HOUSE OF COMMONS
CHAMBRE DES COMMUNES
CANADA

Standing Committee on International Trade

CIIT • NUMBER 024 • 2nd SESSION • 41st PARLIAMENT

EVIDENCE

Thursday, April 10, 2014

Chair

The Honourable Rob Merrifield

Standing Committee on International Trade

Thursday, April 10, 2014

● (1105)

[*English*]

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

We want to thank our witnesses for coming forward.

We're into Bill C-20, which is the act to implement a free trade agreement between Canada and the Republic of Honduras, and environmental and labour cooperation agreements as well.

With us today we have from Honduras Solidarity Network, Karen Spring. Thank you for being here. I believe we will start with her testimony. Then we have from PEN Canada, an international human rights program, Tasleem Thawar and Carmen Cheung, and I believe you'll be splitting the time.

We'll start with Karen. The floor is yours.

Ms. Karen Spring (Honduras-based Coordinator, Honduras Solidarity Network): Good morning, everybody.

As was already mentioned, my name is Karen Spring and I'm a representative of the Honduras Solidarity Network, which is a network of over 20 organizations from across the United States. We've been working in Honduras since 2009, and our most recent project in Honduras was organizing a delegation of 170 electoral observers for the November 2013 elections. I've been working in Honduras since 2009, and I've spent the majority of the last five years living there as well.

Today, I'm going to speak a little bit about the human rights context in Honduras, and specifically, the human rights context in its relation to Canada's economic interests in the country and the sectors that may be most impacted by the free trade agreement.

Since 2009, the violence in Honduras has increased pretty dramatically, and coupled with a high impunity rate, this has been very troubling for the human rights situation in the country. Very few crimes are investigated, and even fewer are brought before a judge. The Honduran Supreme Court has estimated that the impunity rate is at about 98%, but depending on who you ask, I've heard the impunity rate can be between 80% and up to 98%.

So, given the high impunity rate, it's really difficult for human rights concerns to be mediated, and there are really serious repercussions for human rights abuses related to Canadian investments in the region as a result of the high impunity rate.

I'm going to speak a little bit about the three major Canadian interests in Honduras.

The first one is textiles. Textiles are a major import from Honduras. The textile industry largely employs Honduran women, and there are Canadian-owned factories in Honduras that are located primarily in export-processing zones. When I speak about the apparel and textile industry, I'm more likely referring to Gildan, which is a Canadian company operating in Honduras.

Many of their factories are located in export-processing zones, and they're actually exempt from paying any taxes to the Honduran government. Within the export-processing zones, sweatshop and textile companies are not required to pay the higher minimum wage. There are two minimum wages in Honduras. So, by law, they're required to pay a lower minimum wage. But often in the case of Gildan's factories in Honduras, wages to workers are not indexed to the minimum wage. Workers are paid by production. What this means is that in order for workers who work in Gildan's factories to make approximately minimum wage, they're required to work four days on, four days off as the work shift. And they're required to conduct 500 dozen of the same operation per day. That would be sewing sleeves on T-shirts 500 dozen times a day in order to make the high production quota that's set by the company. That's in order to make above the minimum wage, which is approximately $192 a month.

So, as I already mentioned, the wages are indexed to production quota, and that requires workers to make a lot of repetitive movements in one work shift. Many women—and I speak about women because I've done my thesis research in women's occupational health concerns in Gildan's factories—are suffering from musculoskeletal disorders as a result of the repetitive movements they're required to make in order to make the production quota.

Gildan has acknowledged this is a problem in their factories, and they have tried to address the problem with an ergonomic program. But even the Fair Labor Association, which went to inspect the factories given the complaints related to the health and safety issues in the factories, have acknowledged that they've failed to incorporate workers' participation in their program, which is often one of the most important aspects of any ergonomic program implemented in any factory setting.

There are currently 30 to 40 Honduran women waiting for medical diagnoses, who indicate that their musculoskeletal disorders are related to their work in the factories. Hundreds more have received medical diagnoses from the Honduran social insurance hospital, indicating that their musculoskeletal disorders were caused by their occupations.

Another major interest of Canada in Honduras is bananas. Obviously, there's a really long history of the banana industry in Honduras, and a long history of land conflicts related to the banana industry in the country.

● (1110)

The two largest banana companies have a lot of land in one of the two most fertile valleys in Honduras and they've contributed to the social conflict related to land problems in Honduras.

I'm going to speak about the most recent serious human rights case related to the banana industry.

The communications director of the federation of banana and agroindustrial unions of Honduras, whose name is José María Martínez, is also a labour journalist who has a national radio program that's called *Trade Unionist on Air*, which he's had for 19 years, 5 days a week. He's recently been working on a union organizing drive and he makes frequent mention of a Chiquita banana supplier. It's called the Fincas Las Tres Hermanas, which is a banana plantation. Last June he started receiving death threats related to his work. Every time he went on the air and spoke about the Chiquita supplier he received death threats on his phone, and cars were circulating around his house and the radio station after his programs. In January of this year he was still dealing with the intimidation related to his work and so he since had to go into hiding, and he remains in hiding due to fears for his safety and the safety of his family.

Death threats by phone are a quite common scare tactic in Honduras and a lot of people who are speaking out against the banana industry or major economic interests in the country have very little faith in the institutions that are set up, the Honduran institutions that are required to investigate and to take complaints of this kind. Very few investigations are conducted and the fear that Martínez or people like Martínez face is very real, especially given that since 2009, 31 trade unionists have been murdered in Honduras and over 33 journalists as well.

I'm going to talk about the third major Canadian interest in Honduras: tourism.

The Garifuna people on the north coast of Honduras are an Afro-indigenous group and they live in 46 communities along the north coast of Honduras. There is a major Canadian investment in the tourist industry in the northern city called Trujillo. A Canadian man, Randy Jorgensen, has built a cruise ship dock and he's currently constructing gated communities in Trujillo. Where he's constructing his projects, the cruise ship dock as well as his gated communities, he's obtained the land by illegally purchasing the land through the municipality of Trujillo. All the land that he's purchased is inside the land title that's collectively owned by the Garifuna communities. The land title dates back to 1901. The Garifuna, in his purchasing of their land, obviously were never consulted, and this is mandated by Honduran law because Honduras is a signatory to the International Labour Organization's convention number 169, which requires free, prior, and informed consent before projects are started on indigenous territory. The two communities that are most impacted by this tourist investment put forward a legal complaint in 2011 regarding the illegal land purchases conducted by Jorgensen within their community land title, and to this day here has been no response from the Honduran state to mediate these conflicts.

As I mentioned before, land conflicts are quite a prevalent issue related to human rights issues in the country. Very close to Trujillo, where this cruise ship project is being built or is actually already constructed, there is a land conflict in the Aguán Valley where over 130 peasant farmers have been killed since 2009. Human Rights Watch recently put out a report regarding the Aguán Valley indicating that public prosecutors, police, and military officials have failed to carry out proper and thorough investigations of the human rights abuses related to the land conflict. In examining the issues in the Aguán Valley and the murders of the peasant farmers since 2009, many activists and Honduran human rights organizations have concluded that there is a significant political interest or political relation to a lot of killings and the assassinations, disappearances, and torturing of the peasant farmers and the leaders who have been killed since 2009.

● (1115)

In closing, I'd like to talk a little bit about the violence surrounding the elections and the context in which the November 2013 elections occurred.

The 2013 elections occurred in a really difficult human rights context, given the high impunity rate, given the high homicide rate. There was a report put out that looked at the political killings in Honduras a year and a half prior to the November 2013 elections, and it showed that there were 36 killings in total of candidates and pre-candidates who were set to participate in the November elections. There were 24 armed attacks against these candidates.

The list shows that the majority of these killings were against the political opposition party, the Libre party. This list was published by Rights Action, and later, a lot of the cases were actually published by the International Federation of Human Rights, and the federation also indicated it was worried about the targeted assassinations of the political opposition in the lead-up to the elections.

So in general there are a lot of human rights violations that are associated with Canadian economic interests in the region, and there's really no way of mediating these issues, given the high impunity rate.

I think I will end there and leave the rest of the time for questions.

The Chair: Thank you very much.

Madam Cheung, the floor is yours.

Ms. Carmen Cheung (Researcher, International Human Rights Program): Thank you, Mr. Chair.

On behalf of PEN Canada and the International Human Rights Program at the University of Toronto, Faculty of Law, I want to thank the committee for this opportunity to present on Bill C-20. I will be sharing my time with Tasleem Thawar, the executive director of PEN Canada.

Since 2010, PEN and the International Human Rights Program have worked together to research and report on threats to freedom of expression around the world. This January, we released our latest joint report, which focuses on impunity and violence against journalists in Honduras. I am a researcher for this report and our research included a thorough review of previous work published on the problem of impunity in Honduras, and extensive in-country interviews with journalists, human rights defenders, lawyers, government officials, and other stakeholders.

When we first embarked on this study, we were drawn to Honduras because we were, quite frankly, alarmed at what we were seeing: deadly violence against journalists in a country that until quite recently was not particularly notorious for such threats. Although Honduras has been plagued by violence and high crime rates for several years, the evidence suggests that the sharp increase in violence against journalists cannot simply be ascribed to this trend.

Our report finds that journalists are targeted for their work, and that they are especially vulnerable members of the population. As detailed in our report, freedom of expression in Honduras has suffered serious restrictions since the ouster of President Zelaya in June 2009. These past five years have seen a dramatic erosion in protections for expressive life in Honduras. Journalists are threatened, they're harassed, attacked, and murdered with near impunity, and sometimes in circumstances that strongly suggest the involvement of state agents. This has had a devastating impact on the general state of human rights and the rule of law in the country, since violence against journalists often silences coverage of topics such as corruption, organized crime, drug trafficking, and political reportage. Fearing for their personal safety, many journalists either self-censor or flee the country altogether.

