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

I would like to thank all the witnesses for being here today.

Unfortunately, one of the witnesses has left. It's too bad because I had a question for him. Instead, I'll ask Ms. Sun my question.

Ms. Sun, tell me, what are the positive or negative effects we can anticipate by implementing the Canadian platform compared, for example, with the one in London, United Kingdom?

I imagine that trading, the transactions and the interactions will not be limited to North America. Will there be certain effects on transactions done in London and vice versa?

• (0955)

[English]

Ms. Nianbei Sun: No, it's a different market. Canada is a different market because of the currency. The RMB hub, especially for the currency you want to set up for the RMB centre, is between Canadian dollars and the RMB. It has no effect on other markets, like London.

[Translation]

Mr. Raymond Côté: Okay.

You mentioned that the Chinese government will implement a new clearing system for the renminbi by 2016. Could that new system be described as a single step to make the renminbi more fluid outside China?

[English]

Ms. Nianbei Sun: Yes, because China is now developing a new system. It's the settlement and clearing system.

Under this system, all clearing banks, including the Toronto clearing bank, including us, can link to this system directly so the transaction can be done, whereas now it is mostly in the future.

It will be better than it is right now. Currently, all clearing banks, including other countries, including London's clearing bank, have to go to their home bank's system and then link to the Chinese central bank system. After this new system is launched, they can link to this system directly. There will be no need to go through a third party system.

[Translation]

Mr. Raymond Côté: Excellent.

Mr. Curtis, we are going to use some mathematical data.

I won't hide the fact that I was kind of surprised when I learned about the volume of renminbi transactions around the world and by the fact that the Chinese currency is being used much more broadly. There seems to have been exponential growth. Although the current volume is still fairly low compared to the U.S. dollar, the growth has been significant, despite the somewhat restrictive regulations. Is that your take on the subject, as well? We can expect developments. Obviously, I fully agree with you that forecasts are something extremely risky. We know that in economics. Many economists have made incorrect predictions.

Still, could we expect that this growth in the volume of transactions, which we could call exponential, will continue and make the renminbi a heavyweight on international markets within just a few years?

[English]

Mr. John Curtis: One should take into consideration the fact that the base was very low, the amount of use of the RMB and yuan was very low at the beginning. Even if it triples, which it has done in the last three years, it's still 8% to 12%, for example. That's an increase.

It looks big in numbers, but in fact, if you look at the whole picture, which is what I was trying to do in my original presentation, it's significant but not that significant. That's probably the fairest way to put it. Bringing the RMB, given the size of Chinese's trade and

investment—it's now the world's second-largest economy—it's bringing China, with the support of the Chinese government, into the world, and we will see more of this as time goes on.

[Translation]

Mr. Raymond Côté: I see that I'm out of time.

Thank you, Mr. Chair.

[English]

The Chair: Mr. Van Kesteren.

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

Thank you all for being here. It's a fascinating discussion.

Mr. Curtis, I love that story you had of 1949. That's fascinating to hear, the remarks of the entry into the new world with the Chinese revolution. That's before I was born, but I remember as a boy reading about the Chinese revolution and the Russian revolution. It's fascinating stuff. That first part of the revolution really lasted about 30 years. It's remarkable when you think about it. We think about that as such a long time, but the second part of the revolution really intrigues me.

I was privileged to go to China twice. I went the first time to Beijing. The second time I was able to go to Shanghai. I think you've probably been there, and a lot of people have. We were taken up that tower in Shanghai—I forget the name. When we were finished, they took us down to the basement. They didn't take us to the bottom; they took us to the basement. They gave us a history lesson. I don't know if you've seen it. It's fascinating. We saw 5,000 years of Chinese history, which is remarkable. There's nothing more remarkable in the world, I don't think, actually.

Then they showed the turn of the 20th century with the Boxer revolution and the servitude. You saw the little guys carrying the rickshaws and the Western women in their attire. Then they went right from there to 1980—actually it was 1970. So the picture stopped. They starting showing Shanghai. They skipped that whole part of the Chinese revolution, which told me something. I remember the story about the... I don't know if this is factual. They asked a Chinese general after the revolution what he thought about the French revolution. He said it was too early to tell. It gives you a glimpse of the Chinese, and they're remarkable people. They have amazing capabilities.

