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The Honourable Rob Merrifield

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•(1105)

[English]

The Chair (Hon. Rob Merrifield (Yellowhead, CPC)): I'll call the meeting to order.

We want to thank the witnesses for coming forward today. We are discussing the piece of legislation that has cleared the House on the free trade agreement between Canada and the Kingdom of Jordan.

I do want to thank the witnesses for coming forward. We have John Masswohl with the Canadian Cattlemen's Association. Thank you for being here.

And we have the International Labor Organization, with Nancy Donaldson, the director, in Washington.

Can you hear us and see us all right?

Ms. Nancy A. Donaldson (Director, Washington Office, International Labor Organization): I can hear you and see you. Thank you.

The Chair: Very good.

And from Nygård International, we have Patricia Chapdelaine. Are we coming through there?

That's in Winnipeg, I believe.

Ms. Patricia Chapdelaine (Executive Vice-President, Operations and Technical Designs, Nygård International): Yes, we are.

The Chair: Okay, very good.

We also have, from Nygård International, David Hudson. He's in Dubai. I'm not sure he can hear us, and we don't have video. We're trying to connect that, and that will happen as we go through the meeting.

We will start with John Masswohl from the Cattlemen's Association.

Thank you for coming in. We'll yield you the floor now for your presentation.

Mr. John Masswohl (Director, Government and International Relations, Canadian Cattlemen's Association): Thank you, Mr. Chairman, and thank you for the opportunity to appear before the committee again.

I'd like to reconfirm the support of the Canadian Cattlemen's Association for the Canada-Jordan free trade agreement. Jordan has not traditionally been a significant market for Canadian beef, and it's not likely to become one in the near future, but this agreement will

enable us to regain equivalent terms of access that the U.S. beef industry has enjoyed in Jordan since 2001. As Canadian beef exporters direct their primary efforts in the Middle East to markets like Saudi Arabia, it is beneficial to have access to the neighbouring Jordan and others.

We attach significant importance to all countries removing any lingering BSE restrictions on Canadian beef, and Jordan has done this. We hope other markets in the Middle East, especially Saudi Arabia, will follow Jordan's lead.

Under the terms of the Canada-Jordan free trade agreement, Jordan will eliminate immediately its current 5% tariff on beef cuts; 10% tariff on genetics; and 21% to 28% tariffs on prepared beef products, such as sausages and cured meats. There are no exclusions and no quota limits in this agreement.

I would like to conclude my comments on the Jordan FTA by saying that we unreservedly support implementation of this agreement. We would point to the results as an example of what we would like to see in all future negotiations.

Before I wrap up entirely, I would like to use my final minute to point out that today, March 15, 2012, is the day the free trade agreement between Korea and the United States comes in force. This is a serious concern to the Canadian beef sector. Today is the first day that Canadian beef will be at a tariff disadvantage to U.S. beef in Korea. We strongly encourage Canada to complete its negotiations with Korea as well and restore our tariff parity in that market as soon as possible.

With that, I'll conclude my brief comments.

Thank you, Mr. Chairman.

The Chair: Thank you very much.

We will now go to the International Labour Organization, Nancy Donaldson, in Washington.

Nancy, the floor is yours.

Ms. Nancy A. Donaldson: Thank you for inviting me to brief you and to answer questions today.

Social justice, decent jobs, and respect for fundamental rights have been at the heart of the Arab Spring movement going on in the Arab states. We have observed that freedom of association, employment, and decent work have featured prominently in the recent wave of unrest in Jordan specifically, with more than 550 labour-related protests and strikes since January 2011.

On the workforce situation there, despite 7% economic growth before the great recession, unemployment rates have remained between 12% and 13%. In addition, only 40% of the population above the age of 15 is even economically active. The country also faces one of the lowest female participation rates in the workforce, at only 14%.

Against this backdrop, large numbers of young people are entering the labour force, with over 70% of the population under 30 years of age. Young people between 15 and 24 years of age constitute 22% of the population, with most of them in school still, high school and university. But recent job creation in Jordan has been mainly in low-status, low-skill jobs, and that is not the expectation of Jordanian youth. They want high value-added jobs where pay is adequate. As a result, there are over 600,000 Jordanians already working abroad in mostly skills-intensive jobs. At home, unemployment stands for youth at 27%, more than double the overall rate.

The coming challenge will be to create sufficient jobs to absorb more than 60,000 new entrants, the majority of them youth, per year, and the government, which has been a traditional place of employment for about 30% of the population, can create only 10,000 of those 60,000 jobs.

The impact of investment policies on employment is uncertain. The trade liberalization has led to, as it often does, an increased dependence on migrant workers in export zones, in turn depressing real wages for unskilled labour. The net result is that jobs being created are mainly going to migrant workers, about 63% of the jobs created between 2005 and 2009. The foreign workers today constitute about half of private sector workers, which is about 27% of the general population of workers. Almost 90% of registered foreign workers, mostly in the QIZ, are illiterate. The majority are in the production, agriculture, and services sectors. In terms of nationality, they're about 70% Egyptian, followed by Indonesian, Sri Lankan, and Filipino.