Among the journalists and human rights defenders we spoke with, there is a pervasive sense that they are under threat, and that the state is, at best, unable or unwilling to defend them, or at worst, complicit in the abuses. This general feeling is borne out by the numbers. As our report sets out, only two convictions have been secured in the 38 journalist killings between 2003 and 2013—an impunity rate of 95%.

Investigations by the national police are conducted poorly, if at all. Indeed, the national police is widely acknowledged to be highly corrupt, notwithstanding decades of so called “purification”. When we were in Honduras, the deputy minister of justice and human rights told us that the police officers and police forces suffer from serious institutional problems, including infiltration by organized crime. A representative from an intergovernmental organization told us that his office operates under the assumption that narco-trafficking groups have established links with politicians, the army, and the police.

The taint of corruption and the culture of impunity have undermined trust among state agencies and public confidence in key institutions. Public distrust of the police is so great that only about 20% of crime is reported, and of that, less than 4% gets investigated. According to Honduras's own statistics, less than 1% of all crime in Honduras is subject to a police investigation.

Serious problems are evident throughout the criminal justice system. Police will say an investigation is under way when there is none. The office of the special prosecutor for human rights does not have the jurisdiction to try those responsible for the murders of journalists, and lacks resources to conduct even the most basic of investigations into human rights abuses.

We met with two of the special prosecutors for human rights defenders during our time in Tegucigalpa. One of them, Rosa Seaman, told us that she was personally responsible for 200 cases. However, her office received only enough funding for her salary and a vehicle. She had virtually no investigative resources, no team beyond herself and the other special prosecutor for human rights defenders, no investigative analysts, and no technical capacity to even trace the source of threats sent by email or telephone.

She estimated that realistically, she could only investigate and prosecute about one case per month. That means 12 cases out of the 200 that she is responsible for. Meanwhile, she and the other prosecutor we spoke with also reported being subject to threats for their work in protecting human rights. Therefore, while a special prosecutor for human rights exists on paper and as an institution, its ability to carry out its mandate is seriously compromised by severe underfunding and threats to the safety of the prosecutors themselves.

To be clear: under international law, when the state is unable or unwilling to prosecute crimes, this is state complicity in human rights violations. Honduras is facing a serious human rights crisis. This is not just a matter of working with Honduras to move beyond a troubled past. Violence against journalists, complete collapse of expressive life, and impunity for violent crimes and human rights abuses remain the norm there.

● (1120)

Ms. Thawar will set out why this is important for Canada and our interests in the region.

I thank you for the opportunity to address the committee, and I look forward to your questions.

Ms. Tasleem Thawar (Executive Director, PEN Canada): Thank you.

My name is Tasleem Thawar, and I'm the executive director of PEN Canada. Before I begin, I'll tell you a bit about PEN Canada. We're the Canadian centre of PEN International, the oldest human rights organization in the world, working in more that 100 countries. Though we are active in the international freedom of expression arena—in fact we're just back from Washington, D.C., testifying on Honduras at the Organization of American States Inter-American Commission on Human Rights—we don't often testify on Canadian foreign policy issues. However, as you've heard from Ms. Cheung, the state of freedom of expression in Honduras is deeply concerning. So here we are.

It's also important to point out that PEN Canada has no view on whether Canada should or should not enter into a preferential trade agreement with Honduras. That said, we do feel that bilateral negotiations with Honduras must be informed by the dire situation there and should be used as an opportunity to improve the conditions for freedom of expression. We believe this ought to be a priority for Canada as a major donor to the country and potential future preferential trading partner. A free and independent press is essential to a free and democratic society, rule of law, and combatting corruption. We believe Honduras' dismal record on freedom of expression poses great risk to Canadian companies and to Canada generally.

I have some brief points that I want to emphasize.

First, Honduras is far worse than any of Canada's current trading partners in the region. To give you an idea of the situation in relation to others, in the global press freedom rankings of 191 countries compiled by Freedom House, Canada ranked 29; Chile ranked 64; Peru ranked 89; and even Colombia, also plagued by narco-trafficking, ranked 112. Where did Honduras rank? They ranked 140, tied with Egypt, which has imprisoned two Canadian media workers in the past eight months. Since the coup in 2009, 32 journalists have been murdered in Honduras.

So this agreement should not be business as usual for Canada. When it comes to freedom of expression, this is a country that has performed far worse than its neighbours and Canada's other preferential trading partners.

Second, not only have Honduran institutions failed at protecting basic human rights for its citizens; there is a history of government involvement in these human rights abuses. Our research shows that the state not only failed to investigate crimes against journalists; in many cases state actors were themselves complicit in these crimes. This is a government that is plagued by corruption, and it has a record of failure in bringing perpetrators to justice.

Third, many of the issues that put journalists in danger are related to trade, investment, and business. There is evidence that journalists writing about sensitive subjects such as the environment, natural resources, and land conflicts are far more likely to be targeted than others. It follows that Canada and Canadian companies may very well be affected by the freedom of expression situation in Honduras. Even if Canadian companies in Honduras act according to Canadian values, we are dealing with a country where journalists are being killed for covering issues that may affect them nonetheless, either directly or indirectly. We need only look back at what happened in Nigeria with Shell and the killing of Ken Saro-Wiwa to see what kind of devastating impact this could have on the reputation of Canadian companies. Indeed, Canada's reputation generally could be at risk. Guilt by association is not uncommon in the international arena when it comes to human rights.

So what can we do to improve the situation in Honduras and mitigate these risks? If passed as it currently stands, Bill C-20 would implement a treaty that is silent in relation to an unfolding human rights disaster in Honduras. This is a missed opportunity. Bilateral trade negotiations and the resulting deepening of Canada's relationship with Honduras put Canada in a unique position to press Honduras to do more to address this crisis. It is not too late for us to take advantage of this opportunity.

Today we are asking the standing committee to recommend that Canada commission human rights assessments and reporting, and second, that we ensure that fundamental human rights are enforceable through the trade agreement.

I'll give you a bit of detail about the two tools.

One, human rights assessments are not new. They are done by many countries as part of trade agreements, including Canada with the Canada-Colombia free trade agreement. There are two parts to this recommendation. First, in order to establish a baseline, Canada should commission an independent, impartial, and comprehensive assessment of the state of fundamental human rights in Honduras, including a specific focus on freedom of expression, and make the findings of this assessment public. Second, in order to ensure that progress is being made in meeting their human rights obligations, Canada should negotiate an agreement with Honduras whereby both parties would be required to submit an annual public, independent, impartial, and comprehensive human rights assessment report, with each subsequent report providing an update on how the issues noted in previous reports are being effectively addressed.

● (1125)

Finally, because there are serious doubts about whether Honduras is willing or able to fulfill its existing human rights obligations, we would like to see that fundamental human rights are enforceable through this trade agreement. This would mean incorporating language that references both of our countries' existing human rights obligations and making these enforceable within the treaty.

Thank you for your time. We look forward to your questions.

The Chair: Thank you very much.

We'll start our questioning with Madam Liu.

Ms. Laurin Liu (Rivière-des-Mille-Îles, NDP): Thank you to our witnesses for appearing before committee today.

I thank PEN Canada for tabling its report before committee, entitled “Honduras: Journalism in the Shadow of Impunity”. I understand that it was tabled and presented in Washington D.C. to Honduran government officials and the human rights commission of the OAS. When Brendan de Caires, who's PEN Canada's lead researcher on the report, testified at the Washington hearing he said, “Journalists are threatened, harassed, attacked and murdered, sometimes in circumstances that strongly suggest the involvement of state agents...”

Could you speak on that?

Ms. Carmen Cheung: I think as a threshold matter what we want to emphasize is that the fact that there are inadequate investigations in Honduras makes it quite difficult to establish who's ultimately responsible for crimes against journalists. But our report examines a couple of things, including the subjects being covered by murdered journalists when they were killed. We found common themes that do include things like corruption, politics, and organized crime.

As for state involvement, the linkages between organized crime and Honduran security forces, both police and military, make it really difficult to separate the violence committed by non-state actors from human rights abuses committed by state agents. In some cases —and this is something that we detail in our report—circumstantial evidence strongly suggests state involvement in these crimes against journalists.

● (1130)

Ms. Tasleem Thawar: I can add to that, I have some examples.

In the first five months of 2013, the former special prosecutor for human rights opened more than 400 cases examining police abuse, misconduct, and murder. A United States Senate caucus report on international narcotics controls states that criminal networks in Central America have been closely linked to the government and military elites. In November, 2011, the then Honduran security minister Pompeyo Bonilla estimated that 1,000 members of Honduras' police force were corrupt. Again, as Carmen said, an international observer said that his office operates under the assumption, as of course, that narco-trafficking groups have established links with politicians, the army, and the police.

So corruption has meant that there is an increased likelihood that there are state actors involved in crimes against journalists, and that those who are responsible for investigating these crimes have been unwilling and unable to do so, clearly.

Ms. Laurin Liu: Thank you.

On that same subject, the *Toronto Star* published an article recently on the Honduran journalist Dina Meza and it says, “To hear Dina Meza tell it, not a single honest state institution survives in her native land, the Central American republic of Honduras.”

Could you elaborate on that point?

Ms. Carmen Cheung: We just need to look at the national police force, which has been undergoing decades of what they call “purification” with very little success. One of the things that we detail in our report and one of the people we spoke with was the individual responsible for the police purification. He acknowledges that the process that they have set up is inadequate. Portions of this police purification process were found to be unconstitutional by the Supreme Court of Honduras. It really only affects the very lower echelons, the rank and file police, and never really reaches up at the top. Even with the purification of the lower echelons, it's not really done in a comprehensive manner. We had one witness who told us that in order to really undertake this whole process with the entire police force it would take them 25 years to do it. So it's very concerning.

Ms. Laurin Liu: Thank you.

