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**Report of the Canadian Parliamentary Delegation
on the Meeting of the Committee on Economic Affairs and
Development and the First Part of the 2008 Ordinary Session
of the Parliamentary Assembly of the Council of Europe**

Canada-Europe Parliamentary Association

**London, United Kingdom and Strasbourg, France
January 17 to 25, 2008**

Report

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Meeting of the Committee on Economic Affairs and Development

London, United Kingdom

January 17 – 18, 2008

A. Introduction and Overview

Hon. Yoine Goldstein, Senator, travelled to London, England, as the Canadian delegate to the annual meeting of the Committee on Economic Affairs and Development of the Parliamentary Assembly of the Council of Europe (PACE) at the European Bank for Reconstruction and Development (EBRD). He was accompanied by association secretary Philippe Méla.

The purpose of this annual meeting is to engage senior EBRD officials in discussions of ongoing and future EBRD activities in the transition economies of Central and Eastern Europe and the former Soviet Union. The results of the meeting and information provided by EBRD officials form the basis of the Committee's annual report on "The European Bank for Reconstruction and Development: Focus on Eastern and South-Eastern Europe", which will be debated during the June PACE session in Strasbourg.

During his visit to London Senator Goldstein was briefed by the Canadian director at the EBRD on Canada's involvement and position in current debates about the future of the Bank. He also participated in a regular committee meeting and in a visit to the Bank of England where he participated in a briefing by the Governor and senior officials of the Bank of England.

A. The EBRD

The European Bank for Reconstruction and Development was founded in 1991 in the wake of the collapse of communist regimes in Central and Eastern Europe. Its purpose is "to foster the transition towards open, market-oriented economies in Central and South-eastern Europe, as well as in the successor states of the former Soviet Union, and to promote private and entrepreneurial initiative in those countries that are committed to the fundamental principles of multi-party democracy, pluralism and a market economy."⁽¹⁾ The Bank provides project finance (equity, loans, and loan guarantees), primarily to the private sector, but also to governments in 29 countries.

The Bank's mandate requires it to work only in countries committed to human rights and democratic principles. In addition, EBRD investments must reflect its commitment to strong corporate governance and respect for the environment. Specifically, its mandate states:

Every EBRD investment must

- help move a country closer to a full market economy: the transition impact;

- take risk that supports private investors and does not crowd them out; and
- apply sound banking principles.

Through its investments, the EBRD promotes

- structural and sectoral reforms;
- competition, privatization and entrepreneurship;
- stronger financial institutions and legal systems;
- infrastructure development needed to support the private sector; and
- adoption of strong corporate governance, including environmental sensitivity.

Functioning as a catalyst of change, the EBRD

- promotes co-financing and foreign direct investment;
- mobilizes domestic capital; and
- provides technical assistance.

Canada is the eighth largest shareholder – tied with Spain and following the other G-7 countries and Russia – contributing 3.4% of the Bank's capital. The Minister of Finance is a Governor of the EBRD; and one of 23 Directors on the Board of Directors is appointed by the Canadian government.

B. Briefing by Mr. André Juneau, Executive Director for Canada at the EBRD

The delegation received a very good briefing from André Juneau, who became the Director representing Canada and Morocco at the EBRD on October 1, 2006, and his advisor, Andrea King, on the Bank's role in building market economies and democracies. Mr. Juneau highlighted the uniqueness of the Bank as an international financial institution (IFI) not only committed to supporting private sector development, but with an explicit political mandate to support the transition of countries to democratically governed market economies. In addition, the EBRD has a clear environmental mandate. Mr. Juneau noted that implementing this mandate poses diverse challenges, especially given that the countries of operation differ greatly. He went on to provide an overview of the Bank's investment activities in different economic sectors.

Next, Mr. Juneau indicated that by agreement between the Czech authorities and the EBRD, the EBRD will no longer make new investments in the Czech Republic from 31 December 2007. The EBRD will continue to work closely with Czech enterprises to foster a growing volume of investment into countries further east, where the EBRD is shifting its focus. This decision to exit as a country for new EBRD investments reflects the advanced state of transition that has been achieved by the Czech people.

As far as Investments are concerned, the amounts spent on Energy and Energy Efficiency investments between 2006 and 2007, have doubled. He also indicated that the conditions of doing business with Russia have somewhat improved. However, there is still an important risk factor to take in consideration, not only on the business dealings

themselves but also regarding the managers of any specific company to ensure that the investments are wisely managed. Regarding the Bank itself, the results are again very strong with a profit of € 1.1 billion and the Governors of the Bank will meet in May 2008 in Kiev to determine the use of these profits. Three solutions are possible: place them in the statutory reserves of the Bank, distribute them to the various contributors in proportion to their contribution or use them for other purposes.

Mr. Juneau spoke briefly on specific Countries:

Kazakhstan:

The EBRD is the largest investor outside the oil and gas sector in Kazakhstan. The Bank's operational priorities are promoting domestic and foreign investment; supporting the financial sector and SMEs; and public sector infrastructure - both sovereign and non-sovereign lending. The EBRD is also active in natural resources, telecoms and agribusiness. In particular, the EBRD has achieved good results with the Trade Facilitation Programme and the Grain Receipts Programme. The worldwide financial crisis has reached Kazakhstan by way of rendering it very difficult for Kazak banks to obtain loans from other financial institutions.

Turkey:

The administrators of the bank are faced with the question whether Turkey should become a country of operation, Turkey being also a contributor to the Bank. The representatives of the US and the UK are still opposed to it, Turkey being of great geo-strategic importance to both these countries. However, considering the € 6,000 GDP per capita of Turkey and the discussion on accession to the EU of Turkey, attitudes in this respect could change.