What is the government response to their challenges, and what is the ILO response? The government has responded to the current wave of discontent by increasing/accelerating the reform process—constitutional law, legislative, social, and economic policy reform. They are pushing towards tightened restrictions on the employment of migrant workers, including through the imposition of quotas on certain jobs. Other jobs are giving explicit priority to Jordanians. The government has placed employment and decent work for Jordanians at the heart of its response strategy. They endorsed the national employment strategy in May 2011.

In direct response to that strategy, I'm excited to tell you that just last Sunday the ILO regional director, Nada Al-Nashif, the national chamber of industry in Jordan, and the General Federation of Jordanian Trade Unions, along with the labour ministry, formally signed a decent work country program, or a national framework strategy, for 2012 to 2015.

The goal is to support national initiatives to reduce decent work deficits and strengthen national capacity to mainstream decent work. There are three priorities.

The first is to expand decent work for young Jordanian men and women through the promotion of better work conditions, non-discrimination, and equal rights at work.

The second priority is to extend a minimum level of social security to the most vulnerable groups of society through the social protection floor.

The third priority is to enhance employment opportunities, particularly for youth.

• (1110)

There are many concrete measures that come with those priorities. I'd be very happy to speak to those. The crosscutting issues in each of those categories will include social dialogue, international labour standards, and gender equality. Each of these areas includes a number of micro and macro efforts in many technical cooperation projects. We're very grateful to say that they include some important projects supported by the Canadian government, CIDA, and the development organizations.

I imagine that I may be out of time, so let me just say that I'd be happy to discuss some of the concrete achievements so far and the specific initiatives going forward, and I would be happy to answer questions.

The Chair: Thank you very much.

We'll now move on to Nygård International. We have Patricia Chapdelaine. You are in Winnipeg. We're scooting all over the world today.

The floor is yours, Patricia. You have 10 minutes.

Ms. Patricia Chapdelaine: Good morning, everyone.

I'll start by telling you that my position with Nygård is executive vice-president of operations and technical designs. A very large part of my responsibility is sourcing: sourcing accessories, fabric mills, fabric suppliers, and garment factories for our production. We are currently in nine countries and are using 32 garment factories.

My first foray into Jordan was in 2003. We started some production with a couple of factories at the time, but the quantities weren't very large at the time. However, we were able to start this with JC Penney in the U.S., and in order to take on their business we really had to come up with some competitive pricing, which meant working with countries that were duty-free to the U.S.

JC Penney, in addition to regular compliance, has some pretty tough rules to follow. One of the things they insist upon is that any factories where their production is being done are on what they call the "golden list". Not every country has a golden list, but certainly Jordan does.

In 2006 we began work with IBG, which was then known as MF Textiles. I believe IBG bought it over in 2008. In starting to do business with them, Nygård does have a supplier compliance policy. We did send some documents, but unfortunately it was too late for them to be translated, so they aren't with the committee members.

Our compliance policy covers all the rules and regulations relating to labour standards, worker health and safety, and the environment. It calls for no discrimination in terms of hiring, employment practices, disabilities, sexual orientation, etc.

Suppliers cannot use forced or indentured labour and strictly no child labour, as defined by local law, but definitely and specifically not children under the age of 15.

Suppliers will treat all workers with respect and dignity and shall not use corporal punishment, threats, or any form of physical, sexual, psychological, or verbal harassment or abuse.

Suppliers shall permit their employees to enjoy all civil rights granted under the constitution and laws of the country in which they are employed.

It then speaks to workplace safety and health, and environmental laws. We do get our partners to sign these compliance policies in order to do business for us.

We don't take this lightly. We do monitor. We don't just get factories to sign these and then walk away. For the countries of Jordan and Egypt, I have in place a country manager who lives in Egypt but spends 10 to 11 weeks a year in Jordan. I have a regional manager who lives in Singapore and that is his region. He visits Jordan four to six times a year. I myself go twice a year, and I have three Nygård employees permanently stationed at the IBG factories.

In addition to that, we know that the ministry of labour, through their directorate of worker...I'm not quite sure what the title of that is. Anyway, they deal with the inspections and make sure that all of the laws and compliance towards the golden list are being kept.

• (1115)

There is one more. The exporters' association also get involved. As of the last couple of years, IBG has also been working with Better Business Jordan and has set up a committee. There is a certificate to that effect.

I find, working in Jordan, that all of the government and human rights agencies, Better Work Jordan and so on, are all very approachable; they are all very helpful. I met with four out of five of these organizations last year. They're all very open to speaking about labour issues and how they can contribute and give advice on how we can do things better.