Ms. Spring, who would you say is benefiting in Honduras from impunity, lawlessness, and human rights abuses currently?

Ms. Karen Spring: I would say that traditionally there has been a handful of 10 to 12 families in Honduras who have dominated the political and the economic arena. I would say that they are benefiting from foreign investment as well. So I would say foreign companies, foreign investment, and the 10 to 12 families who have traditionally run the Honduran economy and political arena.

Ms. Laurin Liu: The committee is currently study a free trade agreement in which there are two side agreements, environmental and labour, that have no enforceable mechanisms that—as in the free trade agreement—would enforce Honduran and Canadian human rights.

So, Ms. Spring, what effect would you say that the Canada-Honduras FTA would have on human rights in Honduras? Would it have a positive, negative, or neutral effect?

Ms. Karen Spring: I would say even the enforcement mechanisms that are established in Honduras under Honduran law are not being enforced in any way given the high impunity rate, so I would say the human rights situation will be negative if we encourage further economic interests in sectors that have traditionally been linked to mass human rights abuses that haven't been mediated by the state.

Ms. Laurin Liu: The same question goes for PEN Canada. You mentioned that journalists are frequently targeted for covering topics related to trade investment and business. Would you say a Canada-Honduras FTA would have a positive, negative, or a neutral affect on human rights for journalists?

Ms. Tasleem Thawar: It's a very good question, and of course it's a very complex issue, and it's hard to tell. But I think if we look at free trade zones like Ciudad Juarez or we look at Buenaventura, clearly throwing money at the problem hasn't solved anything. In fact in many cases, it has made things worse.

So given the corruption that exists in Honduras, my suspicion certainly would be that it would make things worse, but, of course, it's a complex issue, and it depends on how we formulate this trade agreement. I think there are many things we could do at this point to ensure that Canada doesn't make things worse.

● (1135)

Ms. Laurin Liu: On Tuesday the committee heard from Bertha Oliva, the general coordinator for the committee of relatives of the detained and disappeared in Honduras. She told us the recommendations of the Truth and Reconciliation Commission in Honduras, which is also supported by the Government of Canada, are not being implemented.

I have a question for Ms. Spring.

Have important recommendations from the commission on improving governance and protecting human rights been implemented at all?

Ms. Karen Spring: I think very few have been implemented. It's interesting, because a Canadian diplomat participated in the truth commission through the Organization of American States. Dozens of recommendations were made as part of the truth commission report. The majority have not been fulfilled. I can give a couple of examples.

The truth commission recommended that the military be removed from political functions, specifically with regard to its role in elections and distributing ballot boxes for the elections. It was not. It was very active and very present in the electoral process in November.

The truth commission recommended that there be more financial and electoral transparency in the political parties in Honduras, especially given the allegations that a lot of drug trafficking money goes to political parties. Financial information from any of the political parties was not published for the November elections despite these recommendations.

They failed to depoliticize the Tribunal Supremo Electoral, which is the supreme electoral tribunal that's in charge of the elections. The truth commission recommended that they depoliticize it so it would be able to make more impartial decisions, and they failed to fulfill the majority of recommendations.

The Chair: Thank you very much.

Mr. O'Toole.

Mr. Erin O'Toole (Durham, CPC): Thank you, Mr. Chair, and thank you very much, all of you, for appearing and for your work.

It is interesting hearing from you in the first hearing following Ms. Oliva, because both the department—the administrative officials behind trade, the non-politicians—and Ms. Oliva stated the profound problems in Honduras, and you have reiterated a lot of those today, particularly crime and narco-trafficking and the terrible impact those have on the country.

The important thing I took from Ms. Oliva was that even with her frustration, when she was asked whether Canada should engage or isolate, even one of the most passionate champions didn't want isolation. I think we all agree. In fact I love the quote from John Ralston Saul on how power loves silence. So isolation, I'd suggest, is not the way to go.

Beyond our commercial relations that the free trade agreement would strengthen, Honduras has been a country of focus. Depending on the year, Canada has been either the third- or fifth-largest bilateral donor. There has been our work through the OAS. Some of you have referenced Truth and Reconciliation, the Inter-American Commission on Human Rights. Some of our money has been targeted at justice reform in particular.

Ms. Spring, I think you mentioned the word “impunity” probably 10 times in your remarks. Do you think our continued focus on justice reform and what I'd call institution building, both on the investigative side and on the prosecution side, should remain a focus because of the profound challenges in that area?

Ms. Karen Spring: I do think that the way the question is framed —looking at engagement versus isolation—is very limiting, in the sense that I think what needs to happen is that Canada needs to examine the engagement it has conducted thus far with Honduras and what the results of that engagement have been. There was the truth commission, which Canada was a part of, and there are the recommendations that were made by the truth commission. The majority of them, almost all of them, haven't been implemented.

Canada has engaged in terms of security and investigation in looking at the justice system and the public prosecuting body through the commission on security reform. This was an effort that Canada really put forward as a way that we could work on the impunity levels.

This new government overturned the legislation that created the commission that was cleaning up the police force. That no longer exists. That commission also had very few positive results. I think that maybe a handful of police officers were fired. The majority of the justice system and also the structure of the police are intact.

I think what Canada needs to do is look at how they have engaged in Honduras and how that engagement has failed. Now something a little more drastic has to happen in order to change the current human rights situation.

● (1140)

Mr. Erin O'Toole: But when you say something drastic has to happen.... I guess you could look at it either as the actions having all failed or not having taken root, or as the challenges being so profound that it will take probably a decade or more to see progress from investments. I know that the Justice Education Society of British Columbia was particularly tasked on some of these justice initiatives.

It still sort of goes back to the approach of whether you view failure as a reason to stop this sort of engagement. Honduras is one of our countries of priority on a developmental index. What do you propose, then? If the initiatives we're working on don't seem to be taking root, and if Canada's potential leverage in a relationship with a country like that increases by more trade, do we not take advantage of that by continuing to push bilaterally through the Organization of American States?

I know there's no solution, but I think the difference in party view on this is that we believe more engagement, more direct diplomacy, and more reliance on trade, raising income levels within the country, even modestly, will lead to more progress than the alternative, but you're not suggesting an alternative.

Ms. Karen Spring: Well, I think that enforceable.... I think there is a solution, actually. I think what needs to happen is that there has to be some sort of functioning justice system before further engagement with a country where inequality continues to grow, and specifically because a lot of the economic benefits through these types of agreements go to the 10 to 12 families who have historically dominated the economic arena in Honduras.

I do think that there needs to be some sort of enforceable mechanism in human rights that Honduras has to abide by in order for any sort of further engagement with Canada to occur. I just don't think the way that Canada has been engaging.... Since 2009, our engagement mechanisms have completely failed. I don't think further engagement in the same way needs to happen. I think an examination of that needs to happen.

Mr. Erin O'Toole: Quickly, Ms. Thawar, let me say that I've long appreciated PEN's work. Thank you for appearing today.

One of your quotes struck me. You talked about the potential for guilt by association. In our case, for Canada and our FTA, we're rather slow to engage at this level. Both the U.S. and the European Union, with similar strong positions on human rights, already trade with Honduras. So are we really that out of step to increase our bilateral trade?

Ms. Tasleem Thawar: Well, as my dad always used to say, if Bob jumps off a cliff and if Julie jumps off a cliff, are you going to jump off a cliff too? I think we really need to think about what it could possibly mean to increase our involvement in a country where these kinds of human rights abuses are happening.

Are we saying "don't engage with Honduras at all"? No. What we're saying is that if you're going to ride the bike, wear a helmet, because there are many, many human rights violations occurring currently that, certainly from my perspective, I would find to be quite a risk.

As you can tell from our recommendations, PEN has no opinion on who Canada really does trade with. What we're concerned about is that, in the work Canada does in the countries we engage with, we shouldn't be making the situations worse. In fact, we should be safeguarding the lives and the rights of the people of Honduras, as well as, in the process, really thinking about what Canadian values are and what kinds of values we want to be promoting abroad.

● (1145)

The Chair: Thank you very much.

Mr. Pacetti, the floor is yours.

Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.): Thank you, Mr. Chair.

Thank you to the witnesses; it's very interesting.

I have quite a few questions; I'm not even sure where to start.

I guess I'll start with you, Ms. Spring. And it's a little bit of a different question, but did you say you live there, in Honduras?

Ms. Karen Spring: On and off, but for majority of the last five years, I've been living in Honduras.

Mr. Massimo Pacetti: And how is the situation in terms of being female? Let's call a spade a spade. How do you feel? Do you feel comfortable, especially in conducting you work? I assume you're doing your type of work in that environment. Do you feel threatened; do you feel unsafe?

Ms. Karen Spring: Absolutely. There's the general violence in the country. I've definitely noticed the fear in the population increase in the last two years. I, myself, have been robbed on many occasions, and I've been followed by Canadian companies or people working with Canadian companies in the regions where I've worked.

And so absolutely, I definitely—

Mr. Massimo Pacetti: Sorry, I don't want to interrupt, but I have limited time.

When you conduct your work, for example, for some of the information you were talking about with Gildan, do you actually go on site and see it with your own eyes? Are you under cover? How do you conduct your work?

Ms. Karen Spring: No, I have never gone into Gildan's factories. But I've examined a lot of documents Gildan has put out and published. And I work with the women who work with Gildan, specifically, on that subject.

Mr. Massimo Pacetti: I think you started to address some of the solutions. So what would be one of your major solutions to some of the points you brought up? You didn't state anything in your brief, but I think in answering Madame Liu or Mr. O'Toole's questions, you said there were a few solutions. Which would be your preference?

Ms. Karen Spring: I would say that a functioning justice system is absolutely critical.

Mr. Massimo Pacetti: And towards our Canadian companies, what would be your solution? I take it that ergonomic classes would not be enough, in terms of having somebody representing those companies there? I'm not sure the solution to not have Canadian companies in Honduras would be the good one.