Serbia:

Due to the political situation in Kosovo, the improvement project of the Pristina airport has been suspended.

C. Meeting of the PACE Committee for Economic Affairs and Development with EBRD Officials

Committee meetings at the EBRD featured a full agenda of presentations by and discussions with Bank officials. Parliamentarians and staff also had the opportunity to engage in informal discussions with EBRD officials during a luncheon hosted by the Bank.

Program for Meetings with Senior EBRD Officials

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| 09:30 | Opening of the meeting under the joint chairmanship of Mr Constantinos Vrettos, Committee Chairperson and Ms Brigita Schmögnerová, EBRD Vice- President
Address by the President of EBRD, Mr Jean Lemierre |
| 10:15 | Economic overview with particular reference to EBRD area of operations by Erik Berglof, Chief Economist |

- 11:00 EBRD's activities in the Caucasus
by Paul-Henri Forestier, Senior Banker
- 11:25 EBRD's activities and prospects for Ukraine and preparation for the
2008 Annual General Meeting in Kiev
by Holger Muent, Senior Banker
- 11:45 Latest developments in EBRD evaluation work
by Fredrik Korfker, Chief Evaluator
- 12:30 Summing-up by the Chairpersons

Mrs Brigitta Schmögnerová, EBRD Vice-President, welcomed the Committee and stressed the usefulness of having annual exchanges of views between the Bank and parliamentary representatives.

Mr Jean Lemierre, EBRD President, gave an overview of economic developments in the EBRD countries of operations. In 2007, the Bank had invested € 5.6 billion, including substantial amounts in more risky equity stakes. The EBRD's move East and South-East meant that the Bank was gradually disengaging from central Europe where several countries had joined the EU in 2004 and 2007. Thus activity had been discontinued in the Czech Republic and reduced across that region, except for Romania and Bulgaria. EBRD's efforts to promote investment in energy efficiency were being increasingly well received.

Dramatically rising food prices, slow diversification of economies, some tension in the banking sector, widespread petty corruption in transition countries and a global economic slowdown broadened the spectrum of regulatory policy and institutional challenges for the years to come. Significant structural changes were required to shield the transition economies from external shocks. The EBRD's recent survey of opinion in the transition countries showed high public concern and expectations about the quality of public services, especially in education and healthcare. The Western Balkan countries should try harder to enhance regional cooperation, not least through joint infrastructure projects; Russia and western Europe should work closer together on energy, trade, security, and migration issues and seek better mutual understanding and a dialogue on values. The Council of Europe had a special role to play in this respect.

Mr Korobeynikov stressed the need for multilateral investor cooperation in developing major infrastructure projects in Russia, especially as regards transport corridors, water supply, forests and tourism.

Mr Lemierre pointed out that important restructuring efforts were underway in Russia's automotive and civil aviation sectors. Despite being rich in primary energy resources, Russia faced serious bottlenecks in infrastructure and electricity production and supply.

In reply to questions put by MM. Bjørnstad, Wille, Mendes-Bota, Ms Lilliehöök, Mrs Barnett and Mr Martins, Mr Lemierre stressed the need for the international community to press the Balkan countries to increase cross-border co-operation and investment.

Transition countries had a significant untapped potential to develop scientific and technological progress and to enhance the protection of intellectual property rights, especially as regards combatting counterfeiting. The emergence of regional development banks in these countries was to be welcomed; this development offered new opportunities for exchanging know-how with foreign investors.

The Bank's environmental policy was undergoing review and proposals emanating from the EBRD's dialogue with NGOs would be taken into account. Due to concerns about negative environmental impact, the EBRD decided not to support the Sakhalin-2 project. Moreover, it felt that it could not lend support to most projects for biofuel' production which relied excessively on subsidies and affected food prices. In general, the Bank sought to ensure full openness about its operations while protecting selected sensitive information on its clients in the private sector. Human rights evaluation is a continuing part of the EBRD's political mandate. Hence financing operations in some client countries with poor records on this issue (Belarus, Turkmenistan, Uzbekistan, etc.) were strictly limited to the private sector which did not prevent dialogue with the public authorities in order to seek desired policy changes.

The Bank was not directly involved in educational and healthcare projects, except where these were based on private sector involvement or involved training and safety needs. Training was also necessary for civil servants to ensure better implementation of laws and public-private partnerships. The EBRD took pride in the high added value and demonstration effects of its projects which facilitated benchmarking and promoted integrity at all levels.

Mr Eric Berglof, the EBRD's Chief Economist, reviewed strengths and vulnerabilities in 'emerging' Europe on the basis of economic trends and people's attitudes. Despite strong average growth (7% in 2007) across the region and good resilience in the face of the global market turmoil, large groups of the population remained dissatisfied with their living environment and the pace reform had slowed down. It was urgent to upgrade skills through training and education, to improve regulations and conditions for entrepreneurial activity and labour mobility, and to invest in public services thus broadening support for reforms.

Mr Paul-Henri Forestier, EBRD Senior Banker, presented an analysis of the Bank's activity in the South Caucasus. The Bank's cumulative commitments for the region reached € 1.5 billion, with € 400 million in business volume for 2007 and some € 665 million earmarked for 2008. Foreign direct investment in Armenia and Georgia kept growing steadily but had dropped in Azerbaijan after 2005 due to large repatriations of capital in the oil sector. The EBRD focused on support to micro, small and medium-sized enterprises, appropriate resource management, agribusiness, mediation services in the financial sector and trade, and investment in infrastructure and energy projects. It did so via mainstream operations but also the Early Transition Countries Initiative launched in 2004 and the TAM/BAS Programme underpinning good management practices. Political instability and unresolved regional conflicts, vulnerability to commodities and property prices, weak financial sector and regulatory frameworks, lack of economic diversification, corruption, currency appreciation and barriers to intra-regional trade clouded development prospects.

