

Statement

Minister for
International
Trade



Déclaration

Ministre du
Commerce
extérieur

91/25

CHECK AGAINST DELIVERY

NOTES FOR AN ADDRESS

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TO THE HOUSE OF COMMONS

DEBATE ON SECOND READING, BILL C-6

OTTAWA, Ontario
May 30, 1991

Last Thursday, after much reflection and very careful examination, I introduced Bill C-6 in this House. The amendments proposed in that Bill provide for the selective and severely restricted import, possession and export of automatic weapons for certain narrowly defined military and related industrial purposes.

Under present law, alone among Canada's few manufacturers of military materiel, our producers of automatic firearms and related equipment are effectively prevented from competing on a level playing field, even in that small part of the international market to which Canadian foreign policy would quite properly limit their access.

As things stand now, these firms can only manufacture such equipment for the Canadian military or police. They may not even produce for Canada's allies and closest defence partners, while foreign firms are at liberty to sell to Canada's Armed Forces. The restrictions put Canadian companies at an unnecessary disadvantage and threaten the viability of some. They could eventually preclude Canada from meeting its own future requirements for weapons.

Introducing carefully defined new flexibility to permit exports of automatic firearms to our NATO allies and close defence partners will demonstrate Canada's commitment to meeting its own requirements for basic defence products from Canadian sources. It will also enhance Canada's contribution to joint allied preparedness, most notably its role in the North American Defence Industrial Base.

As everyone in this House knows, Canada's role in UN peacekeeping is long-standing and widely respected. Imagine Canada's peacekeeping forces in country "x." Could they do their job without the appropriate weapons? And if our troops were there side-by-side with other UN peacekeeping forces, be they Swedish, Australian or whatever, would it be wrong for those Swedes or Australians to be armed with Canadian firearms? I think not.

Bill C-6 will place very tight controls on exports of automatic firearms from Canada by establishing a new Automatic Firearms Country Control List under the Export and Import Permits Act. Such controls are in keeping with Canada's traditional strict policy on exports of military weapons. They are also fully consistent with Canada's program of action to bring greater transparency and consultation to the international trade in conventional weapons. Our objective is to encourage restraint when excessive build-ups of conventional weapons begin to develop, particularly in regions of instability and potential conflict.

This in a nutshell is what Bill C-6 is all about.

My colleague, the Secretary of State for External Affairs, will comment further on arms controls issues later in this debate.

For my part, let me now explain Bill C-6 in greater detail.

Canadian defence industries are at present allowed to export military goods, including sophisticated weapons systems and components, to Canada's allies and other countries under export controls administered through the Export and Import Permits Act. The discretionary authority of the Secretary of State for External Affairs to issue or deny permits for the export of automatic firearms is not fettered in any way. Permits can in theory be approved to export automatic firearms to any country. The problem is that this authority is of no consequence because under the 1977 amendments to the Criminal Code automatic firearms fall within the definition of prohibited weapons. Automatic firearms are deemed to be weapons which fire more than one round per squeeze of the trigger. The Code specifies that such weapons may be possessed or imported only by or on behalf of the Canadian Armed Forces and members of Canadian police forces.

As a result, Canadian defence firms could face criminal charges if they attempted to repair or manufacture automatic firearms for Canada's allies and close defence partners. In contrast, competitors from other countries may sell their automatic firearms to the Canadian forces.

This anomalous situation has created an uneven playing field for the Canadian defence industry and its workers. Changes are needed to help them.

In short, the requirements of the Canadian Armed Forces and Canadian police forces are simply not sufficient to enable Canadian firms manufacturing automatic firearms, and military equipment which includes such weapons, to remain economically viable. Due to our relatively small domestic market, the Canadian defence industry must have access to selected, legitimate foreign military markets. Like other Canadian producers and manufacturers, they need to export to survive. Foreign sales lower per unit costs and make the manufacturers less dependent on domestic contracts and government funding. They also help ensure supplies in time of emergency.