Ms. Karen Spring: Once again, I would probably say that if there are complaints from Gildan workers against the company, they need to be mediated by a justice system. And if they're not mediated by a justice system in Honduras, then those workers should have the opportunity to come to Canadian courts and have some sort of hearing or something related to addressing their complaints.

Mr. Massimo Pacetti: Thank you.

Madame Cheung, in terms of your declaration that, with the violence and the threats, the justice system is not being abided by, is it because there's no willingness to abide by the law or is it just an inability? I know there's a nuance, but is there an inability or just not wanting to? Or is it the people there, or do you feel that the human rights issues are coming from top to bottom?

Ms. Carmen Cheung: I think it's a combination of both. I think certainly Honduras suffers from a severe lack of resources. But one of the major questions we had in our report is how those resources get allocated. Is it truly a lack of resources, or is it a selective allocation of resources? And in our view, there are a lot of things that suggest it's a selective allocation of resources.

If that's the case, then it is an unwillingness to investigate, to enforce. The state creates institutions that it simply doesn't fund. It has a human rights ombudsperson to whom it provides very little money. It creates prosecutorial offices that it funds for certain types of investigations, but not for human rights investigations. So for us, that strongly suggests an unwillingness.

Mr. Massimo Pacetti: Thank you.

Ms. Thawar, what would your feeling be? One of your first recommendations was to have freedom of the press. Madame Spring recommends a good justice system. What would be your preference? Where would the money be best invested?

The officials who were here this week said they put money in development; but there are no benchmarks, so there are no conditions tied to that money. It's money invested—I'm not saying they're not doing their job—but there's no benchmark, no results coming out at the end or indication of where they want to end up, and I think I have a problem with that. I want to hear what your opinion is.

● (1150)

Ms. Tasleem Thawar: I guess there are two things. There are two ways to respond. The first is, what is really at the root of this failure of freedom of the press, or freedom of expression in Honduras? It's also at the root of the justice problems that Ms. Spring was talking about. Really this is a large, widespread institutional failure in Honduras. In addition to selective allocation of resources, in addition to simply not resourcing institutions that we would take as a matter of course in our country, there's also corruption.

These are institutions that first of all are unable to, but also if you look at the history of what has happened in Honduras, institutions are set up so that the Honduran government can say they have a special prosecutor whereas behind the scenes they're actually not funding them at all. There's also this ability to say they're working with Canada on this or we're working with the States on that or this particular international organization is helping us do this, which allows them to really diffuse their responsibility for what it is that they should be doing.

I don't know if Carmen can speak a little bit more to that.

The Chair: Our time is pretty well gone, but you may have a chance on the follow-up questioning.

Mr. Hoback, the floor is yours.

Mr. Randy Hoback (Prince Albert, CPC): Thank you, Chair, and thank you ladies for being here this afternoon.

You've just really confirmed what a lot of people have been saying about the situation in Honduras and what's been going on on the ground there and what the history has been like in Honduras these past years.

Ms. Spring, you talked about Gildan a little bit. I actually toured Gildan's facility or one of the facilities in Honduras. You talked about—help me out—the number was 30 or 40 workers who were having issues with repetitive movements and creating muscle cramps. What was that?

Ms. Karen Spring: Musculoskeletal disorders.

Mr. Randy Hoback: So you've got 30 or 40 workers. You said there were another 100 workers who were experiencing other problems.

Ms. Karen Spring: That's in the broader apparel and textile industry.

Mr. Randy Hoback: So out of 24,000 workers, how does that really relate? Is that something that you would see out of 24,000 workers on average, that you'd have a certain percentage who would come down with that type of situation? Because when Gildan was here yesterday, they talked about how they pay substantially higher than minimum wage. It might be done on a per product basis.

I know companies in Saskatchewan that make seeding equipment, they pay on a per product basis. So if you put out 20 shanks, you get paid 20 shanks. If you put out 15 shanks, you get paid for 15 shanks. You can call them widgets, whatever you want. Regardless though, the wage they get paid at the end of the day is substantially higher than what the minimum wage would be.

I guess I'm just kind of looking at what Gildan's been telling us and what you're saying and how do you reconcile that? How do you find the difference? Because when I look at Gildan there, I mean I toured the facilities. I'm sure if I took that facility after touring it there and went to a facility here in Canada, I probably would have similar statistics as far as repetitive motions and issues as far as health care issues and complaints against the company. It's a Canadian company whether it's based in Canada or based in Honduras.

How do you compare it to, let's say, an industry average? I'm just looking at Gildan because there are all sorts of other issues that I think if you looked at other companies in Honduras.... If there's a Chinese company for example, it may not even be concerned about these 30 or 40 workers, but if you went to Gildan, I'm pretty sure they'd say that they're very concerned and they're looking for a way to move forward on it. So how would you respond to that?

Ms. Karen Spring: Those are the 30 or 40 cases that one particular organization have taken that are working or are processing, or they're in a legal process with the workers. Those are workers who have come forward with their health problems. There are only two ways in which Gildan workers can seek medical attention. One is in the health facilities inside the factory and another is the Honduran—

Mr. Randy Hoback: So they have health facilities inside the factory. How many other factories would have health facilities? I'll take a factory here in Canada again. There are no health facilities inside a factory. So the fact that that's there, isn't that a credit to Gildan's work and their corporate social responsibility?

Ms. Karen Spring: I just finished my research on occupational health and safety and there are a lot of concerns with health clinics based in factories that are paid for by the employer. This is an issue for the CODEMUH, the organization that represents the Gildan workers, that the data regarding musculoskeletal disorders are not being made public. The Honduran social insurance hospital has also stated that, that they've actually had to find specialists more—

Mr. Randy Hoback: I don't necessarily disagree with you. I think Gildan themselves would prefer to say that they don't want to have this facility and it's at their plant. I think a lot of companies would say that.

● (1155)

Ms. Karen Spring: They actually do. They're pushing to only have clinics—

Mr. Randy Hoback: Again, the reality is the situation that they're faced with on the ground in Honduras. If there was a good public place to get treatment for their employees, that would probably be their preference. If they could pay for that facility through the government, to see that facility placed on the ground, they'd probably prefer that too. But the reality is, that isn't an option.

So what is the best option for the employees that you have working for you? You can ignore it because a lot of companies would just ignore it. They'd say it's not their problem, we'll just find somebody else, but they're not. They're actually putting in the facilities to take care of these people.

You will always have people who have problems. That's just the nature. You have 24,000 employees. If you looked at any company with that number of employees, you'll have all sorts. It's just the nature of the volume of the people you have in your business. I guess what I'm trying to say, is this out of the realm of normality in that size of an operation? I don't know the answer to that. I'm not sure if you do. That's the question I would answer.

I want to kind of go through the media here a little bit. Can you give us a picture of the media in Honduras? How many papers are there? How many journalists are there? Are they political papers? Are they papers like here where they're relatively neutral? They have their columnists who give their opinions, but do they actually have reporters who just report? What does it look like in Honduras, the papers and the publications and that?

Ms. Carmen Cheung: There is quite a wide variety. As in Canada, you have your major mainstream media, and some television stations are more mainstream than others. There are radio stations. There are newspapers. There is community radio, and there are other types of social communicators, so it's quite broad.

Mr. Randy Hoback: I guess it doesn't matter, though, when you think about it. When you kill a reporter, that's not acceptable. When you kill somebody, it's not acceptable. I don't care if it's a narco-trafficker doing it or anybody else doing it, that is not acceptable. If you do a report on the drug scene in Honduras and you get killed, that is not acceptable. It's unfortunate. It's unacceptable.

I guess I look at Honduras and I say, “Okay, now, for me, as a parliamentarian here in Canada, how can I help them? What are the tools that I have? What is the leverage I have to help them out?” The easiest thing I can do is give them a better standard of living, give them a choice between two jobs—and I said this yesterday—a job in narco-trafficking, which brings all the cancers that come with that, or a job at Gildan. It may not be 100% perfect, but with a job at Gildan the guy goes home to his family. He raises a family. He's usually involved with his church. He's involved in the community, so you have two options here for these 24,000 people because if Gildan, for example—I'm using it as an example—isn't there, where do these 24,000 people work? What do they do?

That's the question I have. How do I take leverage here and try to influence to make the life of that child who is born in Honduras today better 10 years from now? I look at Colombia and I look at countries that had similar situations. I look at Medellin today versus Medellin during 1985. Look at Bogota today versus 1985. What changed that? What made that improve? Today I can walk in downtown Medellin and not worry about it, or Bogota, and I have done that. You can't do that in Honduras.

We look to trade and economic activity as tools that allowed that to happen. Is that not fair to say?

Ms. Tasleem Thawar: First, people have jobs deciding what the best method is for development and whether it's economic trade or whether development is best achieved by other means, and we're not here really to discuss that. For us, for me, and for PEN, and for IHRP —

Mr. Randy Hoback: You want to make it better, and I can see that.

The Chair: The questioning is done. I'll allow a very short answer.

Ms. Tasleem Thawar: Of course we want to make it better.

Really this is why we have the recommendations that we have, because if Canada chooses, if Canada believes that trade with Honduras is the best way to make things better for the Honduran people, there are a few things that we can do at this point to ensure that, in fact, things do get better.

There are two things that we can do. First, commission independent human rights assessments, and again, this does not require an amendment to the treaty. Canada can commission this whenever it wants. It's a relatively simple thing to do. The second thing is to ensure that our existing human rights obligations—not to create new obligations for Honduras or for Canada—are enforceable through this treaty to use our unique opportunity at this moment to press Honduras to meet these obligations.

The Chair: Okay, thank you very much.

I want to thank all three of you for the testimony and for your answers. They've been very interesting and informative.

With that, we'll suspend as we set up the next panel.

● (1155)

(Pause)

● (1200)

The Chair: We will call the meeting to order.

We want to thank our next panellists for being with us.