Mr Forestier then replied to questions put by Baroness Hooper and Mr Braun regarding regional cooperation prospects. He underscored the problem of Russia's economic sanctions affecting Georgia, the unresolved issue of the legal status of the Caspian Sea and the Nagorno Karabakh. He also mentioned some positive developments in contacts between Armenia and Turkey, as well as Azerbaijan and Kazakhstan. The EBRD had no plans to become party to the Nabucco pipeline project.

Turning to the Bank's work in Ukraine, Mrs Schmögnerová informed members that the EBRD's 2008 Annual Meeting of the Board of Governors would be held in Kiev. Apart from its central office in Kiev, the Bank had recently opened a resident office in Dniepropetrovsk.

Mr Holger Muent, EBRD Senior Banker, told the Committee that, by the end of 2007, the EBRD had funded a total of 155 projects worth over € 3 billion, while over € 10 billion were attracted through these projects via other investors. Funding for agribusiness was particularly important and was considerably higher than in other countries. The newly approved Country Strategy for Ukraine laid emphasis on energy efficiency and security throughout different sectors of the economy, the need to continue investment in infrastructure, corporate governance standards and assistance to capital markets.

Replying to questions put by Mrs Papadopoulou, Ms Lilliehöök, MM. Bjørnstad, Varvitsiotis and Konecny, Mr Muent explained the various regulatory challenges lying ahead, notably regarding land registers, and the reasons for EBRD's support for an IKEA project in Ukraine.

Mr Fredrik Korfker, EBRD Chief Evaluator, briefed members on the EBRD's evaluation activities meant to measure the results of projects and to draw lessons from experience for future improvements in operations. Such evaluation was based on mandate-related indicators, such as transition impact, additionality and environmental soundness, but also on the principles of accountability, transparency and independence of the evaluation unit from other parts of the Bank. Evaluation reports produced so far had covered about 75% of all completed projects (or 547 projects) and indicated a very high level of effectiveness of EBRD operations. About 77% of projects scrutinised in 1996-2006 had a positive – excellent to satisfactory – transition impact. Some projects showed poor financial performance but very good transition impact. In countries graduating from the EBRD, many projects had lower transition impact. All evaluation reports were available on the Bank's website, either in summary form or in extenso. In addition, the evaluation unit produced sectoral studies and overviews of technical cooperation activities. Challenges for the coming years included the need to cope with ever larger numbers of smaller projects, the implementation of the new framework for peer reviews concerning the evaluation systems at multilateral development banks, the preparation of good practice standards and the follow-up to evaluation recommendations.

Mr Martins stressed the importance of the culture of evaluation. He wondered if the Board of Directors could commission some evaluation studies. Mr Korfker explained that occasionally mid-term project reviews were carried out with external experts' help.

Mrs Schmögnerová, in this context, stressed the relevance of the EBRD's approach to stock-taking via population attitude surveys, in addition to the Bank's evaluation function. She also underscored the EBRD's intention to further develop micro-financing instruments and a strong lasting commitment to sustainable development projects and assistance to company restructuring.

D. Meeting of the PACE Committee for Economic Affairs and Development

Following the meetings with EBRD officials, the committee held a regular meeting that began with a discussion of possible elements of the report on “The European Bank for Reconstruction and Development: Focus on Eastern and South-Eastern Europe” on the basis presented by the rapporteur, Mr. Martins (Portugal). The Committee also discussed two other draft reports, one from Mrs Papadopoulous (Cyprus) on “Realising the Full Potential of E-Learning” and another on “Sustainable Development and Tourism: Towards Quality Growth” from Mr. Mendes Bota, Portugal.

E. Non-EBRD Committee Activities: Meeting at Bank of England

Finally, the Committee held a half day of meetings at the Bank of England where discussions were focussed on risk assessment and monetary stability, this meeting being held shortly after the international sub-prime market crisis. The Committee had, for the first time, visited the Bank in 2002.

Program

- 14.30 Welcome by Mr Mervyn King, Governor of the Bank of England
- 14.45 Presentation by Mr Andrew Haldane, Systemic Risk Assessment Division: Financial Stability (with an opportunity for questions)
- 15.05 Presentation by Mr Andrew Hauser, Inflation Report and Bulletin Division: Monetary Stability
- 15.45 Tour of the Bank, by Mr John Keyworth

Mr King welcomed the participants and described the Bank’s mission. Sometimes called the ‘Old Lady’ of Threadneedle Street, the Bank stands at the centre of the UK’s financial system. It had been founded in 1694, nationalised in 1946 and re-gained its independence in 1997. The Bank seeks to promote and maintain monetary and financial stability, thus contributing to a healthy economy. It does so essentially through the (monthly) setting of interest rates which influence spending, saving and prices in the UK. It also pursues policies for inflation targeting (set at below 2%) and maintains close links with multiple economic institutions (including companies, banks, and central banks across the G20 group of countries) without at the same time supervising individual banks which is the role of the Financial Services Authority. The philosophy of the Bank of England is akin to that of the European Central Bank. However, the records of the former are made public.