The Government recognizes the shortcomings of the unintended effects of the 1977 amendments to the Criminal Code. For some time, it has sought to find a satisfactory means to provide the Canadian defence industry with the necessary increased flexibility. In considering the options, the primary consideration was to ensure that the discretionary export of automatic firearms would be subject to effective licensing and enforcement.

The nature of automatic firearms and their potential use make tight control on their import, possession and export an absolute requirement. We know only too well that automatic firearms can be readily bought and sold on the international market, and frequently without any effective national or multilateral controls. They are widely used by terrorists, criminals and those involved in the narcotics trade.

It was precisely because of these factors that the Government decided not to introduce new flexibility with respect to exports of automatic firearms until it was satisfied that effective licensing and enforcement of exports of such goods were possible. In particular, we wanted the controls to be as stringent as possible and at the same time to ensure that the discretionary authority to issue permits for automatic firearms was clearly constrained. We also wanted to increase substantially the penalties for violations of export controls.

The Bill tabled in the House on May 23 meets these criteria.

Under the Export and Import Permits Act, the authority of the Secretary of State for External Affairs to approve permits for exports of automatic firearms will be limited to those countries listed on a new Automatic Firearms Country Control List. Her authority to refuse inappropriate applications remains total and undiminished. The List is to include only those countries with which Canada has an intergovernmental defence research, development and production agreement. The Bill applies only to automatic firearms. It does not affect controls on other weapons prohibited under the Criminal Code. All other controls provided for under the Export and Import Permits Act remain unchanged.

In keeping with the concern shared by most Canadians for restraining the arms trade, the required defence production arrangements will be concluded only with Canada's NATO allies and close defence partners. Those countries will be made known through the publication of the Automatic Firearms Country Control List. Applications to export automatic firearms not on the List will be denied. Exports of automatic firearms will be permitted only to the government with which Canada concludes the necessary arrangement. Sales will be permitted only to governments, and acceptable designated consignees approved by the Canadian government. Sales to civilians will not be permitted.

Canada currently has defence production arrangements with 10 countries, of which Sweden is the only one not a member of NATO. An arrangement with Spain is under negotiation. Once the amendments are passed by Parliament, Cabinet could include those countries on the Automatic Firearms Country Control List through a single Order-in-Council.

Proposals to include other countries on the List will be subject to an intense case-by-case basis review to confirm that:

- the requirement for automatic firearms is legitimate and reasonable;
- defence co-operation with Canada will enhance regional co-operation and security; and
- the country being considered for defence co-operation does not threaten regional or world security, and does not maintain an excessive level of armaments.

Automatic firearms are military goods and are included on the Canadian Export Control List under Item 2001. Each application to export automatic firearms to an approved country must therefore still be reviewed on a case-by-case basis, and normal licensing requirements will still have to be met. These include providing an end-use statement and supporting documentation, most notably an International Import Certificate from the country of final destination. In addition, applications will be subject to the normal intense interdepartmental review, and the guidelines adopted by the Government in 1986 will be applied; that is, exports of military goods will be closely controlled to:

- countries which pose a threat to Canada or its allies;
- countries involved in or under imminent threat of hostilities; and
- countries under United Nations Security Council sanctions; or
- countries whose governments have a persistent record of serious violations of the human rights of their citizens, unless it can be demonstrated that there is no reasonable risk that the goods might be used against the civilian population.

Exports of automatic firearms will be reported in the annual report on exports of military goods from Canada. All production facilities in Canada for automatic firearms have to meet existing rigorous Department of National Defence (DND) and Department of Supply and Services (DSS) security standards, and are subject to regular rigorous inspections.

Bill C-6 also increases penalties for offences of the Export and Import Permits Act as follows:

- For summary convictions: fines are increased from \$5,000 to \$25,000, and imprisonment for up to 12 months, or both.
- For indictment: fines are increased from \$25,000 to an amount that is in the discretion of the court, which in practice means that there is no ceiling; and imprisonment for up to 10 years, instead of 5 years; or both.

These increased penalties are intended to ensure that an adequate deterrence is provided for, taking into account the seriousness of the offences and the value of goods that might be involved. These penalties will apply to all offences under the Act, not just those related to automatic firearms.