It's quite obvious that this is something that's going to be of great benefit to the financial sector, but I am concerned about the manufacturing sector. I think most of us recognize that the Chinese were able to take a large part of it, not only in Canada but throughout the world. It seems that we've reached possibly an equilibrium, I don't know. But I want to know how this is going to benefit what we have left. I understand that we're able to trade in B.C. I congratulate you for that. With your proximity, you're able to do some great trading with the Chinese, but what about the rest of Canada? For the rest of Canada, the people in my riding who manufacture goods, is this going to help us? Is this something that is going to be able to increase our trade with the Chinese, and will the Chinese begin to trade with us and start to buy the parts that we're good at making? Maybe just give us your take on that.

• (1000)

Mr. John Curtis: Chair, am I allowed to talk about international trade for a few moments? It's partly relevant to your discussions, but I want to be careful.

The Chair: Absolutely, yes.

Mr. John Curtis: Ultimately trade and the use of trade finance, of which it is a portion, is very important to commercial transactions worldwide. Canadian firms, large and small, are involved in what we call global value chains. There are bits and pieces done in southern Ontario, some of it is done in B.C., some of it is done in Palo Alto, and some of it is done in Brazil. All work together, including stuff that goes off to China and comes back from China. I think probably to make a point, the easier it is for a Canadian-based operations to participate in these global value chains, supply chains, no matter where they're based ultimately, the more it will encourage the growth of these companies, large and small, in Canada. It won't necessarily be Canada to China. It could be Canada via Europe or Canada via the U.S. It will be the bits and pieces put together, off they go to China, and vice versa.

China is, as I said moments ago, becoming part of the world. It's wanting to be part of the world and it's moving up its high technology very quickly. What has to happen, briefly, in Ontario and in other parts of Canada is to focus on the higher value-added. Where is our intellectual property? What could we bring to bear over and above our important resources to in fact compete with China? That's where our strength is. It's not making toys and Christmas lights any longer. It's in fact making high technology, aerospace kinds of things, for example, telecommunication things, and information things. That's where the future is, and I think the more we do that, the more supported by the Canadian financial sector, the better off we'll be.

Mr. Dave Van Kesteren: Are we going to be okay? I guess that's the question. That's what people want to hear.

Mr. John Curtis: Yes.

The Chair: Thank you.

Mr. Adler, please.

• (1005)

Mr. Mark Adler (York Centre, CPC): Thank you very much, Chair.

Thank you, witnesses, for being here today.

I was happy to hear you say, Mr. Curtis, that we have a surplus in our balance of payments when it comes to services. I was glad you said that.

I do want to first of all go to Mr. Osmar. You had indicated earlier that the Prime Minister deserves a lot of credit for achieving a RMB hub here in Canada. Could you elaborate a bit on that?

Mr. Bryan Osmar: I think the private and public sectors are coming together on this initiative because it does take a fair amount of work in the political dimension with China and Canada to get this over the line. I think it's an example of getting it done in the timeframes that we're dealt.

I really intended to compliment all of the participants in this because it was a very collaborative effort. Obviously he was involved as well in the actual signing ceremony, etc. So it is a great example of all of the stakeholders coming together here to make this happen.

Mr. Mark Adler: I'm glad you mentioned that, particularly the role of the Prime Minister, the key role he played in pushing this over the goal line.

This was a very good example of both the public and private sector coming together to work collaboratively in achieving a public policy end. How would you say this is a model going forward, the public and private sectors getting together and working collaboratively in similar fashions to achieve these kinds of ends in the future?