In response to questions put by **MM. Mendes Bota, Goldstein, Gasòliba, Konecny, Varvitsiotis** and **Ms Lilliehöök**, **Mr King** explained that the Bank’s Governor and two Vice-Governors are appointed by the Government for a five-year term, renewable; the Bank itself is accountable to Parliament, with annual reports and accounts being presented before the Parliament every year. The

Bank's interest rate decisions should not be viewed in a short term perspective; what mattered was these decisions' long term implications for underpinning trust in financial institutions. The Bank's independence is key to implementing balanced policies. There is a clear need for reform of the international financial system and institutional set up so as to better take into account the rise of emerging economies, improve international policy coordination and rethink some investment banking approaches.

Mr Andrew Haldane from the Bank's Systemic Risk Assessment Division spoke about current and future challenges the financial markets faced. They included the need to ensure an adequate overview of the global system, the sufficient liquidity of markets, enhanced policy guidance from central banks and appropriate intervention mechanisms for exceptional situations. Some financial products and regulations would need to be adapted under the Basel II Framework.

Mr Andrew Hauser, responsible for the Bank's Inflation Report and Bulletin Division, outlined the UK's monetary policy as implemented through the Monetary Policy Committee. The Inflation Report is published quarterly and transparency-accountability efforts hinge on regular communication with parliamentary committees, visits to local businesses and contacts with the media. Currently, the UK's growth prospects might be affected by worsening credit conditions, tightening monetary policy and bleaker global prospects, as well as rising asset prices and debt levels.

MM. Haldane and **Hauser** then answered members' questions. They indicated that some reduction in credit growth was unavoidable since recent trends were unsustainable and more prudence was necessary. Some rating agencies had admitted mistakes made in the last few years and had adjusted their assessments. This being said, credit supply was not an inseparable constraint. Substantial funds were entering the global system from certain Middle East countries thus helping to recapitalise some major Western banks in difficulty.

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- 15.05 Presentation by Mr Andrew Hauser, Inflation Report and Bulletin Division: Monetary Stability
- 15.45 Tour of the Bank, by Mr John Keyworth

Mr King welcomed the participants and described the Bank’s mission. Sometimes called the 'Old Lady' of Threadneedle Street, the Bank stands at the centre of the UK's financial system. It had been founded in 1694, nationalised in 1946 and re-gained its independence in 1997. The Bank seeks to promote and maintain monetary and financial stability, thus contributing to a healthy economy. It does so essentially through the (monthly) setting of interest rates which influence spending, saving and prices in the UK. It also pursues policies for inflation targeting (set at below 2%) and maintains close links with multiple economic institutions (including companies, banks, and central banks across the G20 group of countries) without at the same time supervising individual banks which is the role of the Financial Services Authority. The philosophy of the Bank of England is akin to that of the European Central Bank. However, the records of the former are made public.

In response to questions put by **MM. Mendes Bota, Goldstein, Gasòliba, Konecny, Varvitsiotis** and **Ms Lilliehöök**, **Mr King** explained that the Bank’s Governor and two Vice-Governors are appointed by the Government for a five-year term, renewable; the Bank itself is accountable to Parliament, with annual reports and accounts being presented before the Parliament every year. The Bank’s interest rate decisions should

not be viewed in a short term perspective; what mattered was these decisions' long term implications for underpinning trust in financial institutions. The Bank's independence is key to implementing balanced policies. There is a clear need for reform of the international financial system and institutional set up so as to better take into account the rise of emerging economies, improve international policy coordination and rethink some investment banking approaches.

Mr Andrew Haldane from the Bank's Systemic Risk Assessment Division spoke about current and future challenges the financial markets faced. They included the need to ensure an adequate overview of the global system, the sufficient liquidity of markets, enhanced policy guidance from central banks and appropriate intervention mechanisms for exceptional situations. Some financial products and regulations would need to be adapted under the Basel II Framework.

Mr Andrew Hauser, responsible for the Bank's Inflation Report and Bulletin Division, outlined the UK's monetary policy as implemented through the Monetary Policy Committee. The Inflation Report is published quarterly and transparency-accountability efforts hinge on regular communication with parliamentary committees, visits to local businesses and contacts with the media. Currently, the UK's growth prospects might be affected by worsening credit conditions, tightening monetary policy and bleaker global prospects, as well as rising asset prices and debt levels.

MM. Haldane and **Hauser** then answered members' questions. They indicated that some reduction in credit growth was unavoidable since recent trends were unsustainable and more prudence was necessary. Some rating agencies had admitted mistakes made in the last few years and had adjusted their assessments. This being said, credit supply was not an inseparable constraint. Substantial funds were entering the global system from certain Middle East countries thus helping to recapitalise some major Western banks in difficulty.

II

First Part of the 2008 Ordinary Session of the Parliamentary Assembly of the Council of Europe (PACE)

**Strasbourg, France,
21 – 25 January 2008**

A delegation of three parliamentarians from the Canada-Europe Parliamentary Association travelled to Strasbourg to participate in the winter session of the Parliamentary Assembly of the Council of Europe (PACE), in which Canada enjoys observer status along with Israel and Mexico. The delegation was led by Association president the Hon. Lorna Milne, Senator, and included from the Senate the Hon. Yoine Goldstein and the Hon. Jean-Claude Rivest. The delegation was accompanied by association secretary Philippe Méla and advisor Marcus Pistor and was joined in Strasbourg by Ambassador Laurette Glasgow, Canada's Permanent Observer to the Council of Europe, and her deputy, François LaRochelle.