To address the issue of criminal liability, complementary amendments will be made to the Criminal Code to permit import and possession of automatic firearms for "an industrial purpose," and in accordance with the Export and Import Permits Act.

The Criminal Code was never intended to regulate legitimate defence industry activities, which are more properly administered and controlled under the Export and Import Permits Act. The current provisions of the Code create unnecessary confusion as to what can be exported and imported and which legislation and regulations the Government applies to controlling exports and imports of military goods. Except as specifically provided for by Bill C-6, possession and importation of automatic weapons remain illegal and subject to criminal prosecution under the Code.

To summarize:

The EIPA is being amended to introduce new, additional controls on the export and import of automatic firearms. Exports of automatic firearms will be permitted only to those countries listed on the Automatic Firearms Country Control List. Applications for permits to export automatic firearms to countries not on the List will be denied. A country's inclusion on the new control List does not in itself constitute authority to export automatic firearms to that country. It merely establishes the necessary ground to be considered on a case-by-case basis.

The controls will be applied in two stages:

First: a defence research, development and production agreement will have to exist between Canada and the country of final destination, and that country will have to be included on the Automatic Firearms Country Control List maintained under the

Export and Import Permits Act. If an arrangement does not already exist, one would have to be negotiated, and the proposal to add the country to the Automatic Firearms Country Control List would have to be approved by Cabinet through an Order-in-Council.

Second: applications to export automatic firearms will be reviewed on a case-by-case basis and will be subject to the same strict guidelines and licensing procedures applied to all exports of military goods from Canada.

The effect of the changes will make Canadian controls on exports of automatic firearms among the most stringent in the world.

The changes to the Criminal Code complement those being made to the Export and Import Permits Act. Adoption of Bill C-6 will end the anomalous situation created by the 1977 amendments to the Code. As a result, it will no longer be a criminal offence for Canadian firms to import or possess automatic firearms for the purposes of repairing or manufacturing automatic weapons for our NATO allies and close defence partners.

Adoption of Bill C-6 will also demonstrate Canada's commitment to meeting its own defence requirements by helping to ensure the survival of production facilities established in Canada as part of the North American Defence Industrial Base.

Canadian defence requirements include the need to ensure that we have the capability to repair, overhaul and upgrade military equipment for the Canadian Armed Forces. With the exception of the 1950s and part of the 1960s, the post-war evolution of the Canadian Defence Industrial Base has been characterized by a general decline and an increasing inability to meet the operational requirements of the Canadian Armed Forces. Despite successful efforts to re-establish domestic capabilities in such key defence industrial sectors as small arms and ammunition, the Canadian Forces remain highly dependent on non-domestic sources of supply for critical end items and specialized equipment and components.

In the 1970s, the number of non-domestic sources relied upon by Canada to meet peacetime operational requirements increased dramatically. As a result, Canada became vulnerable to a broad range of supply disruptions, both in peacetime and in wartime. This reliance, combined with insufficient quantities of operational military equipment and war reserve stockpiles, seriously eroded Canada's capability to deal effectively with a protracted conflict. The importance of the domestic defence industrial base to the implementation of any defence industrial preparedness policy cannot be overstated.

The 1987 Defence Industrial Preparedness Task Force identified the following strengths in the Canadian defence industry:

- the ability to convert civil production to defence production in several areas;
- a developing capability to repair and overhaul major capital equipment;
- a small arms and ammunition production capability;
- an abundance of raw materials essential for wartime production; and
- benefits, via joint production, from proximity to the United States.

On the other hand, the Task Force noted numerous serious weaknesses, including most notably:

- a lack of skilled labour;
- dependency on non-domestic sources of critical items;
- long lead time for military production; and
- insufficient defence-related capital investment in new technology, facilities and machinery.

The Task Force concluded that the Canadian Defence Industrial Base was "fragmented, highly specialized, and not geared to meet the operational requirements of the Canadian Forces."

The Task Force noted that Canada had purchased a diverse range of military equipment from an equally diverse range of non-North American suppliers, including Germany, the United Kingdom, Italy, Switzerland and Sweden. It recommended that Canada recognize that joint allied industrial preparations strengthen overall security, and that Canada work with its allies to enhance national and NATO preparedness. It recommended, in particular, that Canada "continue to pursue co-operative arrangements in the interest of rationalization, standardization, and interoperability when they clearly contribute to the readiness and sustainment of the Canadian Forces."