We have, from the North-South Institute, Pablo Heidrich, senior researcher, governance of natural resources program. Thank you for being here.

From MiningWatch Canada we have Jennifer Moore, Latin America program coordinator. Thank you for being here.

We'll start with you, Jennifer. The floor is yours.

Ms. Jennifer Moore (Latin America Program Coordinator, MiningWatch Canada): Thanks very much.

Just to jump right in, I wanted to just ponder for a moment: what's the attraction of a bilateral agreement for a Canadian mining company considering investment or further investment in Honduras? Generally, this is to reduce risk for a company by locking in the current operating environment, giving them a sense of stability concerning the regulatory and taxation terms that are in effect when they invest. It also is to give them access to possibly the most powerful binding arbitration tool in the world today that allows corporations to launch costly lawsuits against governments when they, their people, or even their courts, make decisions that companies don't like. Even if a corporation loses, the initial stages in such a process can cost both parties millions of dollars that would be much better spent.

I want to talk first about this. What is the operating environment today in Honduras? In other words, what would this agreement lock in?

While the last few years, and especially the last few months of the outgoing government of former President Lobo have been marked by the ramming through of literally hundreds of legislative reforms, I'm going to focus on just one piece of legislation that is highly relevant to the mining sector: the new Canadian-backed mining law that was passed in January 2013. This law was developed and passed with strong diplomatic support from the Canadian embassy, and with contributions from the Department of Foreign Affairs and the former Canadian International Development Agency.

The Canadian government and mining industry, along with the industrial mining association in Honduras, pushed for this law principally in order to lift a moratorium that had been in place in Honduras on new mining concessions and projects since 2006. This moratorium was put in place by ousted President Mel Zelaya, under pressure from the Honduran civil society, who had been fighting for legislative reforms for years as a result of the weaknesses in the legal framework to respond to the impacts on their water and health that communities in the Siria Valley, around Goldcorp's San Martin mine, started experiencing very shortly after this mine went into operation.

We can also safely assume, I believe, that the Canadian government and industry undertook the process to try to get this new law in the context of the highly repressive and violent post-coup environment from 2010 to 2013, in order to ensure that the mining law wouldn't end up looking like the proposed mining bill that had been waiting in the wings and that was ready for debate prior to the military-backed coup of June 2009. The 2009 bill, which was supposed to be debated in August 2009, included key civil society proposals, including a ban on open-pit mining, a ban on the use of cyanide and mercury in mineral processing, and a requirement for community approval prior to the granting of mining concessions.

So what's in the new law? There are just a few points. It leaves the door open to open-pit mining. Water sources, except for those that have been declared and registered, which are in a minority, are not protected. Mining is not prohibited in populated areas, meaning that forced expropriation and displacement of entire communities can continue to take place. Community consultation is to take place, but only after exploration has occurred and there's a contract established with mining companies. This is a very late stage in the mining process to undertake consultation, and it means that while a community could presumably state its position on mining at this stage, were there local opposition and the state of Honduras took this seriously, the government would face a high probability of being sued under such a free trade agreement as that which we're discussing today. This law also divvies up a new 6% royalty on mineral sales from metal mining projects into several pots, in particular a 2% tax for security forces.

● (1205)

Even without looking at what's going on on the ground right now, we can foresee that the conditions are very ripe for conflict, first, with communities who are strongly opposed to open-pit mining. In 2011, a public opinion survey carried out by the research centre for democracy found that some 90% of Hondurans are opposed to open-pit mining.

Second, we have the communities that are fighting to protect key water sources or to stay on their land. This law enables and favours companies that might monopolize local water supplies for industrial mining operations. It could lead to the displacement of entire communities that might be in the way of new projects, putting at grave risk the survival and economic sustenance of peasant farmer communities.

This is a continuation of weaknesses under the earlier mining law regime that put communities such as those in the Siria Valley, around Goldcorp's San Martin mine, at a tremendous disadvantage. It has led to the loss of local water supplies, the displacement of an entire community, and long-term risk from the environment and public health risks of acid mine drainage, which was observed by a leading expert from Newcastle University, in 2008.

Third, I fear that the new security tax on mining production provides a direct incentive to corrupt security forces to protect mining installations instead of people's safety, which should be their first and foremost concern. I think the earlier speakers have already gone into the terrible track record of the Honduran state forces.

What have we been hearing about mining in Honduras since the new mining law was passed? I'm going to give a couple of examples.

First, in northern Honduras, in the mountains just inland from the Caribbean coast, in the agricultural community of Nueva Esperanza in the municipality of Tela, there's been an ongoing fight over a new iron ore mining project that's owned by the son-in-law of one of the country's richest men. The community has complained that they were not consulted, and in mid-2013, they were already reporting heavy sedimentation contaminating a local river.

In June of last year, the Honduras accompaniment project reported that armed men entered the community under police escort to provide security for the mine. Both police and armed men in this case have been reportedly been involved in threatening and intimidating acts against the community. In particular, armed men have targeted community members who refuse to sell their land. Community members have reported death threats, and nightly curfews during the summer months. In July 25, 2013, armed men also held captive two human rights accompaniers from France and Switzerland, from the Honduras accompaniment project, under threat for several hours. A number of local residents were forced to flee in August 2013.

There are further examples that we could go into, but just to note, in the Siria Valley, where Goldcorp has their San Martin project, well-known environmental activist, community reporter, and teacher, Carlos Amador, has publicly denounced being watched and followed by unknown individuals using vehicles with tinted windows and without licence plates over the last few months; his life is believed to be under serious threat. And local communities in this area are concerned about the approval of new mining concessions that they have insufficient information about.

Right now we can say that there's a state of fear and violence for campesinos and activists fighting to protect their water, their lands, and their right to speak out about the damages of mining, without protection from the state or their own justice system.

If we could imagine that it wasn't this way, what if the tide shifted and the Honduran government actually made significant efforts to respect the will of communities and to better protect their water supplies, their living environment, and their right to decide what development is good for them? What would happen? The situation in El Salvador provides a poignant example.

Right now, Vancouver-based Pacific Rim Mining, currently owned by OceanaGold, an Australian-Canadian firm, is suing El Salvador for more than $301 million after failing to obtain the social and environmental licence needed to develop a gold mine in the department of Cabañas, and after encountering nation-wide opposition to metal mining in the country.

Notably, Pacific Rim did not meet regulatory regulation requirements necessary to obtain a mining permit in El Salvador; it relied instead on political lobbying. Nor did Pacific Rim undertake adequate studies to understand, much less mitigate, potential adverse effects from the El Dorado project, especially on water supplies. Whether or not the company ultimately wins or loses the arbitration case, which is ongoing, El Salvador has already spent $5 million fighting the suit, which is enough to provide one year of adult literacy classes for 140,000 people. Meanwhile, several environmental activists have been killed, others repeatedly threatened, and the policy development area in the mining sector has stagnated.

● (1210)

So, were a future government in Honduras to come along that would stand up for what Honduran communities have been calling for in terms of respect for their right to decide and to adequately protect water supplies and the environment, they would likely be slapped with another suit of this sort under the current free trade agreement such as the one being debated today.

Just to sum up, what would a free trade agreement between Canada and Honduras do in the mining sector? It would lock in an unjust arrangement for communities that did not provide guarantee of protection for adequate consultation, protection of land and water supplies, or sufficient recourse when things go wrong. It is also taking place in an environment where they are facing targeted threats on a regular basis. At the same time it shores up very powerful protections for companies that will be able to resort to an arbitration mechanism that goes above and beyond the Honduran justice system into which communities have no reach.

Thank you very much.

The Chair: Thank you very much.

Mr. Heidrich, the floor is yours.

Mr. Pablo Heidrich (Senior Researcher, Governance of Natural Resources program, North-South Institute): Good afternoon. Thank you for inviting me and for the opportunity to speak with you today regarding Bill C-20.

My area of research at the North-South Institute is on international trade and investment. I will be providing my testimony from that point of view. I have been working and doing research on trade between Canada and Latin America for the last six years here. I have been researching also the investment relations of Canada with different countries in Latin America, particularly those that have signed FTAs, or free trade agreements, with Canada.

My presentation is going to focus then on the possible benefits that these FTAs might bring to Canada and also to Honduras. I will cover first a little bit of theoretical but also empirical research that has been done in Canada and abroad that tells us under what conditions those agreements can bring economic growth and economic development to both countries. I will later talk about the Honduras economic and governance conditions from an economic point of view. Finally, I will suggest some policies or instruments Canada can use in order to build a more successful relationship with Honduras.

Let's begin with the free trade agreements. There are currently about 400 free trade agreements functioning in the world. Most countries have signed at least one. It is actually a practice that is more common among developing countries than among industrialized countries. There are quite a lot of studies already on under what conditions those agreements are actually successful for the purpose that they are intended. Most FTAs are actually signed among developing countries and only a very small percentage are signed between developing countries and developed countries and there are good reasons for that. In that regard, most developing countries sign FTAs with other developing countries because they are trying to emulate the historical experience of the European Union and to some extent the experience of NAFTA as well, trying to bring it to their own situation and their own geography.

The literature tells us there is a very highly variable degree of success. Developing country businesses in general tend to be too small and not technologically advanced to make use of the opportunities in enhanced market access that these FTAs give. For the most part, exporters from developed countries find the enhanced access to the market of developing countries, particularly when those countries are small, quite underwhelming.

What I would say is that the practice of north-south FTAs is actually more difficult than the one between developing countries. One of the main problems in general tends to be the average levels of governance and effective rule of law in the developing country party. Even when those conditions are met, the developing country gains are not going to be significant, they usually are around 0.1% to maybe 0.2% of GDP per year for the first 10 years after signing and then they decrease.

Other indicators such as improving the legal system, improving governance, public education, and public health, bring anything between 10 to 20 times more gains per year than executing an FTA. In other words, the policy measures that affect trade for an economist, particularly those related to development, are of secondary importance when we are trying to support the economic growth of a developing country. What is of primary importance is governance and access to public education and public health.