A. Overview

The winter session featured a full order of business⁽ⁱⁱⁱ⁾ with a wide range of topics being debated in committees,⁽ⁱⁱⁱ⁾ political groups,^(iv) and in the Assembly.^(v) The Assembly held regular debates on the following topics:

- Progress report of the Bureau of the Assembly and the Standing Committee, including:
 - Observation of the parliamentary elections in the Russian Federation (2 December 2007),
 - Observation of the presidential election in Georgia (5 January 2008);
- Developments as regards the future status of Kosovo;
- Global warming and ecological disasters;
- Protection of the environment in the Arctic Region;
- United Nations Security Council and European Union blacklists;
- Strengthening co-operation with the Maghreb countries;
- The situation in the Republics of Central Asia;
- The Council of Europe and its Observer States – the current situation and a way forward;
- Procedural guidelines on the rights and responsibilities of the opposition in a democratic parliament;
- Disappearance of new-born babies for illegal adoption in Europe;

- The need to preserve the European sport model;
- Honouring of obligations and commitments by Georgia;
- Draft additional protocol to the Convention on Human Rights and Biomedicine concerning genetic testing for health purposes;
- Transfrontier co-operation; and
- Video surveillance of public areas.

The Assembly heard from several political leaders, senior officials and other guest speakers:

- Mr. Robert Fico, Prime Minister of Slovakia;
- Mr. Frans Timmermans, Minister for European Affairs of the Netherlands;
- Mr. Ferenc Gyurcsány, Prime Minister of Hungary;
- Mr. Ján Kubiš, Minister for Foreign Affairs of Slovakia, in his capacity as Chairperson of the Committee of Ministers;
- Mr. Terry Davis, Secretary General of the Council of Europe;
- Mr. Bamir Topi, President of Albania;
- Mr. Abdelaziz Ziari, President of the National People's Assembly of Algeria;
- Mr. Michel Platini, President of the Union of European Football Associations (UEFA); and
- Mr. Mikheil Saakashvili, President of Georgia.

Finally, the Assembly elected Lluís Maria de Puig (Spain, Socialist Group) as its new President and elected the vice-presidents of the Assembly and the chairpersons and vice-chairpersons of the committees. Detailed information about the session, the transcripts and summaries of all debates, the reports discussed, and the resolutions and recommendations adopted are available on the Parliamentary Assembly's website: <http://assembly.coe.int/>.

B. Canadian Activities during the Session

1. Overview

Canadian delegates participated actively in meetings of committees – in particular, the Political Affairs Committee, the Committee on Legal Affairs and Human Rights, and the Committee on the Environment, Agriculture and Local and Regional Affairs – and political groups – the Liberal, Democratic and Reformers Group (ALDE) and the Socialist Group. The Canadian delegation was briefed by Ambassador Laurette Glasgow, Canada's Permanent Observer to the Council of Europe, and François LaRochelle, her deputy, on recent developments at the Council of Europe and on Canada's involvement, in particular with regard to the government's input into the Political Affairs Committee's report on "The Council of Europe and its Observer States – the current situation and a way forward," which was debated during the session (see below). Delegates met with the Mexican delegation to discuss issues of common

concern to the two observer delegations, including recent changes to the PACE Rules of Procedure and the report on observer states and parliamentary delegations.

At the regular meeting of observer delegations with Terry Davis, Secretary General of the Council of Europe, the Canadian delegation had an opportunity to discuss a range of issues, including the political situation in Canada; Canada's involvement in the Council of Europe; recent changes to the PACE Rules of Procedure; the report on "The Council of Europe and its Observer States"; Canada's position on the death penalty, in particular with regard to the government's decision not to seek clemency for all Canadians on death row in the United States and elsewhere; the future of Kosovo and the PACE debate on that issue during this session; and the Council's work in the fight against doping in sports. Finally, Canadian delegates used the opportunity to meet with parliamentarians from other countries and Council of Europe staff to discuss a range of issues of common interest.

2. Revised Rules of Procedure Concerning Observer Delegations

The winter session is the first taking place following revisions to the Rules of Procedure and to the resolutions granting Canada and Mexico observer status with PACE. The rules now require observer delegations to be chosen for an entire calendar year, rather than for each of the four part sessions. As of 2008, the Parliament of Canada will be required to submit the names of 6 delegates and 6 substitutes at least one week prior to the first part session in January. From this list of 12 Canadian parliamentarians (4 Senators and 8 Members of the House of Commons), a delegation of 6 observers will be chosen for each of the four part sessions. In addition, observers to PACE are now allowed to sign motions for resolutions and recommendations – without however counting them among the number of signatures required – as well as written declarations.

3. Report on "The Council of Europe and its Observer States – the current situation and a way forward"

A highlight of the January session was the joint debate on the external relations of the Council of Europe, which included discussion and votes on draft resolutions and recommendations on "Strengthening co-operation with the Maghreb countries," "The situation in the Republics of Central Asia," and "The Council of Europe and its Observer States – the current situation and a way forward." The latter concluded a two-year study by the Political Affairs Committee and its rapporteur, Mr. David Wilshire (United Kingdom). Over the past year and a half, the Canadian delegation and Canada's Permanent Observer to the Council of Europe, Ambassador Laurette Glasgow, had met separately with the rapporteur, made written submissions and provided written feedback on the draft report and the preliminary draft resolution and recommendation.

Unfortunately, observer delegations did not have an opportunity to comment on the Opinion^(vi) on the draft resolution and recommendation, which was prepared by Mr. Omtzigt (Netherlands) for the Committee on Legal Affairs and Human Rights, and which included several amendments. However, Senator Milne participated in the meeting of that committee when the Opinion was discussed and adopted, and her intervention in the Assembly debate resulted in one of the amendments being withdrawn. That amendment would have required observer delegations to "present to the Assembly an

annual report on their involvement as observers”. Canadian delegates also took part in the meeting of the Political Affairs Committee which dealt with proposed amendments to the draft resolution and recommendation.