Mr. Bryan Osmar: I have been involved via the TFSA, the Toronto Financial Services Alliance, and participated in that forum. So you have advocacy groups and industry groups that were quite involved in getting the members themselves to dig in and make sure that they could help identify the community benefits from this or the overall benefits, and then help engage with the government parties. It is a good example to repeat in these types of—

Mr. Mark Adler: It's not just government saying this is a good thing. It's actually the private sector saying this is a good thing, and these are the companies and organizations that are going to be hiring people, creating jobs and opportunities for Canadians.

Mr. Bryan Osmar: My understanding is that the public sector's engagement is really dependent on the private sector identifying some merit to the initiative.

Mr. Mark Adler: Great, thank you.

Mr. Hansen, I just want to turn to you for a second.

Our government is going to be the first to achieve balance in our budget of any G-7 country. We're the second best economy in the world in terms of doing business according to *Forbes* and Bloomberg magazines. For the seventh year in a row we've been rated by the World Economic Forum as the soundest financial sector. We have the strongest economic fundamentals going forward. How key were all of those factors in China's decision to agree to have a settlement centre here in Canada?

Mr. Colin Hansen: I think the strength of the Canadian banking system would definitely be a factor. It is something that Canada is gaining a reputation for around the world, as being the only G-7 country that did not have to provide government financial support to financial institutions, which is something I think we can be proud of.

I think we have a bit of a positive reputation in that area globally, but there is a lot more we should be doing to blow our own horn, which I know is very un-Canadian. But we need to be out there marketing ourselves much more aggressively.

Mr. Mark Adler: Well, that's a good segue into my next question. Before China liberalizes its capital markets and the controls come off its currency, we do have this window of opportunity with this settlement centre. We heard from Peter Hall who is the chief economist for EDC I guess about two weeks ago now. He said apparently only 5% of Canadian businesses know about this settlement hub.

How do we increase that level of awareness? What role does government have? What role does AdvantageBC have, and the working group perhaps, as a next step in there as this evolves?

Mr. Colin Hansen: Well, I think that governments provincially and the federal government can help encourage the private sector to learn more about how to make these transactions happen.

Last Friday we did a workshop in British Columbia sponsored by AdvantageBC, where we only reached out to our own immediate members. We were targeting about 30 people to come together to learn how to make that transition from U.S. dollar settlement into renminbi settlement. We thought we would get about 30 people out. We actually wound up with 57. We turned eight people away. We're going to do more of these kinds of workshops going forward. There has been similar ones done by EDC and there is one coming up in Toronto—

Mr. Mark Adler: I'm sorry, but I just want to get something else in here.

Right after the settlement centre was announced, you said on Twitter—I don't know what the proper phrase is, tweeted, twittered, whatever—that the Canadian RMB settlement hub is great news for all Canadian cities. You also said that the new Canadian RMB currency hub will benefit the oil industry.

I'm wondering, because there's been some concern recently about the lower price of oil, if you could respond to that.

•(1010)

Mr. Colin Hansen: I think that Canada has an opportunity to be an energy supplier to Asia, and specifically China. The relationships that are being built as a result, both by the Prime Minister and by the private sector, will help in that regard. But that is a market. We need to find new markets for Canadian energy, and this will help facilitate that.

The Chair: Thank you very much.

Colleagues, we do have a couple of motions, so I'm going to thank all of our witnesses for being here. Our witness in London had to go early, but thank you so much for being with us here in Ottawa.

I'm going to suspend for a couple of minutes, colleagues. We can say goodbye to our guests, and then move to motions after that.

•(1010) _____ (Pause) _____

•(1010)

The Chair: Okay, colleagues—

Mr. Saxton.

Mr. Andrew Saxton: Thank you, Chair.

I move that we go in camera at this stage to discuss committee business.

The Chair: There's a motion to go in camera. There's no debate on an in camera motion, so we will go to the vote.

(Motion agreed to)

[*Proceedings continue in camera*]

•(1010) _____ (Pause) _____

•(1045)

[*Public proceedings resume*]

The Chair: We're back and we're in public.

We're dealing with Mr. Cullen's motion.

Mr. Saxton.

Mr. Andrew Saxton: I would suggest that we go straight to a vote on this matter.