Bill C-6 seeks to reinforce defence industrial co-operation with our allies and defence partners in key defence product areas, including small arms, automatic firearms and light armoured vehicles. The automatic firearms are manufactured for the Canadian Forces by Diemaco of Kitchener, and the light armoured vehicles (LAVs) by General Motors Diesel Division (GMDD) in London. Neither production facility can survive on the basis of Canadian requirements alone. Both will fail if new flexibility with respect to exports of automatic firearms to selected

countries is not introduced. In this regard, Bill C-6 is of critical importance both for the specific long-term requirements of the Canadian Armed Forces and for the Canadian Defence Industrial Base generally.

Diemaco was established by DND in 1976 as the centre of excellence for small arms to ensure that Canada would not be totally dependent on foreign suppliers in times of emergency. Its facility is unique in Canada and is important to DND's long-term operational readiness. The awarding of a contract in 1984 to produce the new family of weapons for the Canadian Armed Forces created 300 direct jobs at Diemaco's plant in Kitchener; 200 direct jobs at its 75 Canadian sub-contractors who manufacture components; plus an equal number of indirect jobs. This contract is nearing completion, and Diemaco must now be able to secure export contracts. The requirements of the Canadian Armed Forces alone cannot sustain Diemaco over the long term.

Of particular concern is the possibility of Canada losing Diemaco's \$40 million computer-based manufacturing capability, which includes product design, engineering, metal finishing, plastic moulding, precision casting, forging and machining, and extrusion techniques. At a time when Canada must upgrade the competitiveness of its industry, it would be extremely unfortunate and regrettable to lose Diemaco's related worker skills and technical expertise.

Diemaco, supported by its numerous sub-contractors, is currently competing for a contract to supply the Dutch Armed Forces with automatic rifles. The Dutch government has asked for assurances that Diemaco would be able to export the weapons if it won the contract. Owing to the current provisions of the Criminal Code, it may be illegal for Diemaco to manufacture automatic firearms for the Dutch Armed Forces. Failure to adopt the proposed changes to permit the proposed exports to the Netherlands will jeopardize Diemaco's future, and could mean that the entire small arms manufacturing capability of the Canadian Defence Industrial Base will be gone before long, possibly by as early as June 1992.

The only solution is for Diemaco to win selected, legitimate foreign contracts and for the Government to permit the company to export its modern, high-quality products to our allies and defence partners. Success in winning the Dutch contract will mean an initial 7,680 person-years of direct Canadian employment, with the potential for almost doubling over the life of the project. Success will also ensure the ability to continue the development work necessary for new small arms for the Canadian Armed Forces into the next century.

Since receiving its first contract from DND in 1977, GM Diesel Division has become a world-class producer. To produce the LAVs, GMDD employs 600 skilled workers at its plant in London, Ontario.

In addition, GMDD draws on suppliers and sub-contractors from across Canada, including companies and workers in Richmond and Vancouver, B.C.; Edmonton; Winnipeg; Quebec City; Saint John, Centreville and Moncton, New Brunswick; Mulgrave and Bridgewater, Nova Scotia; and St. John's, Newfoundland.

Last year, it won a contract to export light armoured vehicles to the Kingdom of Saudi Arabia. This capped a marketing campaign that spanned more than a decade. It was first approved by the Liberal government in 1981 and has since been supported by successive Canadian governments. However, the anomalous situation under the Criminal Code limits may limit GM's ability to those few but important foreign markets to which Canadian foreign policy would permit access.

The Government proposes to resolve this anomaly by:

- adopting the amendments proposed under Bill C-6;
- negotiating a bilateral defence research, development and production agreement with Saudi Arabia; and
- including Saudi Arabia on the Automatic Firearms Country Control List.

The export of the LAVs has been reviewed and again approved -- after all licensing requirements were met and after careful review and study. In doing so, particular attention was given to the requirement to control closely exports of military goods to countries "threatened by or engaged in hostilities." In the end, it was decided to approve GM's application.