While much of the Assembly debate on the external relations of the Council of Europe focused on the reports on the Maghreb countries and the republics of Central Asia, several speakers who spoke to the participation of observer countries and delegations noted the contribution made by the Canadian delegation to the work of PACE since the early 1990s. For example, Mr. Omtzigt noted Canada’s good record as an observer, and Mr. Hancock (United Kingdom) stated:

I pay particular tribute to our colleagues from Canada. Since they have been in the Council of Europe, they have acted as a proper delegation of parliamentarians, playing an active role in Council business year after year. Despite the fact that it is extraordinarily difficult for them to get into debates, they have stuck with it. When they do contribute, they make a worthwhile contribution that relates not only to Canada but to their experience of the Canadian system and the problems with it, which generally relate to many situations that we face. Whether discussing drugs, the break-up of countries or asbestos, Canada has come with a positive message.^(vii)

Finally, Baroness Hooper argued that “any future revision of the Rules of Procedure of the Parliamentary Assembly should provide protection for the right of observers to speak in relevant debates and be given a reasonable place on the list of speakers, rather than appearing towards the end, which often means that the time runs out before they are able to speak.”^(viii)

In her intervention in the Assembly debate, Senator Milne offered her assessment of the report, the draft resolution and recommendation and the proposed amendments. She also discussed the impact of the new Rules of Procedure on the Canadian delegation:

I thank Mr Wilshire and the Political Affairs Committee for their openness to the participation of observer delegations in the preparation of this report on observer states. We appreciate the fact that many of our views and experiences are reflected in the text we are debating.

Our participation in the Assembly over the past 10 years reflects our interest in its work and our commitment to the principles of democracy, the rule of law and human rights, which we share with members of the Committee. I should note that the Canadian delegation did not ask for any changes to our status, but we welcome many of the concrete suggestions in the draft resolution.

In my view, this report reflects the Council’s effort to extend its reach beyond the current membership, which has nearly reached its logical geographical limits. First, it aims to strengthen the Council’s role in setting and defending international standards in the areas of human rights and democratic governance. Secondly, it contributes to the development of the Council’s neighbourhood policies by preparing the way for accepting new observers.

Finally, the report seeks to address concerns about the extent to which current observer states are complying with the core values of the Council, in particular with respect to the death penalty and the practice of rendition and secret detentions.

The Council of Europe's record is impressive, so these efforts are laudable. However, it should not be forgotten that observer status is fundamentally different from membership of the Organisation, both with regard to the obligations and rights of observers. Canadian parliamentarians and officials have always considered our role here to be that of observers. We come to listen, to learn and to add to the debate if possible. We are not potential members, nor do we aspire to become members. I believe that you cannot expect observers, especially those from overseas, to commit the same attention and resources as they would to their regional organisations or to international bodies of which they are full members. This would be true, I believe, even if greater commitment from observers were to be accompanied by significantly increased participatory rights.

At the same time, we value our role here and we do believe that our unique experience as a peaceful country of immigrants from around the world allows us to contribute to the work of the Council of Europe. So I would urge you to consider carefully what impact an expanded role and a clear set of specific obligations would have on the Council's ability to engage observer states and parliamentarians in its work.

Let me give an example. The new Rules of Procedure which allow us to sign motions and written declarations also require observer parliaments to name a permanent delegation of Representatives and Substitutes for a calendar year. It makes sense, since you all do it. However, this is having two negative effects on the Canadian delegation. First, while in past years we were able to bring different parliamentarians to Strasbourg and to committee meetings, we are now limited to a maximum of six observers and six substitutes. As a result, fewer Canadian MPs and senators will know about you and it will be much more difficult to bring Canadians with special expertise to the Assembly to contribute to your work.

Secondly, because of the domestic political situation in Canada and frequent conflicts between our parliamentary responsibilities and PACE events, it will be difficult to bring a full delegation of six observers to future Assembly sessions. Of the 10 delegates and substitutes named for the 2008 session, only three were able to be here this week. In the past, we were able to fill in with other parliamentarians but now we cannot. Since I cannot speak directly to the amendments, I would like to end by voicing our opposition to two of them. Amendment No. 1 proposes to delete the following words: "to initiate, though appropriate arrangements, motions for resolutions and recommendations." It should be noted that the revised rules allowed us to sign motions and written declarations. The current text,

unamended, would merely extend that privilege to initiating the whole process and to contributing here more meaningfully.

Amendment No. 13 calls on observer delegations to “present...an annual report on their involvement as observers.” We do not believe that such annual reports are necessary, since the contribution of parliamentary observers to the work of the Assembly will speak for itself. The draft resolution already calls on the Political Affairs Committee to report on the state of relationships with the observer delegations. I would also point out that Assembly member delegations are not required to report on their involvement. Why should observers be held to a higher standard? ^(ix)

Following the debate, amendment No. 13 was withdrawn and amendment No. 1 was defeated. The Assembly adopted the draft resolution and recommendation with some other amendments tabled by Mr. Omtzigt for the Committee on Legal Affairs and Human Rights and by others. The adopted text is available on the PACE website. ^(x)

On the day after the debate, the Political Affairs Committee held an exchange of views with the three observer delegations on the implementation of the resolution. In the course of the discussion, the leaders of the Canadian and Mexican delegations highlighted concerns about the extent to which PACE members agreed on the role of observers, and how aware they appeared to be of the rules affecting their own participation. Senator Milne asked the committee to clarify the practical implications of the resolution, specifically with respect to two paragraphs. First, what would the modalities be for the inclusion of observer states and delegations “in the framework of its regular debates on the state of democracy” (paragraph 9), and what will be the role of observer delegations to PACE in the preparation of the reports and in the debate? Second, what will be the respective roles of the Political Affairs Committee and the Committee on Legal Affairs and Human Rights in working with observer delegations on behalf of the Assembly (paragraph 28)? The committee agreed to discuss concrete, practical steps for implementing the resolution adopted by the Assembly. An informal meeting of committee members and observer delegations will be organized during the April or June session to follow up this discussion.