I visit the sites and talk to the people. I visit the dormitories. I visit the canteens. I meet with some of the individual workers and talk to them. Here are some of the things that I have found. One thing is that workers migrate to Jordan. As we've already said, the vast majority of the workers specifically in our industry come from other countries.

One of the main reasons they do it is they can receive double to triple the wages they would earn in their own country. To that point, they also have the added advantage of having free room and board. I think most of us know they send most of their money home to support their families and overall have a better way of life.

Food and board is free. Even though that is not specifically in the contracts that these workers sign, there could be a deduction. As of May 1, 2010, IBG has waived that deduction. There are other

benefits offered by IBG. There's a full-time doctor on staff between the two factories and there is a full-time nurse at each of the facilities.

Of the workers, 26% of the migrant workers are on their second or third term with the company. Certainly there are people who have their leave after their first contract is over and then sign another contract to come back. I think 26% is quite a high return.

I think one of the benefits of a free trade agreement is that it would employ more people in Jordan. Certainly we would increase our production. Right now, I only make goods that ship to the U.S. A., but I would add that all of my product that could be produced there...I would do so. For our company, it's to market to both Canada and the U.S., respectively.

I think other things may come up in question and answers.

I'll close with that. I don't know whether Mr. David Hudson has anything he might want to add.

• (1120)

The Chair: First of all, we'll ask if Mr. David Hudson is online.

He is.

Mr. David I. Hudson (Representative, Chairman, Indo-British Garments, Nygård International): Yes, I've just joined only this second. I apologize.

The Chair: That's fine.

Mr. David I. Hudson: I don't know what's gone wrong here, but

—

The Chair: It's technology.

Mr. David I. Hudson: It seems to be. It's embarrassing. It's in Dubai, which prides itself on its communication and being media city.

The Chair: Maybe it's a Canadian—

Mr. David I. Hudson: I came in as my name was mentioned, so I have no history of what's been said. I'm sorry.

The Chair: As you are here to answer questions and not to do a presentation necessarily, we will add you to the question and answer portion, which we are going to start right now.

Mr. Ravnignat is the first up.

You have seven minutes.

[*Translation*]

Mr. Mathieu Ravnignat (Pontiac, NDP): Thank you, Mr. Chair.

My questions will be mostly for Ms. Donaldson, from the ILO.

From 2007 to 2009, the ILO had a pilot project in Jordan; you talked about that. Could you quickly talk about the pilot project's concrete objectives and its results so far?

[*English*]

The Chair: Ms. Donaldson.

Ms. Nancy A. Donaldson: I'm sorry, I'm not sure which project you mean. Do you mean the Better Work project, or which project?

[Translation]

Mr. Mathieu Ravignat: You could talk about both of them.

[English]

Ms. Nancy A. Donaldson: Okay. In terms of Better Work, I believe we have been there not quite since 2007. It's a continuing program. This is a program that is sponsored by the IFC, the International Finance Corporation—the private sector part of the World Bank—and the ILO. It is an initiative that has work going on, not only in Jordan, but Cambodia, Vietnam, Nicaragua, Haiti, and Lesotho, and I may have missed one. This is to create a baseline of cooperative and tripartite monitoring of garment manufacturing, working with the international brands.

This project has been studied and it is being studied. We're excited about Jordan because very recently the government has decided they are going to require all manufacturers to participate in the Better Work Jordan program. That means, frankly, bad actors can't opt out and have good actors carry the responsibility.

It's a good policy approach. There are monitoring processes, which are then reported back to the manufacturers, with remedial recommendations where there is non-compliance. Then, after a period of time, they are published for the public to know and for the brands to know.

We've been in Jordan long enough now that we are seeing some progress in a number of areas where there has been difficulty in non-compliance. But there are still problems, including—

• (1125)

[Translation]

Mr. Mathieu Ravignat: I have to cut you off, Ms. Donaldson, as I have only four minutes.

[English]

Ms. Nancy A. Donaldson: No problem.

[Translation]

Mr. Mathieu Ravignat: I would like to follow up on what you just said. I have a fairly clear question for you. What is the problem with Jordan? Is it a matter of laws or of how they are being enforced? Does the issue really have to do with the legislative framework or does it have to do with the will to do something to improve working conditions?

[English]

Ms. Nancy A. Donaldson: There are many reasons, and I can give you some examples. In these special export zones, there are some laws that are not the same; for example, the minimum wage is lower in those zones than for the country. Although recently the migrant workers were allowed to join unions, they're not allowed to form them, and there are restrictions on their freedom of association. These are laws.

In terms of working conditions, for example, there is some progress around manufacturers setting curfews. They're not really allowed to set curfews, but it still happens. There are issues about how many hours, whether overtime or extra working hours are compulsory, and things like that. That is more in the application of the manufacturers.