Now I'm going to direct my attention to the specific FTA that Canada and Honduras have signed. I read the text and what I can say in summary is that these agreements are very similar to the ones that Canada has already signed with other nations in Latin America such as Panama, Colombia, and Peru. The substantial preferential access that is given to Honduras in textiles and clothing, fresh fruits and vegetables, and some processed foods, these advantages that are given to Honduras align fairly well with the comparative advantage that Honduras has already demonstrated in the last decade.

● (1215)

However, UNCTAD, which is the United Nations commission for trade and investment, has an ongoing ranking for countries on what market access they have to their main partners; and Honduras is one of the countries that is highest ranked in the world. In other words, Honduras does not need enhanced market access in order to increase its exports to the rest of the world, in comparison with most other developing countries.

On the other side, Canada gains from the FTA increased access to agricultural goods, cereals, and also meats, and some technology-based manufacturing. More relevant for Canada is the enhanced general investment protection that Jennifer has already mentioned, and in particular, I would say, this is an argument that comes more from economists, because Honduras is a country that is ranked by the World Bank as having one of the worst levels of governance and that affects all kinds of investment, not only domestic but also international. That is a big handicap for Honduras to receive any further investment.

However, it is very concerning to me that in this agreement, the Honduran side has already carved out some very strong exceptions to the application of this agreement, such as, for example, investment in construction, oil refining, fuel distribution, casinos, and the possibility also of excluding any Canadian firms from any future privatizations that the Honduran government would do. I can later explain in the question and answer period why the Honduran government would go for that.

My simple calculation is that bilateral trade between Canada and Honduras, if this agreement were ratified, would increase; however, the increases would be minimal for Canada and they would even be fairly small for Honduras, and that would only be in the case that Honduras would perform as well as the other Latin American partners that already have an FTA with Canada. I'm talking about Chile, Colombia, Peru, Panama, and Costa Rica. I have to say, even very early on, that Honduras is a totally different country from those five. The exception and one of the best gains, I think, for increased trade is that there would be more access for clothing and for textiles. Most other Honduran goods already arrive in the Canadian market with very minimal taxes, very minimal or zero tariffs.

On the other side, the Canadian exports would gain market access, but again, those gains would be fairly small because the average applied tariffs of Honduras are already very low. They are among the lowest in the world and the lowest in the region. They are around 5% to 6%. It's already very much a free-trading nation. Besides, it's an economy that is very small. To compare it to Canada, the economy of Honduras is smaller than the Ottawa-Gatineau metropolitan area. And that is only at the aggregate level. Once you input the fact that Honduras is the most unequal country, by distribution of income, in the most unequal region in the world, Latin America, then that market is really much smaller than Ottawa-Gatineau.

So if we are expecting to have big increases in Canadian exports to that market, we should know that that market is structurally handicapped from providing those gains, because there is nobody to buy those goods. Canada is not a country that is specializing in luxury goods to sell to a very wealthy elite. Canada sells grains, auto parts, and goods that tend to be consumed by businesses or individuals from the middle class, or from the poorer working class.

Again, comparing Honduras with other Latin American countries that have signed these FTAs with Canada, Honduras is anything between 2 and 20 times smaller as a market, and that is without considering income distribution. The population of Honduras is 8 million, and two-thirds live in poverty and one-third in extreme poverty. That is according to the Honduran government. The UN says quite worse things.

So I also have to say that towards the future—

● (1220)

The Chair: I'm just looking at your text, and I'm looking at the time.

Mr. Pablo Heidrich: Okay. I will try to summarize.

Looking towards the future, the Honduran economy has been underperforming in the Latin American economy for the last decade and in all likelihood it will continue to underperform. There is no economic forecast from anywhere—I've checked Bloomberg, Reuters, and everywhere else—that says that Honduras will grow fast. It will not. It just will not. It's not an emerging country.

According to the World Bank, Honduras is also one of the most expensive countries in which to run a business given its convoluted and politically rigged regulatory systems, a non-functioning court system, and massive corruption. It is ranked 141 out of 183 nations by the World Bank. Only Haiti is ranked lower in the western hemisphere.

Another problem—I would like to mention it later on, perhaps, in the question and answer period—is that Honduras, as you know, has an enormous security problem. There were 7,200 murders in 2012. That is 20 murders per day, as compared with two murders per day in Canada, which has four times more population. The levels of violence are actually increasing in Honduras, unlike in the other Central American countries.

That is a striking disincentive for any entrepreneur to start a business in Honduras in terms of export or the local market. Capital accumulation is close to impossible, as we know for any economies that work on issues related to security, given the extortion that Maras and other gangs demanded from approximately 90% of all firms there in 2012, with kidnapping—

The Chair: I'm going to stop you there. If you have any closing remarks, I'll allow that, but your text will actually be translated and given to the committee.

● (1225)

Mr. Pablo Heidrich: Okay. Thank you.

My recommendation is that the Canadian government should support a strategy of security, democracy, and prosperity in Honduras by increasing its international aid, particularly aid that supports better economic regulation, administration of the court system, and control of corruption and that supports an improvement in basic social services.

Thank you.

The Chair: Thank you very much.

Mr. Morin, the floor is yours.

[*Translation*]

Mr. Marc-André Morin (Laurentides—Labelle, NDP): Mr. Heidrich, we have heard that the government of Honduras might privatize education.

Given the considerable social inequalities and poverty in the country, does the possibility of that privatization concern you?

[*English*]

Mr. Pablo Heidrich: In principle it's a very troubling idea. The international practice with regard to these measures in other developing countries does provide a very bad result. We know that it has already been done in some sub-Saharan African countries, and in some Latin American countries to some extent, and it hasn't really worked.

It's also very expensive for the public purse, because you end up either subsidizing the firms that own the schools and run them for profit or subsidizing the people who need to go to school. Illiteracy is very, very high in Honduras, the second-highest in the Americas.

[*Translation*]

Mr. Marc-André Morin: According to our government colleagues, we must either get involved and commit to Honduras, or stay out of the situation completely.

Do you think there might be other solutions we could choose, another attitude or another way of intervening? In the areas of education and justice, for instance, perhaps we could develop some other type of relationship, or spend the funds we allocate in some more constructive way.

[*English*]

Mr. Pablo Heidrich: Yes, I think Canada ought to engage with Honduras. It's just that I don't find signing an FTA at this point to be an effective way of engaging with Honduras if the purpose is to bring development and security and stability to Honduras. It also won't be effective for Canadian businesses.

But yes, increased levels of aid would certainly be very, very successful, especially if the Canadian aid was better coordinated with the aid provided by other countries, particularly the U.S. and the EU. The EU has a fairly interesting model of cooperation with Honduras, where it provides much more substantial aid and at the same time provides unilateral increased market access without demanding the same from Honduras, for example.

[*Translation*]

Mr. Marc-André Morin: Do you think our intervention in the economy of that country could have some negative effects? For instance, if there is an influx of capital into Honduras and if that is used to purchase police vans and bullet-proof vests for the purpose of exercising repression, could our reputation then not suffer over the long term?

[*English*]

Mr. Pablo Heidrich: Yes, the reputation of Canada would suffer, particularly because Canada has a comparative advantage as an investor in natural resources for the most part, and that would perhaps produce an increase in the investment in the mining industry in Honduras. As we know from experience of the mining industry of Canada in the rest of Latin America, when you invest in jurisdictions that have very high levels of violence, you get in general low economic results and lots of problems, lots of political problems, and lots of damage to your reputation, also to the reputation of the country.

[*Translation*]

Mr. Marc-André Morin: Do you think that the size of the Canadian economy as compared to that of Honduras could allow us to influence the government of that country in a significant way, or is this really a lost cause, and would it be preferable to wait?

● (1230)

[*English*]

Mr. Pablo Heidrich: Well, in principle, yes, the Canadian economy and the Canadian government have resources that are enormously bigger than those of the Honduran economy and government and yes, I made the argument that Canada could have a tremendous influence, but that requires a level of determination and also expenditure. In aid, for example, the $40 million, or a little bit less, that Canada spends in terms of aid in Honduras does not buy you very much leverage. If you want to do it, you need to do it big, and besides there are other players like the EU and the U.S.

[*Translation*]

Mr. Marc-André Morin: Do you not think that in order to use a treaty like that one for leverage, one must at the outset have a specific intention?

[*English*]

Mr. Pablo Heidrich: No. In general the international practice or international experience of using FTAs as leverage is not very successful, not even for countries that have a much bigger domestic market to offer access to, such as the U.S. or again the EU, or Japan, for example.

I don't think Canada can leverage with an FTA, but it can leverage with aid because the Honduran government is a government that is very much stripped of resources. I think what the Honduran government needs is not only resources, but it needs technical assistance, and it also needs a certain level of pressure so that the government becomes more responsive to wider social demands and it stops being sort of a committee that administers the gains of a very limited group of people.

That is demonstrated once again in the FTA. Those exceptions that I mentioned before in the FTA are very telling, that those are the interests of the most powerful families who control politics in Honduras. That is unprecedented that a country would say, I'm going to give you access to all this, but not to all these other sectors, when those sectors, everybody knows in Honduras they are controlled by the families mostly related to the party in government. Can you imagine the same in Canada?

The Chair: Thank you very much.

Mr. O'Toole.

Mr. Erin O'Toole: Thank you, Mr. Chair.

And thank you both for appearing.

I have a few questions for both of you. I'll begin with Ms. Moore.

Can you just describe the mission of MiningWatch?

Ms. Jennifer Moore: MiningWatch is an advocacy, investigation, and technical support organization based here in Ottawa. We provide support to mining-affected communities here in Canada and internationally.

Mr. Erin O'Toole: Is the Canadian branch part of an international network? Is MiningWatch international, or is it Canadian headquartered?