4. Canadian Interventions in Other Assembly Debates

Senator Goldstein made interventions in two Assembly debates. Speaking in the joint debate on “Global warming and ecological disasters” and “Protection of the environment in the Arctic Region,” he expressed regret that the Canadian observer delegation had not been asked to participate in the preparation of the two reports. His remarks then focused on the impact of climate change on the Arctic, in particular on “the people of the Arctic, because too little has been said about them.” Noting that 85,000 Canadians live in the Arctic and that “one third of the land mass situated above the Arctic circle” is in Canadian territory, he argued that the countries of the circumpolar region “appear to be more interested in the establishment of sovereignty over disputed areas than in the preservation of the way of life of the Inuit and other Arctic peoples.” However, climate change is threatening the very existence of Canada’s Inuit as a people. While the destruction of the Arctic environment and way of life is a complex problem, as are the solutions that need to be found, “this war, and a war it is, must be fought successfully if we are to survive. If we parliamentarians do not engage in this battle, who will? And if

not now, when?” In his response to the Assembly debate, the rapporteur, Mr. Meale, assured Senator Goldstein: “We care deeply about our relationship with Canada, which has been at the forefront of the battle against global warming. I well remember Mr Caccia, who used to attend all our meetings in the United States and Europe on these issues. We value your contribution and we want you to play a full part in our Assembly.”
(xi)

In his intervention in the debate on “Procedural guidelines on the rights and responsibilities of the opposition in a democratic parliament,” Senator Goldstein congratulated the rapporteur and the Committee on Rules of Procedure, Immunities and Institutional Affairs for producing a report that “will serve as an appropriate beacon and benchmark for both member and observer states of this Council.” He noted that “a vibrant, responsible and unfettered opposition is probably the greatest guarantor of a democratic government” and described the role of the official opposition and other opposition parties in Canada’s political system. Senator Goldstein went on to argue that one “concern that might have been discussed in more detail in the report is the fact that the resources of government and of opposition are not symmetric. The government has access to the entire recourses of bureaucracy, while the opposition is generally limited to a relatively small pool of resources.” In his response to the interventions, the Rapporteur, Mr Van Overmeire, thanked Mr Goldstein for his comments and noted that “the importance which Canada attached to the opposition had been included in the report.”^(xii)

The complete texts of the Canadian interventions are available at:

http://assembly.coe.int/ASP/Doc/CRListingSession_E.asp?IDSession=221.

Respectfully submitted,

Hon. Lorna Milne, Senator
Canada-Europe Parliamentary Association

III

Background: The Council of Europe

The Council of Europe is an intergovernmental organisation which aims:

- to protect human rights, pluralist democracy and the rule of law;
- to promote awareness and encourage the development of Europe's cultural identity and diversity;
- to find common solutions to the challenges facing European society: such as discrimination against minorities, xenophobia, intolerance, bioethics and cloning, terrorism, trafficking in human beings, organised crime and corruption, cybercrime, violence against children; and

to consolidate democratic stability in Europe by backing political, legislative and constitutional reform.^(xiii)

Founded in 1949, the Council of Europe has now reached a membership of 47 countries from the Azores to Azerbaijan, and from Iceland to Cyprus, with Montenegro joining as its newest member in May 2007. The Council's main objective is to promote and defend democratic development and human rights, and to hold member governments accountable for their performance in these areas. However, it is also very active in fostering international cooperation and policy coordination in a number of other areas, including legal cooperation, education, culture, heritage, environmental protection, health care, and social cohesion. The Council of Europe is responsible for the development of 201 European treaties or conventions, many of which are open to non-member states, in policy areas such as human rights, the fight against organised crime, the prevention of torture, data protection, and cultural co-operation.^(xiv) The Council's main institutions are the Committee of Ministers (the CoE's decision-making body, composed of member states' foreign ministers or their deputies), the Parliamentary Assembly, the Commissioner for Human Rights, the European Human Rights Court, and the Congress of Local and Regional Authorities.

The Parliamentary Assembly consists of 636 members (318 representatives and 318 substitutes), who are elected or appointed by the national parliaments of the 47 Council of Europe member states from among their members. The parliaments of Canada, Israel and Mexico currently hold observer status with PACE. The special guest status of Belarus, which had applied for membership in the Council of Europe in 1993, was suspended in January 1997 in the wake of the adoption of a new constitution in Belarus, which was widely seen as undemocratic.

The Assembly elects the Secretary General of the Council of Europe, the judges of the European Court of Human Rights and the Council's Commissioner for Human Rights. It is consulted on all new international treaties drafted by the Council, holds the Council and member governments accountable, engages in studies of a range of issues of common interest to Europeans, and provides a forum for debate for national parliamentarians. The Assembly has played an important role in the process of democratization in Central and Eastern Europe and actively monitors developments in

member countries, including national elections. It meets four times a year in Strasbourg, with committee meetings taking place more frequently.^(xv) Council and Assembly decisions and debates are often reported widely in the European media.