The Chair: Okay, let's go to a vote on Mr. Cullen's motion.

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

The Chair: That's carried unanimously. Thank you.

Mr. Cannan.

Hon. Ron Cannan: Just to clarify, that will be when we return from the break—Tuesday, Wednesday, Thursday meetings, then.

The Chair: My recommendation is that we have a subcommittee to talk about the number of days for this motion, for the motion by Mr. Saxton, for the main estimates, and for any other issues.

Is that agreeable?

Mr. Andrew Saxton: Mr. Chair, can you repeat what you just said?

The Chair: It was that we have a subcommittee to discuss the number of days for each study. Is that okay?

Mr. Andrew Saxton: That's fine.

The Chair: Is that agreeable?

Hon. Ron Cannan: Is that when we get back then, from the break week? Is the subcommittee going to meet before the break week?

An hon. member: We could meet this week....

Mr. Andrew Saxton: Chair, I think we had an agreement amongst all sides on the dates for Mr. Cullen's motion, so why don't we just deal with it and then we have a plan for when we get back?

The Chair: Which dates...?

Mr. Andrew Saxton: We're talking about the Tuesday, Wednesday, and Thursday of when we return, which are March 10, 11, and 12.

The Chair: So March 10, 11, and 12, is there agreement to deal with it on those days?

Mr. Cullen.

Mr. Nathan Cullen: Sorry, Chair, the recommendation is to do two three-hour meetings on the Tuesday and the Thursday, and only a two-hour meeting on the Wednesday.

The Chair: So we have a three-hour meeting on the 10th, a two-hour meeting on the 11th, and a three-hour meeting on the 12th.

Mr. Nathan Cullen: Yes. There are two sets of panels. We'd have to set a date for when committee members can put forward witnesses, which would have to be, obviously, quite soon, as in today.

The Chair: I will get our analysts working on witnesses, but if we could have your witnesses in today, that would be very helpful, perhaps one on energy and one on manufacturing. Does that make sense?

Mr. Nathan Cullen: There's somewhat of a natural split. One of the suggestions we had was around the impact on energy companies. The second was the impact on manufacturing broadly, and the third was the idea of some kind of private sector economists taking a look at the national picture in a more broad sense. But we're open to conversation.

The Chair: One option is to do private sector economists first, energy second, and manufacturing third. Is that agreeable?

Mr. Nathan Cullen: It may be, although I may suggest, Chair, just because of the balance of time, there may be longer witness lists for the energy sector than there would be for private sector economists.

The Chair: That's a fair point.

Mr. Nathan Cullen: I don't know if we need two full panels of private sector economists to more or less tell us the same thing.

The Chair: So the two-hour is for private sector, the three hours are for energy, and the other three hours are for manufacturing.

Is that agreeable?

Mr. Nathan Cullen: It sounds right.

The Chair: Mr. Saxton.

Mr. Andrew Saxton: Thanks, Chair.

It was also agreed that we would have summary of findings; we would not have a full report with recommendations.

The Chair: Summary of findings for this study.... Okay, agreed, as we will with the RMB.

Mr. Cullen.

Mr. Nathan Cullen: It's on a new topic. Could we get some sense from the government on the study on the terrorist financing? We're eventually going to get a BIA at some point. Does the government imagine the study continuing even beyond that, or is there some interruption the government imagines once we actually hit the budget cycle?

We're going to run out of calendar days, because as this committee knows, a few things happen over the course of the calendar event that committee members bring forward to study—

Mr. Andrew Saxton: Chair, the bells are ringing. I recommend that we deal with that in steering committee when we get back.

I now move that we adjourn.

The Chair: I think that might work better, Mr. Cullen, because there is a committee here at eleven. We can plan out the week of the 10th, and then we can do a subcommittee that week.

Mr. Nathan Cullen: May I add one last thing?

The Chair: Yes, Mr. Cullen.

Mr. Nathan Cullen: Thank you for your guidance in this, Chair.

Thank you to the other members of the committee.

The Chair: Thank you, Mr. Cullen.

The meeting is adjourned.

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