[Translation]

Mr. Mathieu Ravignat: Thank you. I have a supplementary question about that. What is the current reality of children working in Jordan? I know that Jordan is trying to improve its situation, but what is the reality of the children working in factories?

[English]

Ms. Nancy A. Donaldson: We published the latest synthesis report for the factories that Better Work has visited, and we had two last week. There was only one problem found with children in hazardous work, and that was actually with 16-year-olds, I believe, and it's been corrected. Now that the law has changed, new plants will come online, but there's not much problem in the factories.

In the country, we are involved in a major child labour initiative, and that happens more in the fields and in other categories. With the U.S. government I think there is a \$10 million project to eradicate child labour. The most recent dimension of it that we think is important is that rather than just focusing on child rescues, there is also a national effort to create a mainstreaming of ending child labour in Jordan, with a national strategic effort as well as work in the fields and the places where the problems are.

[Translation]

Mr. Mathieu Ravignat: Thank you, Ms. Donaldson. According to you, there is still work to be done, especially in terms of factories.

[English]

Ms. Nancy A. Donaldson: Yes. I will say that's always true in working in the garment industry around the world. So trending progress is what we look for in enforcement, labour inspection, and performance of the manufacturers.

• (1130)

The Chair: Thank you very much, Ms. Donaldson.

Mr. Cannan, you have seven minutes.

Mr. Ron Cannan (Kelowna—Lake Country, CPC): Thank you, Mr. Chair.

Thank you to our witnesses. Thanks for taking the time out of your schedule. To our friends in Dubai, there's a time change difference, so thank you for fitting us in as well.

I just want to pick up on the question my colleague, Mr. Ravignat, asked Ms. Donaldson. I have three daughters in their twenties. You caught my interest when you said they have a very low employment rate for women. I'm thinking that in the garment industry, it would be a little bit of a misperception from my viewpoint. I just wonder if you could elaborate why that is. Is it culture, or are there other reasons?

Ms. Nancy A. Donaldson: Let me say that I don't have the statistics for the garment industry. Worldwide, generally, the majority of workers in the garment industry are often women. I believe the 14% of participation is about Jordanian women, and I do think it's cultural and religion-based. It's one of the lowest rates of participation of women in the world, in the lowest 10 countries.

I am happy to say that we are involved in a national pay equity initiative with the government to both increase awareness and to advance pay equity for women going into work. I think because the population coming into the workplace is so young, we are going to see changes in that percentage. Having employers and the economic sectors ready for that is I think going to be part of the work.

Mr. Ron Cannan: Following up on the economic perspective, that's where we are trying to grow the economies of our countries, with a joint perspective and the philosophy that the rising tide lifts all boats. We've had a trade agreement implemented with Colombia, as Washington recently has. We're working on Panama as well.

Have you had any experience in labour agreements in Panama?

Ms. Nancy A. Donaldson: I'm sorry, I'm trying to remember if Panama was part of CAFTA. I don't know much about Panama; I know more about Colombia. On Colombia, there's a very specific labour action plan that is coming. Preparations are coming into place in terms of the U.S. government Colombia bilateral agreement. I understand from my colleagues in Geneva that Canada is also going to be participating and giving financial support to help advance labour cooperation efforts in Colombia. There's a great deal of work to be done there.

Mr. Ron Cannan: So it's fair to say that the trade agreements are helping with these labour side agreements, helping to strengthen the labour relationship and the protection of the workers.

Ms. Nancy A. Donaldson: Let me say that it's all about incremental progress.

Let me talk about the Middle East region. The U.S. has four free trade agreements—with Bahrain, Oman, Morocco, and just recently Jordan. It's really fair to say that if you look at where there is progress—and this is evident in different ways, from gender to working conditions to labour rights, the Arab states in which there is progress are clearly those that have bilateral trade relationships. Those are one component of it.

What's interesting to us is that countries that do not have agreements are beginning to reach out to us to help reform and make some progress as well, so they see that these things are working.

I think the labour unions would say progress is slow, and I would agree with them. If you want me to, I can give you more concrete examples. Sometimes there is backsliding. But the overall picture is that it's a meaningful thing in the context of the practical work we're doing with our partner countries.

Mr. Ron Cannan: Thank you for that pragmatic response. Slowly and steadily we're making progress.

I'll move on to our friends from the Canadian Cattlemen's Association and the opportunities for further expansion. A few years back our trade committee travelled to the Middle East, and my belief is that this is a good stepping stone in the right direction.

John, maybe you could expand a little more on the opportunities you see for the Cattlemen's Association through this trade agreement with Jordan.

• (1135)

Mr. John Masswohl: I think that's right. We see Jordan as a part of the Middle East region. Whether Jordan is the gateway or the

stepping stone, or if it's an added benefit to have that available when you're doing business in one of the other countries, I guess is a matter of semantics.