Ms. Jennifer Moore: No, we're a group of five people who live and work here in Ottawa.

Mr. Erin O'Toole: Now you're reporting on mining-affected regions or communities, as you describe it. How is that conducted? I see you're the Latin America chair. Do you regularly visit there, or do you have paid reporters or investigators? How do you distill your information on a specific area?

Ms. Jennifer Moore: Yes, we've carried out visits to Honduras. We have regular contact with partners in Honduras including human rights accompaniment organizations, local people who are working in Tegucigalpa-based organizations, and community leaders themselves.

Mr. Erin O'Toole: Before committee today, you discussed a scenario where somebody on the ground—I can't remember whether it was in El Salvador or Honduras—had been followed by cars with no licence plates. That was sort of your description. Where does that story come from? Is that something you have seen, or are these reports from the person, or is it anecdotal? How do you substantiate any...?

Ms. Jennifer Moore: Those were reports from the person that were reported on by Honduran journalists who are highly regarded and who worked for COFADEH, the organization that Bertha Oliva testified for here on Tuesday. She also reiterated on Tuesday night when she presented at the University of Ottawa that his life is in dire danger.

Mr. Erin O'Toole: I think you appeared on the CBC program *The 180* just before I did when I was talking about Canada's CSR program and our CSR counsellor. My concern is that often—and you did it here today—you'll mention a person like that gentleman and a report and you'll connect it to the operation in that country of X Canadian company, but I never see a direct relationship to that company actually being involved in any way with some of the activities you suggest. To me it seems anecdotal.

● (1235)

Ms. Jennifer Moore: No, my point in mentioning Carlos Amador and in also mentioning the threats that are being faced in the community of Nueva Esperanza and in other communities around Honduras right now is that right now the current operating and mining sector in Honduras is a situation in which campesinos, indigenous people, journalists, and other community leaders are being targeted on a regular basis, are being threatened on a regular basis when they speak out in their efforts to try to better protect water and lands, which are not things that are being protected under the current legal regimen in Honduras. They are not protected by the new mining law that Canada helped finance. They are not protected by it or it cannot be properly enforced through the justice system or the administrative system in Honduras. That would not be helped by the free trade agreement that you are currently deliberating here today.

Mr. Erin O'Toole: But we've heard from several other witnesses that probably the biggest challenge facing Honduras is institutional problems on a police level, an investigative level, and on a criminal justice level. Whether it's narco-trafficking or just general crime and violence, are there not endemic challenges, particularly in more regionalized parts of these countries, that would exist even if there was not a Canadian company operating in the area?

Ms. Jennifer Moore: I'd like to hear what you have to say about the structural problem that Canada has helped to create and enforce in Honduras through sponsoring the current mining law, which is the legal regimen that Canadian companies or any other company is going to be operating under now in Honduras, and that would be reinforced by the free trade agreement that you're currently discussing.

So it's not about one or another company; it's about the legal environment, the structure in place that they rely on in order to protect and develop their operations, and that would be reinforced in that they could recur to international arbitration in order to ensure that it is indeed the framework under which Honduras is operating and not a stronger framework that would actually protect water supplies, land, and the lives of the people who are directly affected.

Mr. Erin O'Toole: But my question was more.... Say there was not a single Canadian company operating or with any interest in the country, would there not still be the serious criminal narco-trafficking problems and problems with the judicial system?

Ms. Jennifer Moore: There would still be a structural problem within the mining sector that Canada has helped to create through the passage of the new mining law and that any mining company would be operating under. It would be reinforced by the free trade agreement that any company with a subsidiary in Canada could use in order to sue Honduras should they try to do something to protect their citizens.

Mr. Erin O'Toole: What existed prior to the mining law in place now?

Ms. Jennifer Moore: A similarly weak mining law that communities, especially spurred on by the impacts of Goldcorp's operations in the Valle de Siria, have been fighting to change since 2002, and that's why there was a mining bill that was on the table prior to the military-backed ouster of Manuel Zelaya in 2009 that would have better incorporated their proposals, but it never got debated because of the military-backed coup that Canada never spoke out about.

Mr. Erin O'Toole: We had departmental officials here the last day who actually said we did cease relationship following the coup. But another major country involved in international resource development is China. Would you suggest it would be better that Chinese companies operate in parts of the world, including Latin America?

Ms. Jennifer Moore: I currently think there's an inadequate framework in Honduras to protect the lives and the communities that are being affected by mining companies wherever they come from.

Thank you.

The Chair: Thank you very much.

Mr. Pacetti.

Mr. Massimo Pacetti: Thank you, Mr. Chair.

Thank you to the witnesses.

Ms. Moore, a quick question. MiningWatch, are they in favour of mining at all?

Ms. Jennifer Moore: I don't see the relevance of your question, but our work is directed at providing technical support to mining-affected communities to better ensure protection for ecology, for lives, for water, and to also advocate for stronger corporate accountability here in Canada. We work both with communities that have accepted mining on their lands and communities that do not accept mining on their lands.

● (1240)

Mr. Massimo Pacetti: I didn't understand or hear what you said. Are you in favour or not in favour of mining?

Ms. Jennifer Moore: We work with mining-affected communities to provide them with technical support to better protect their lives, their interests, and their water supplies, and to help them ensure—

Mr. Massimo Pacetti: Okay, it doesn't matter.

Ms. Jennifer Moore: There's not a clear black and white answer to your question, and I don't think it's relevant to this debate.

Mr. Massimo Pacetti: All right, thanks.

Mr. Heidrich, one of the interesting facts you came up with in your presentation is that Honduras is already at the top in terms of market access.

Mr. Pablo Heidrich: It's one of the developing countries with the best market access, and that is very much—

Mr. Massimo Pacetti: Developing countries? Is it also a developing country? I'm asking.

Mr. Pablo Heidrich: Honduras is considered a developing country, yes.

Mr. Massimo Pacetti: Okay, I didn't know that. In terms of market access, how is that determined? I'm shocked.

Mr. Pablo Heidrich: Sure. Market access is determined as the average applied tariff rate in the trading partners that country X has. So what you do is you take the trading partners for Honduras, you look at the average tariff rates for the lines of products that Honduras exports to them, and then you make a weighted average for that.

The biggest trading partner for Honduras is the United States, and it has had a free trade agreement with Honduras since 2006. That very much explains why Honduras already has great market access, much better than most other countries.

Mr. Massimo Pacetti: That explains a lot. Are they a net exporter or importer?

Mr. Pablo Heidrich: They are a net exporter once you consider services as well.

Mr. Massimo Pacetti: They export services?

Mr. Pablo Heidrich: They export services, of course. They have a lot of call centres, and there are a lot of offices that provide back-office accounting for financial services, and so on.

Mr. Massimo Pacetti: What's their major export?

Mr. Pablo Heidrich: The major export is textiles that come from the free zone, the region of San Pedro Sula where Gildan, among other firms, has factories.

Mr. Massimo Pacetti: It's interesting, because even when the officials came here on Tuesday, they didn't expect trade to really increase. And Canada is a net importer of products from Honduras, so would you agree with that in terms of the...?

Mr. Pablo Heidrich: Canada has a large deficit with Honduras, but if you ask me about Honduras and the world, Honduras has a small surplus, once you count in services.

Mr. Massimo Pacetti: They have a surplus with the world, but they also have a surplus with Canada.

Mr. Pablo Heidrich: Yes.

Mr. Massimo Pacetti: You don't feel there will be any change after this free trade agreement will be signed?

Mr. Pablo Heidrich: No, I don't think there will be any significant change.

Mr. Massimo Pacetti: Is that because Canada—and the officials confirmed it, so I'm not trying to interrogate you—won't be able to sell, as you said? Or is it because Honduras won't be able to export more goods than what it already does?

Mr. Pablo Heidrich: I think it's both. I think the market in Honduras is very limited. It's not growing. It might be shrinking because inequality is growing and the economy is not growing sufficiently. Also, on the Honduran side, there are problems of what we call supply, right? There is no growing international investment, and there is not much investment from the domestic side. Actually, most of the investment that is being done in Honduras is in services, and servicing the local population. It has to do with a particular development, or actually underdevelopment of the Honduran economy: about 20% of the Honduran working population has already left the country, including half of all high school graduates, and about three-quarters of all university graduates. They mostly work in the United States, but also in Europe, and small numbers here. They send remittances, which are equivalent to 16% of GDP to Honduras every year. That is the highest in the western hemisphere.

Mr. Massimo Pacetti: Those are significant amounts.

Mr. Pablo Heidrich: Yes.

That keeps Hondurans from going hungry.

The Chair: Thank you very much.

Mr. Hiebert.

Mr. Russ Hiebert (South Surrey—White Rock—Cloverdale, CPC): Thank you, Mr. Chair.

Thank you both for being with us this afternoon.

Mr. Heidrich, you've provided fascinating testimony about the existence of free trade agreements with multiple countries and potential or, from your perspective, lack of potential for a free trade agreement between Canada and Honduras.

Your recommendations are good in terms of calling on Canada to increase aid to deal with the issues that are plaguing Honduras. But in your closing statement you said that you do not believe it would be effective for Honduras or for Canadian companies to have this free trade agreement. Yet, at the same time, you've said that the U.S. has had a free trade agreement since 2006 and it's the largest trading partner with Honduras.

Has it been effective for the U.S. to have a free trade agreement with Honduras?

● (1245)

Mr. Pablo Heidrich: The American research that I've seen indicates, no. We should take that literally. It hasn't helped. It hasn't provided them with an additional advantage. The trade preferences that Honduras has now with the FTA they have signed with the U.S. are trade advantages that it already had for several years; it could be close to a decade and a half. Honduras was receiving this as part of the U.S. policy to contain the expansion of regimes that were against the U.S., such as Nicaragua, El Salvador, and so on. Honduras was given a very generous market access in textiles and it was simultaneously encouraged to establish free trade zones where those factories would set up shop and from there they would sell to the U. S. market.

