

Remarks to Senate Standing Committee on Foreign Affairs and Trade on Bill C-47

Remarks

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Check Against Delivery

Good afternoon and thank you for inviting me to speak to you today on Bill C-47 and the United Nations Arms Trade Treaty, or UN ATT.

CADSI is the national voice of more than 900 Canadian defence and security companies. Our members take pride in delivering world-class products and services to the Canadian Armed Forces, the Canadian Coast Guard and Canadian security service providers.

To set the context for my remarks I'd like to begin by giving you a few facts about Canada's defence industry.

According to Statistics Canada, our industry contributes to the employment of 60,000 Canadians and generates \$10 billion in annual revenue. The perception that it is made up of huge, faceless corporations manufacturing weapons is simply incorrect. Ninety per cent of defence firms are small or medium-sized.

The defence industry is rich in STEM, pays wages 60 per cent higher than the manufacturing average and invests four and a half times the manufacturing average on research and development, some \$400M per year.

Innovation, Science and Economic Development Canada has broken the sector down into 21 different categories. You will see that it is a diverse industry in which firearms, ammunition, missiles, rockets and other munitions make up only 5 per cent of total industry sales. I will note, however, that this bill as written could be interpreted to apply to the entire industry -- the other 95 per cent. Everything from landing gear to gaskets.

But the key statistic for today's purposes is that 60 per cent of our industry's revenue comes from exports. What that tells us is that Canadian companies are succeeding in a highly competitive global market where protectionism is not only accepted, but common.

This export profile is the reason why Bill C-47 is so important to our firms.

In CADSI's view, the UN ATT will further strengthen what is already a very strict Canadian export control regime -- a regime that our members comply with fully. We feel that accession to the UN ATT will help to raise the bar globally for other countries who are not up to Canada's high standards.

CADSI called on the Government of Canada two years ago to accede to this treaty. I also appeared before the House of Commons Standing Committee on Foreign Affairs last year and spoke in support of C-47.

As you may be aware, C-47 has been recently amended to place the criteria used to review exports into the legislation itself, rather than into regulation, as originally proposed. That means Canada is going above and beyond what is required in the UN ATT. It also means that clearly defining some of the terms and concepts in this bill - such as "implements of war" -- is critical.

I also want to offer a word of caution regarding the eventual application of Bill C-47. The Bill as written would prevent the granting of export permits for controlled goods if there is a "substantial risk" that the good could be used to commit human rights violations. Our assumption is that this amendment means that Global Affairs Canada will need to revise existing internal processes to assess applications or develop new ones. We hope this does not mean lengthier permit approval times and we urge the government to ensure that the department is properly resourced to carry out these functions.

We have already noticed a shift in the export permit approval process. The number of permits for military goods and services that didn't meet the government's own processing service standard of 40 days increased from 65 permits in 2016 to 228 in 2017. If the number of permit applications that fail to meet the government's service standards continues to grow over several years, it could have a lasting negative impact on Canadian industry and on Canada as a nation with which to do business.

It is also very important for the government to communicate to industry as early and clearly as possible how comfortable it is exporting to a specific country or end user. Export permits are the final step in the approval process, not the first, and it can take months or even years to reach this stage. It is in no one's interest for companies to be wasting time and money on deals that are effectively non-starters.

Our companies - 90 per cent of which are SMEs - are not experts in foreign policy or human rights practices. They do not have the resources to make judgments in this arena, particularly as practices and policies vary widely around the world and seem to be changing more quickly than ever. We feel strongly that the government needs to work with companies to improve communication and transparency in this respect.

Before concluding, I want to address one more issue that has come up during the hearings on this legislation, namely the argument that C-47 be amended to require export permits to the United States.

This is a very bad idea that we oppose unequivocally. It is a solution in search of a problem that could be highly damaging to the Canada-U.S. economic and national security relationship.

Since the Defence Production Sharing Arrangement of 1956, Canadian companies have been permitted to compete for U.S. Department of Defence prime and subcontracts on the same basis as U.S. companies. To supplement this, the U.S. National Defense Authorization Act of 1993 codified defense industrial cooperation between the two countries.

In practice, that means the Buy American Act is waived, and the Canadian government does not normally require an export permit for controlled goods destined for the U.S. This allows for the kind of movement that John Saabas from Pratt & Whitney told you about -- 3.5 to 4 million export transactions a month.

This privileged position for our industry is one that the UK and Australia have also recently sought and obtained to a limited extent. They do not enjoy reduced competitive barriers and duty-free entry for their

products as Canada does, but you can be sure that if we relinquish our privileged position our allies will be more than happy to stake a claim.

Requiring export permits for Canadian defence goods purchased by the U.S. government would put at risk at least \$1 billion per year in Canadian defence industry business. And we must remember that these goods cannot leave the United States without passing through the American export regime -- International Traffic in Arms -- which, like ours, is one of the world's toughest.

More fundamentally, ending permit-free movement would send a signal to our closest ally and partner in NORAD that after decades of successful defence cooperation, we no longer trust them.

A requirement for exports permits to the U.S could erode Canada's defence industry, making Canada more, not less dependent on the U.S. for defence materiel. It would further constrain Canada's sovereignty, not strengthen it, as the proponents of ending permit free movements would have you believe.

I don't think I need to tell you, Senators, that this would be a terrible message to send to the Americans at any time, but especially at this point in the history of the Canada-U.S. relationship.

I appreciate the opportunity to offer our perspective. I'll be happy to answer any questions you may have.

Thank you.