But the point is we have beef exporting companies that have been very interested in Saudi Arabia, the United Arab Emirates, and, even more recently, Kuwait and Qatar. If they're going to invest their resources to be in those countries travelling there, having materials in Arabic, those sorts of things, it is very easy for them to also include Jordan in their plans if we can get rid of the tariff differential we've had basically since I think the U.S. free trading with Jordan has been in place, since 2001.

It's only a 5% tariff, but if you're a buyer in Jordan saying you can buy the same thing from an American company or a Canadian company, but you have to pay 5% more from Canada, that does make a difference.

Mr. Ron Cannan: That's just common sense. I thank you for that explanation.

This is a quick question for Mr. Hudson.

You haven't had a chance to comment on the trade agreement that's been proposed between Canada and Jordan. Do you have any specific comments as far as the opportunities you see for industry go?

Mr. David I. Hudson: I'm all for free trade agreements. Until two years ago I was living in India and was chairman of the European business group. We advocated for many years for a free trade agreement with India. So I'm a great believer in them.

Jordan is a stabilizing country in the Middle East, in a troubled area. It is a western-influenced country with very strong ties. I'm surprised it wasn't mentioned that it has been invited to join the Gulf Cooperation Council and is receiving a lot of aid from the gulf countries. As Ms. Donaldson said, if you have a free trade agreement, you can bring in your own standards and influence the government to increase their standards. It gives you that influence.

It would be good for Canada. It would allow Canadian companies to come in to deploy their expertise. I have recently been involved with a number of Canadian companies, and there's a vast array of talent in your country.

I believe that Jordan is desperate for water. This is the number one problem in Jordan. It is a poorish country, and it is looking all the time for people who can help it, not just with aid but by bringing industry technology.

The apparel industry does a great deal of good for Jordan. Jordanians generally are not as gifted as the southern nations with apparel, but it provides employment for them. It provides services and uses a great number of suppliers. I read your note, and although the apparel industry uses migrant labour, it's not totally migrant labour. It provides some well-earned revenue for Jordan itself.

The Chair: Thank you.

Mr. David I. Hudson: The apparel industry is good, and a free trade agreement would definitely help it. The head of your Apparel Federation, Mr. Bob Kirke, was all in favour of it.

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

Mr. David I. Hudson: I don't think it came over very clearly.

The Chair: Thank you very much for that answer. I have to move on to other questioners. Time has evaporated on this answer.

We'll go to Mr. Easter. He may have follow-up questions.

• (1140)

Hon. Wayne Easter (Malpeque, Lib.): Thank you, Mr. Chair.

Thank you to all of the witnesses for being here in one fashion or another.

I'll turn to John first.

The Canada-Jordan agreement seems to be fine from the agriculture industry perspective. It's not much of a market for agriculture, from what I understand, but it does provide a template for Saudi Arabia and others.

Specifically, what does the Jordan market mean for the beef industry, beyond being a template? What do we export there? You mentioned three tariffs levels coming down, which is great. I didn't realize there was 10% on genetics.

Go ahead.

Mr. John Masswohl: Yes, it's a small country and it's a fairly small population, but if you look at their food production domestically, you'll see that they have less than 50% self-sufficiency in food. They import more than half of their food.

It's an arid country. It's a desert country. I believe that somewhere around 7% of their land base is arable land, so what they're going to produce on that land is largely going to be fruits and vegetables. They have some dairy production. They have sheep and goats.

They have almost no beef production to speak of, other than old dairy cows, and that really comes from their land base. As you know, beef cattle take a lot of land, they take a lot of grass, and they take a lot of water. Those are some resources that they don't have, so certainly in that region we see an opportunity.

On the genetics side in particular, if you look at their livestock industry and how it's evolved over the last 30 years, say, you'll see that they have significantly increased their dairy herd. There are some indigenous breeds in the Middle East that can tolerate the hot weather pretty well, but they don't produce a lot of milk.

I would say that over the last 30 years or so their dairy herd has increased about tenfold—that's about 50,000 cows—but they've also really moved into the Holstein-Friesian breeds, and they really need to purchase those genetics, probably in terms of small heifers, young heifers. There are certainly some opportunities there for Canadian producers.

Hon. Wayne Easter: Do you have any idea of the gross value of our exports in beef and beef products at the moment?

Mr. John Masswohl: Yes. The beef side has been very small. We were shut out until February of 2009. The BSE restrictions were lifted in 2009.

That said, the trade statistics show that we exported I believe about \$21,000 worth in 2007. That's small. It could even be a statistical error, being that small. Then there was nothing in 2008 and

nothing in 2009 or 2010. I believe there were a few half-carasses that went in 2011, less than \$10,000 worth, so it's very, very small.

Hon. Wayne Easter: Part of the reason I ask is that it's good to open up a market, but the second point you raised was the Korean market. One of the problems I have with this government—and the members opposite have heard me say it before—is that on many of these trade agreements they love to talk numbers and say, well, we have seven agreements now, and now we have nine.... But what really matters is the result, and I maintain the government has been asleep at the switch in terms of some of our traditional markets, both the United States and Canada-Korea.