All that was renewed on a temporary basis every now and then by the U.S. Congress. Eventually, the U.S. decided to make it permanent by signing an FTA with Honduras and also with the other central American countries.

Mr. Russ Hiebert: Has trade increased as a result of the FTA?

Mr. Pablo Heidrich: It has not increased above the averages for those lines of trade, even if you take U.S. imports, for example, textiles, or you take global exports. In general, textiles tend to be ruled by other global dynamics that are much more important than the level of tariffs in these bilateral diet of trade.

Mr. Russ Hiebert: In your words, it may not be effective for Honduran or Canadian companies. Would you view the free trade agreement with Honduras as being harmful, or neutral?

Mr. Pablo Heidrich: I would say with all respect, but trying to be as precise as possible, that it is useless. It doesn't really help. I don't really see the point in economic terms. It provides increased levels of certainty for investors but the biggest investor from Canada in Honduras is in a free trade zone so it is already under a totally different set of rules. For the most part it's there because it hasn't paid any taxes for 20 years. It accrues the tax credit in Canadian taxes so it pays a 3% effective tax rate in Canada. That's why it's there.

Mr. Russ Hiebert: Would it have any impact on extractive industries from Canada operating in Honduras?

Mr. Pablo Heidrich: Yes.

I tend to agree with Jennifer that it could increase the level of certainty for Canadian firms in mining by going there. But I think the Canadian mining industry has already evolved to a point where it's not going to get burned again by going into these kinds of jurisdictions. There are many other places in the world that are safer and less controversial. Besides, the level of reserves that exist in Honduras that are already known are just not sufficient to justify the risk. There is already very little investment.

Mr. Russ Hiebert: You went over quite quickly the exemptions that were kept out of the agreement. You mentioned construction and oil refining.

Could you elaborate on what those exemptions are and provide more detail about the family connections associated with those exemptions?

Mr. Pablo Heidrich: I'm sorry I do not know the names of the families involved. I read it the day before yesterday while I was preparing this, but I haven't memorized it and I didn't write them down. Yes, they are related to some of the wealthiest families in Honduras who have significant participation in both of the biggest political parties—Partido Nacional, the National Party, and also the Liberal Party of Honduras.

Construction is, for the most part, controlled by two large firms in Honduras. Oil refining is one firm, fuel distribution is one firm, and casinos are two firms, and so on. It is very interesting for me that those sectors are excluded. Every country, when it signs an FTA, does make some exclusions, but usually they are for public policy grounds, like public health or issues like that. In this case, there is no reason given. They just want these things to be out of the agreement. So, I am very surprised.

● (1250)

Mr. Russ Hiebert: Ms. Moore, have you had a chance to review the environmental protections associated with this FTA?

Ms. Jennifer Moore: I read the environmental assessment that was updated prior to the FTA.

Mr. Russ Hiebert: I'm referring to the agreement on environmental cooperation.

Ms. Jennifer Moore: It's a side agreement. It's useless.

Mr. Russ Hiebert: Why do you say that?

Ms. Jennifer Moore: It's because there's no enforcement. It's trumped by the international arbitration mechanism that companies can resort to and that communities have no access to that could be used to undermine greater protections to the environment and to their water supplies, in particular.

Mr. Russ Hiebert: Is that your view of the labour agreement, as well? The side agreement on labour....

Ms. Jennifer Moore: I believe there is no strong protection for human rights, be they environmental, labour, economic, social, or cultural rights built into this free trade model that you're currently discussing.

The Chair: Thank you very much.

Mr. Davies, five minutes.

Mr. Don Davies (Vancouver Kingsway, NDP): Thank you, Mr. Chairman.

Thank you to both witnesses for being here.

Mr. Heidrich, we know that the U.S. is Honduras' biggest trade partner, and we know that they have had a free trade agreement with Honduras since 2006—that's eight years. We're approaching a time, almost a decade, where I think we can start making some analysis of the impacts of that agreement. Have Honduras' poverty rates, institutional integrity, governance structures, rule of law, or the welfare of its people improved demonstrably over that last eight years as a result of the U.S. free trade agreement?

Mr. Pablo Heidrich: No.

There are two elements. One is that all of those indicators have since deteriorated. The second point is this. Whether there is a causal relationship between one thing and the other, I'd be hesitant. I'm in economics and I work in international trade, but I wouldn't overplay my hand on the relevance of international trade on the general development of an economy.

Mr. Don Davies: Thank you.

I happen to agree with you. I think drawing a causal line between trade and the kinds of benefits that the Conservative government often claims—that it'll create jobs, improve the welfare of people, that a free trade agreement will boost GDP and create wealth—I personally think that those causal relationships are not made. But they're made all the time by this government.

We do have data from the U.S. agreement that certainly suggests that, from my reading of all the data, the conditions in Honduras have gotten much worse. Some of the social spending over the last number of years has gone down. Economic inequality, which decreased for four consecutive years starting in 2006, began trending upward in 2010. Poverty and extreme poverty rates decreased by 7.7% and 20.9% during the Zelaya administration, which was overthrown in the coup in 2009, and the poverty rate has increased by 13% and 26% since. Unemployment has gone up. Minimum wage and wages have gone down. So, all of the metrics look poor.

Ms. Moore, I'd like to ask you a question.

My reading of the environmental side agreements that Canada generally signs is that they generally follow the format that the parties agree that they will not reduce their present environmental standards in order to attract investment. That, of course, is predicated on the fact that the environmental standards that are in place now are firm. Can you describe for us, briefly, what the state of environmental protection is in Honduras currently?

Ms. Jennifer Moore: It is utterly inadequate to protect the living environment and especially the water supplies of mining affected communities. I think there is a level of ineptness that was demonstrated particularly in the case of the San Martin mine, around dealing with both health and environmental harms, which aren't disconnected.

There had been indications within a couple of years of the San Martin mine opening, complaints of public health concerns that had arisen from the communities. A series of actions on the part of communities and independent supports triggered a study by a forensic unit in the Honduran state in 2007. Instead of carrying out those tests and returning the results to the community, they sat on the results for four years, which gave the company time to pack up and close its operation.

They have yet to expand and further develop those tests to actually do adequate studies to understand the causes and to also address them.

There are also inadequate protections, particularly for a crucial stage of mining, which is closure plans and ensuring that there are fully financed bonds and publicized, sufficient plans in place for mines. Again, that is demonstrated with the San Martin mine—

● (1255)

Mr. Don Davies: I have 30 seconds left in which I will just ask a quick question for a quick answer.

Do you think that the Honduran government should have to demonstrate progress on human rights and democratic norms to raise its level to an acceptable international norm before Canada extends preferential trade terms? Or do you think that we should give them a trade agreement now on the supposition that this will somehow magically improve Honduras' commitment to human rights and democracy?

The Chair: A nice short answer.

Ms. Jennifer Moore: Sure.

The Chair: Yes or no, then both of you are out of time.

Ms. Jennifer Moore: No, and I think a free trade agreement with Honduras would do more harm than good.

The Chair: Fair enough.

Mr. Heidrich, yes or no.

Mr. Pablo Heidrich: No.

The Chair: Very good.

Mr. Cannan, the floor is yours.

Hon. Ron Cannan (Kelowna—Lake Country, CPC): Thanks.

I just wanted to clarify, Mr. Heidrich. You said there hasn't been any real growth over the last few years?

Mr. Pablo Heidrich: There has been no significant growth, particularly when you take it per capita. The Honduran population has one of the highest rates of growth in the region, and the growth per capita has been minimal, around 1%. That is not really considered growth in a developing country.

Hon. Ron Cannan: I thought 3% to 4% is what they were averaging in the last few years.

Mr. Pablo Heidrich: That is the GDP. That is not the GDP per capita.

Hon. Ron Cannan: Another question, as far as any free trade agreements, have you supported any in the past?

Mr. Pablo Heidrich: Have I supported any in the past? If I had been asked, I think so. Some trade agreements have good potential, for example, the FTA that Canada has signed with Chile or the one it has signed with Costa Rica. In terms of the development of those countries, because the distance in development is much smaller than between Honduras and Canada, I think it can also substantially benefit Costa Rica and Chile as well as Canada.

In terms of market size, I think an FTA with Colombia and Peru can certainly provide benefits for Canada. This is one particular one where I do not see that it would provide benefits to one or the other.

Hon. Ron Cannan: Gildan, the Canadian manufacturer, would be tariff-free and they would have a level playing field with the U.S. and the European Union. Canadian beef and pork would be going into Honduras at a lower price to Hondurans. You see no bilateral benefits to those types of agreements?

Mr. Pablo Heidrich: Gildan's already there, therefore it doesn't need the FTA to continue to be there. I have never seen any—

Hon. Ron Cannan: It would have a level playing field, though, with other competitors.

Mr. Pablo Heidrich: It certainly had $300 million of profit out of $2 billion of revenues last year.

The main reason, as I said before, why Gildan is there is not to have a level playing field with U.S. firms or European firms. By the way, European firms are not on the same track, but Gildan is there because they have an exception from paying corporate income taxes in Honduras for 20 years. Because of the tax agreement between Canada and Honduras, Gildan can discount 25% nominal tax rate from Honduras, which actually doesn't pay, and therefore, instead of paying 28% corporate income tax in Canada, it pays 3%.

Last year it paid $10 million on $350 million of profit. That is actually a problem for the Canadian federal government and the Province of Quebec in terms of lost taxes. That is something that I would hope Canadian policy and Quebec policy would address.

From the point of view of Honduras, it is certainly their choice to provide these tax benefits. I think that in general the policy on free trade zones is very, very controversial.

● (1300)

The Chair: Thank you very much, witnesses, for being here and for your testimony.

Our time has gone, and there's a committee waiting, I believe.

With that, we will adjourn.