A primary consideration was that the results of the Gulf War ensured that Saudi Arabia is not now, nor, in the immediate future, will be, in imminent threat of hostilities. Another was that the export of the LAVs by Canada to Saudi Arabia will not threaten Saudi Arabia's neighbours and will serve to enhance regional security.

Saudi Arabia has a legitimate right to self-defence. Its requirement for LAVs armed with automatic weapons is reasonable given its need to maintain a defensive military capability sufficient to continue to deter aggression. The LAVs are lightly armoured. Even when armed with automatic machine guns and cannons, they are designed for and have a particular military use, such as patrolling the oil fields, the oil pipelines and other strategic sites. Because of their light armour, the LAVs are not as effective in an offensive role, for which heavily armoured and heavily armed vehicles such as main battle tanks are best suited.

Moreover, Saudi Arabia shares with Canada and with other members of the allied coalition, a commonality of interests in supporting the UN Security Council resolutions and in strengthening regional security arrangements. It is currently working closely with other states in the region, and with members of the coalition, to develop appropriate regional security arrangements for the post-conflict period. These efforts are fully supported by Canada.

The requirement to control exports of military goods, including automatic firearms, is clear and obvious. The Export and Import Permits Act provides the Government with the necessary means to do so. Enforcement of controls requires vigilance, good intelligence and close international co-operation. It also requires the support of exporters and clear licensing guidelines. The 1977 amendments to the Criminal Code place unnecessary restrictions on Canadian companies established to support Canada's defence requirements. Our NATO allies can export automatic firearms to Canadian Forces, but Canadian firms cannot export to meet their requirements for the same goods.

Adoption of the proposed amendments to the Export and Import Permits Act and the Criminal Code are necessary and pertain only to automatic firearms. The amendments do not pertain to other military equipment, nor do they alter Canada's long-standing policy on stringently controlling exports of military goods.

The new, additional and strict controls on exports of automatic firearms were developed to meet a specific and limited requirement of the Canadian defence industry. Increased flexibility in certain areas is being created only with respect to a single category of military goods, namely automatic firearms. Other export controls remain in place. Adoption of the Automatic Firearms Country Control List and limiting exports of automatic weapons to our NATO allies and close defence partners, to those countries with which we have bilateral defence research, development and production agreements, will help ensure that Canadian manufacturers of automatic weapons and equipment with automatic firearms remain viable. They will also ensure that Canadian controls on such goods remain the most stringent in the world.

These exacting Canadian controls reflect the Government's commitment to arms control. They are fully consistent with recent Canadian arms control initiatives, including the proposal to hold a world summit on the instruments of war and weapons of mass destruction. They are also consistent with the program of action on conventional weapons.

Canada's concern is the build-up by certain countries of levels of armaments in excess of legitimate self-defence requirements. Certainly no permit would ever be approved to export automatic weapons from Canada to a country which undertook such a massive

build-up of arms. It simply would not happen. If a country with which Canada had a defence production agreement began to develop its military arsenal to the point of threatening its neighbours and regional security, we would simply stop issuing export permits and suspend all outstanding ones.

Such action is within the discretionary authority of the Secretary of State for External Affairs provided for by the Export and Import Permits Act. It has been exercised in the past in response to changing security considerations, and would be used in the future without hesitation if necessary. For example, no Canadian military goods were approved for export to Iraq after the outbreak of the Iran-Iraq war, an indication that Canadian controls are applied and are effective.

Our intention is to control more effectively, not to prohibit, the sales of military equipment. Canada will be extremely careful in deciding which countries it should sell firearms to. We will also make known which military goods are exported and to which countries.

To conclude, the proposed amendments to the Export and Import Permits Act and the Criminal Code will create a framework for Canadian defence firms that will enable them to compete more effectively under closely controlled conditions. Canada needs a strong defence industrial base to lower per unit costs and ensure Canadian sources in times of emergency. With these amendments, Canadian firms will be better able to meet Canada's defence requirements and those of our NATO allies and defence partners.