When he was here on Tuesday, I asked the minister a question on the Korean agreement and us being displaced there, and he failed to answer. So I think it's important that you tell the committee how important it is.

As I understand it, between beef and pork, the Korean market is about a billion dollars. Starting today, we become less and less competitive as time goes on. Just what will that mean to the beef and hog industry over the long term if the government doesn't get off its butt, get in there, and get an agreement that stabilizes us and puts us on a par with the U.S.?

• (1145)

Mr. Ed Holder (London West, CPC): On a point of order, Chair, what's the relevance to Jordan?

The Chair: Yes, we are talking about the Canada-Jordan free trade agreement, although the testimony of the witness did bring up the Korean agreement. I'll allow a short answer.

Mr. John Masswohl: We certainly have prioritized. We've worked very closely with Minister Ritz to make sure that he's aware of the priorities, as well as Minister Fast. We've been quite pleased with the work they've been doing in those marketplaces.

We've spent a lot of time over the last couple of years on getting the Korean market reopened. The government put a lot of effort into prosecuting that WTO case for us, and we did achieve that market opening. I guess we would very much like to see the next step, which is to finalize the free trade negotiations. They're well advanced. It shouldn't take too many meetings to finish that off.

The Chair: Thank you very much.

Mr. Hiebert.

Mr. Russ Hiebert (South Surrey—White Rock—Cloverdale, CPC): Thank you, Mr. Chair. I'll be splitting my time with Mr. Shipley.

I'd like to start my questioning with Mr. Hudson and Dubai.

Mr. Hudson, I'm sure you're familiar with the articles that came out in 2010 relating to alleged abuses in IBG factories. Can you confirm that you are familiar with those accusations?

Mr. David I. Hudson: Yes, I can confirm that. I'm very much aware of them. Should I make a comment on that?

Mr. Russ Hiebert: You can comment in just a moment, perhaps. To judge by the information we've been provided, it appears that all your improvements were made as a result of the national labour committee's report, media interest in the story, and an emergency delegation from the United Steelworkers. The conclusion is that things have improved substantially. To what degree was that the impetus for this. Is it true? Is it correct that things were bad until they got put under a microscope?

Mr. David I. Hudson: It almost looks that way, doesn't it? We were particularly incensed over this. There was an American, New York-based or Washington-based, who went and wrote a report that started all this. Nobody ever visited the factory. The Jordanian government was particularly upset with them. Quite frankly, I would have been very happy suing them, but it was going to be too costly. We took over two or three factories. We bought them. We've been continually improving them. I believe we won an award from the Jordanian government. I've been visiting the factories continually. In fact, I took the board of directors to see the factory and we assembled all of the staff to talk to them. We've been around the accommodations. We have security, remote television, and they have had their own committees improve it. The conditions are very good. Everyone's in uniform. We have on-site medical, and it is replicating what we have in India, where we started a factory in 2007.

Mr. Russ Hiebert: Were these changes brought about before the media attention or after it?

Mr. David I. Hudson: I would say two things. The improvements were started when we bought the factories, because we were not satisfied with the conditions. They were an ongoing business, so the improvements were under way, and the media attention did not change any of our policies or our emphasis. Whatever was done, was going to be done.

• (1150)

Mr. Russ Hiebert: I have just....

Mr. David I. Hudson: And the improvements are continuing.

Mr. Russ Hiebert: Thank you.

Mr. David I. Hudson: I'd be very happy to personally meet anyone and show them around, because we're very proud of what we have in Jordan.

Mr. Russ Hiebert: Thank you.

My next question is for Ms. Chapdelaine of Nygård in Winnipeg. You talked about the compliance policies you have with these companies and you elaborated on them at length. How are they enforced, these policies? Have you had to take measures to enforce them?

Ms. Patricia Chapdelaine: With the exception of the overtime, I haven't had to. The overtime is not against what is in the labour laws. In Jordan it's more about being on the golden list, which limits the overtime a lot.

Mr. Russ Hiebert: If the company doesn't comply with the policy, and you find out that they're not in compliance, what do you do? What methods do you have to force them to comply?

Ms. Patricia Chapdelaine: We could remove our production, but that's not going to immediately correct anything. We try to work with the labour ministry. They can be penalized monetarily. Factories are

penalized and removed from the golden list so that they can't produce for certain customers.

Mr. David I. Hudson: Could I just comment on that?

The Chair: I'll allow you to quickly answer.

Mr. David I. Hudson: Nygård has four to five people in the IBG factory at any one time. And IBG has been on the golden list for the last four years.

The Chair: We'll go to Mr. Shipley.

Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC): Thank you.

I'll be quick, because I think my time is really short.