The Council of Europe and its Parliamentary Assembly bring together policy – and decision-makers from a range of politically, culturally, and geographically diverse countries. Together, the Council and Assembly provide the primary forum for the formation of a trans European political community committed to democracy and human rights. The Parliamentary Assembly also provides parliamentary oversight functions for several key international organizations, including the OECD, the European Bank for Reconstruction and Development (EBRD) and the International Organization for Migration (IOM). This wide ranging role in international policy-making and in the promotion and protection of democracy and human rights makes the Council and Assembly an important venue for pursuing and advancing Canada's multilateral and bilateral engagement in Europe.

Canada is an observer to both the Committee of Ministers, where it has participated actively in a number of policy areas (the other observers are the Holy See, Japan, Mexico, and the United States), and the Parliamentary Assembly (where the other observers are Israel and Mexico).^(xvi)

(i) Department of Finance Canada, International Trade and Finance Branch, "Report on Operations Under the European Bank for Reconstruction and Development Agreement Act – 2004," March 2005, http://www.fin.gc.ca/toce/2005/ebrd04_e.html.

(ii) The Order of Business is available at:

http://assembly.coe.int/Sessions/2008/Agenda/ECALSES2008_1.PDF.

(iii) There are 10 regular committees: the Political Affairs Committee; the Committee on Legal Affairs and Human Rights; the Committee on Economic Affairs and Development; the Social, Health and Family Affairs Committee; the Committee on Migration, Refugees and Demography; the Committee on Culture, Science and Education; the Committee on the Environment, Agriculture and Local and Regional Affairs; the Committee on Equal Opportunities for Women and Men; the Committee on Rules of Procedure and Immunities; and the Committee on the Honouring of Obligations and Commitments by Member States of the Council of Europe.

(iv) A political group is the equivalent of a parliamentary party or caucus. There are five political groups in PACE: the Socialist Group (SOC), the Group of the European People's Party (EPP/CD), the European Democratic Group (EDG), the Liberal, Democratic and Reformers Group (ALDE), and the Group of the Unified European Left (UEL).

(v) Regular Assembly debates focus on a draft resolution (a decision or statement by the Assembly) and/or recommendation (a proposal addressed to the Committee of Ministers), as well as an explanatory memorandum, which are prepared by a rapporteur for the relevant standing committee. The committee adopts – and usually amends – the

resolution prior to the Assembly debate. Assembly debates open with a statement from the rapporteur(s), followed by statements from representatives of the five political groups, after which the debate is opened to other speakers. Speakers have to register in advance. Speakers unable to participate in the debate due to time constraints can submit their intervention in writing, so it becomes part of the official record.

(vi) Motions for resolution or recommendation are routinely referred to a second committee for opinion. In this case, the Committee on Legal Affairs and Human Rights prepared the Opinion, essentially a commentary on the draft resolution and/or recommendation prepared by Mr. Wilshire and adopted by the Political Affairs Committee. The Opinion includes several amendments which were voted on by the Political Affairs Committee and then by the Assembly.

(vii) Report, 2008 Ordinary Session (First part), 6th Sitting, 23 January 2008 at 3 p.m.

(viii) Ibid.

(ix) Ibid.

(x) Resolution 1600 (2008) "The Council of Europe and its observer states - the current situation and a way forward":

<http://www.assembly.coe.int/Documents/AdoptedText/ta08/ERES1600.htm>.

Recommendation 1827 (2008) "The Council of Europe and its observer states - the current situation and a way forward":

<http://www.assembly.coe.int/Documents/AdoptedText/ta08/EREC1827.htm>. Mr.

Wilshire's explanatory memorandum is also available on the PACE website:

<http://www.assembly.coe.int/Documents/WorkingDocs/Doc07/EDOC11471.htm>.

(xi) Report, 2008 Ordinary Session (First part), 4th Sitting, 22 January 2008 at 3 p.m.

(xii) Report, 2008 Ordinary Session (First part), 6th Sitting, 23 January 2008 at 3 p.m.

(xiii) Council of Europe website: http://www.coe.int/T/E/Com/About_COE/. For a detailed discussion of the Council's history and role, see *The Council of Europe, 800 million Europeans*, available on that website.

(xiv) For a complete list of the Council of Europe's treaties, see:

<http://conventions.coe.int/Treaty/Commun/ListeTraites.asp?CM=8&CL=ENG>.

(xv) "The Assembly in brief," <http://assembly.coe.int/Communication/Brochure/Bro01-e.pdf>.

(xvi) Canadian officials from several federal government departments and agencies and from one provincial government participate in more than 20 meetings annually of committees, expert groups, and steering committees of the Council of Europe. Canadian parliamentarians attend all four parts of the annual session of the Parliamentary Assembly, as well as parliamentary committee meetings at the EBRD in London and the OECD in Paris.

Travel Costs

ASSOCIATION	Canada-Europe Parliamentary Association
ACTIVITY	Meeting of the Committee on Economic Affairs and Development and the First Part of the 2008 Ordinary Session of the Parliamentary Assembly of the Council of Europe
DESTINATION	London, United Kingdom and Strasbourg, France
DATES	January 17 to 25, 2008
DELEGATION	
SENATE	Hon. Lorna Milne, Senator (Strasbourg) Hon. Yoine Goldstein, Senator (London and Strasbourg) Hon. Jean-Claude Rivest, Senator (Strasbourg)
HOUSE OF COMMONS	
STAFF	Mr. Philippe Méla, Association Secretary (London and Strasbourg) Dr. Marcus Pistor, Advisor (Strasbourg)
TRANSPORTATION	\$26,321.00
ACCOMMODATION	\$8,142.12
HOSPITALITY	\$
PER DIEMS	\$3,380.00
OFFICIAL GIFTS	\$21.00
MISCELLANEOUS	\$
TOTAL	\$37,864.12