Mr. Masswohl, I want to follow up. Mr. Easter made some comments that were mostly incorrect, but some were actually good directions.

When you're looking at the tariff reductions of 5%, 10%, and 20%, they are in genetics. We know that countries around the world seek Canadian genetics, whether it's in beef or dairy. I came from the dairy industry.

Then you talked about 20% on, I think you said, prepared beef. Where do you see the growth happening for the greatest benefit to the beef industry in particular?

Mr. John Masswohl: It was 21% to 28% on processed products. Those would be things like sausages, deli meats, and those sorts of things.

The thing about these markets is that it is a combination of what they'll take. We think there really is a good opportunity for the high-value cuts in the Middle East. And in order for us to send product there, they really have to be willing to pay for it. We know there are some good opportunities, some high-value customers, in those markets. Then again, there are opportunities for a lot of the offal products and a lot of things Canadians and North Americans don't generally like to eat. There are several hundred products in an animal, and a lot of these markets abroad are really going to add a lot of value to those things.

Mr. Bev Shipley: That's the added value. We need to be able to market as much of that animal as we can from the producer. I have one quick—

The Chair: Your time is up.

Mr. Bev Shipley: Is it over?

The Chair: Yes, it's actually evaporated.

Mr. Bev Shipley: Thank you.

The Chair: We'll have to move on to Madame Pécelet.

[Translation]

Ms. Ève Pécelet (La Pointe-de-l'Île, NDP): Good morning.

I will continue in the vein of my distinguished colleague's remarks.

My question is for the Nygård International representative.

When you outsource to companies with factories in Jordan, do you carry out follow-up activities or do you leave that up to a third party, such as the Jordanian authorities, the company or the subcontractor itself? Do you conduct any follow-up activities to ensure that the subcontractors are upholding the principles of corporate social responsibility?

• (1155)

[English]

Ms. Patricia Chapdelaine: Yes, of course we do, and I do that in many ways.

First of all, I must personally approve factories, and they must sign our compliance policy. On the ground, I have staff. It doesn't matter which country it is. As already mentioned, in Jordan I have three people stationed there, and I have two other people who go there continuously.

[Translation]

Ms. Ève Pécelet: Could you give us an overview of the measures you have taken to prevent situations like the one that took place and my colleague referred to from recurring?

[English]

Ms. Patricia Chapdelaine: I get reports once every six weeks. That is ongoing. We also see the reports, now, that come from the committee associated with Better Work Jordan. I am also constantly in communication with the management of the factory. We check in also with the Ministry of Labour to ensure, for one thing, that IBG is on the golden list.

These are the measures we take. And as I say, we have also spoken to our staff and have said that if they see anything, you know, any type of abuse—although I have never seen it, for sure—improper working conditions, or health and safety issues, they are to let us know right away.

[Translation]

Ms. Ève Pécelet: I have with me an article published in the *Jordan Times* in December 2011. The article talks about an IBG delegation. A number of workers were on strike and were claiming that their employer was violating their rights.

I am not accusing you of anything. I am however telling you that it is clear the measures are perhaps not strict enough. They are not remedying the situation. We are about to sign a free trade agreement with a country where workers are being trafficked and where people are having their passport taken away.

Can you confirm to me that all your subcontractors respect human rights and that workers have the right to unionize?

Can you confirm to me that, if we were to sign that free trade agreement, there would be no similar situations in the future? The article was published on December 21, 2011. Workers were on strike at that time.

[English]

The Chair: It's just an article; it may not be true. Go ahead and answer.

Ms. Patricia Chapdelaine: I'm sorry, I was not aware of that article. I'd have to defer to both—

The Chair: Where was the article from?

Ms. Ève Pécelet: It was from *The Jordan Times* in December.

The Chair: Okay. That's fine.

Ms. Patricia Chapdelaine: My colleague who is sitting with me has said that was a false report.

Ms. Sharon Clarke (Director, Communications and Public Relations, Nygård International): It was refuted.

I'm Sharon Clarke, director of communications and public relations, Nygård International.

That is an old article you have by Hani Hazaimeh. He actually refuted it after it came out. There is another article we can provide to you that says the NLC report was false.

The Chair: Could you supply that report to the committee?

Mr. David I. Hudson: Yes, NLC did terrible—

Ms. Patricia Chapdelaine: We also have a letter from NLC to JC Penney saying that what they reported was incorrect.

The Chair: Go ahead.

Ms. Ève Pécelet: Can you assure us that human rights will be respected and you will do everything in your power to prevent situations like this from reoccurring? That's my question—yes or no?

Ms. Patricia Chapdelaine: Yes.

The Chair: Mr. Shory.

Mr. David I. Hudson: Nothing has reoccurred.

The Chair: I think Mr. Hudson would like to answer, but go ahead, Mr. Shory.

I don't know if your question is for Mr. Hudson or not.

Mr. Devinder Shory (Calgary Northeast, CPC): Thank you.

My question will be to Mr. Masswohl. I'll be sharing my time.

The Chair: Mr. Hudson has something to add, and he's in Dubai. I think it would be respectful.

Go ahead and answer the last question very briefly.

• (1200)

Mr. David I. Hudson: Thank you.

First of all, the NLC report was false from the beginning. What happened in December was a false report by the newspaper that withdrew it. There was no strike. We haven't had a strike. Therefore, I believe it's wrong to ask, "Will you stop this from reoccurring?" Nothing has reoccurred. It didn't happen.

The Chair: Thank you very much.

Mr. David I. Hudson: I can give assurance to the lady that we, as an international group, respect human rights in every way. We signed the UN charter on that.

The Chair: Thank you very much, Mr. Hudson. That gives us the answer.

Go ahead, Mr. Shory.

Mr. Devinder Shory: Mr. Masswohl, in your opening statement you made a very strong comment reconfirming your support for this Jordan agreement. You also talked about your concerns about a U.S.-Jordan agreement being implemented before our agreement was finalized.

We all know them, and it is so unfortunate that the opposition NDP members simply say there is no economic gain and it's not worth signing this. It's so unfortunate that they look for all kinds of excuses, in my view, at least, to stop any trade expansion. I believe strongly that trade is the backbone of any economy.

I'd like you to comment on the compatibility between Canada and Jordan when we talk about cattle. Is what we export and what they grow compatible? How will this agreement mutually benefit both Canadians and Jordanians?

Mr. John Masswohl: I think your point is well placed there. Just because there has been almost no trade in the past doesn't mean there isn't potential for the future.

What I would look at is through our beef promotion agency. In looking at this agreement during the negotiations, they contacted the export companies and asked if there was any interest in Jordan, and they said yes, they had not been there in the past, but there is some interest. There is some potential there for the future.

On the competition side, I really don't see that we have a competition issue with Jordan per se for the domestic market. What I was talking about earlier was that given the very arid nature of their land base, it's really not a country that is very well suited for beef cattle production. They do have some dairy production. They have some sheep and goat meat, but they do rely on imports for more than half of the food that's consumed in Jordan.

Where the competition would really come from would be with other beef-supplying countries. The main beef exporting countries around the world are Australia, New Zealand, Canada, Brazil, Uruguay, and the United States, and in the Middle East there actually are some European exports that are highly subsidized into the Middle East.

Listing off those countries, the one that I would say we really compete with primarily is the United States. For the South American countries, Australia, and New Zealand, it tends to be a grass-fed, lean product. It's at a different price point. We don't really try to compete against those. We compete for the high end, the grain-fed grades very well. Think of a nice, juicy steak. That's what we're very good at. We do that well, and we do compete against the Americans for it.

In a situation where the Americans have had duty-free access to Jordan for over 10 years, that's where we need to get that parity restored.

The Chair: Mr. Holder.

Mr. Ed Holder: Thank you, Chair.

Thank you to all our guests.

What I just heard from Mr. Masswohl is that government helps business by opening up markets and lets business do what it does best. Thank you for all of your comments.

Ms. Chapdelaine, I heard you talk about a supplier compliance policy where you have no indentured and no child labour. I compliment your firm for this.

Frankly, I have a theory that engagement through increased business is an effective method of raising labour and human rights standards, versus isolationism, which is the antithesis of what we are trying to accomplish.

I have a very direct question for you, Ms. Chapdelaine. Do you think that a free trade agreement with Jordan will hurt Canada's apparel industry?

• (1205)

Ms. Patricia Chapdelaine: No, I don't.

Mr. Ed Holder: Could you elaborate?

Ms. Patricia Chapdelaine: I thought you were going to do that—

Voices: Oh, oh!

Mr. Ed Holder: I'm glad I asked.

Ms. Patricia Chapdelaine: I have to say that we're not competitive as it is, and certainly the business, in our company anyway, doesn't come from Canada and move to Jordan. It would come hopefully from increased business, but also from China and Indonesia, from those countries, and that's the production that I would do in Jordan and ship to Canada.

Mr. Ed Holder: Thank you.

The Chair: Thank you very much. The time has gone. We've gone a little bit over, but I do want to thank our witnesses for coming forward on this very important piece of legislation on which we will be reporting back to the House as soon as our deliberations are over. We thank you for testifying before the committee.

Thank you, Mr. Hudson in Dubai. What time of the day is it in Dubai?

Mr. David I. Hudson: It's 8 o'clock in the evening.

The Chair: Thank you very much for taking time out of your busy schedule.

Mr. David I. Hudson: It is my pleasure.

The Chair: Thanks to all of you, Ms. Chapdelaine, as well as Ms. Donaldson and John, for being here.

With that, we will suspend the committee as we move in camera to deliberate on future business and the report.

[Proceedings continue in camera]

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