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## Standing Committee on International Trade

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EVIDENCE

**Monday, June 2, 2008**

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**Chair**

**Mr. Lee Richardson**

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## Standing Committee on International Trade

Monday, June 2, 2008

• (1540)

[English]

**The Chair (Mr. Lee Richardson (Calgary Centre, CPC)):** I'd ask the committee to come together for the 32nd meeting of this session of the Standing Committee on International Trade. Today we continue our study of the ongoing free trade negotiations between Canada and Colombia.

In the first round we have as witnesses the Canadian Chamber of Commerce and the Canadian Sugar Institute.

Mr. Julian.

**Mr. Peter Julian (Burnaby—New Westminster, NDP):** Mr. Chair, just so I understand, are we hearing both French and English live broadcasts in Spanish?

**The Chair:** That's a good place to start.

Because we will have three languages to deal with in the second half, we're not using the translation booth. I'm asking everybody to pick up this device that's in front of you. The conventional translation is not going to be working. We'll be using these headphones. We'll have English on channel one, French on channel two, and Spanish on three.

Thank you for that, Peter. I should have mentioned that right off the top. I don't think we'll need the Spanish for this portion, but we will in the second half of today's meeting.

I was just about to introduce our first round of witnesses from the Canadian Chamber of Commerce and the Canadian Sugar Institute.

From the Canadian Chamber of Commerce, we have Shirley-Ann George, who's been with us before. She's the vice-president of international policy. Brian Zeiler-Kligman is with Ms. George today. He's also from the Canadian Chamber of Commerce.

From the Canadian Sugar Institute, we have Sandra Marsden, the president, and Daniel Lafrance, senior vice-president of finance and procurement for Lantic Sugar Limited and Rogers Sugar Ltd.

There's a plug for you.

We have split the day, and we're going to have a little difficulty trying to get everybody in, so we're going to have to have some kind of accord on that. When we divide it up this way, not everyone has an opportunity to ask questions of each witness. I think what we'll do is start off with five-minute rounds. That's the only way to do it fairly for everybody. It gets a little closer to fairness anyway.

Before we even begin, I'm going to ask our witnesses to be cognizant of that as well. That will mean that for each of the questioners, the question and answer will be completed in five minutes.

With that, I'm going to start. I'm going to ask Shirley-Ann George to begin with a short address.

**Ms. Shirley-Ann George (Vice-President, International, Canadian Chamber of Commerce):** Thank you very much, and good afternoon.

As introduced, my name is Shirley-Ann George. I'm the vice-president of international policy at the Canadian Chamber of Commerce. With me today is Brian Zeiler-Kligman. We appreciate the invitation to come and discuss with you Canada's free trade negotiations with Colombia.

The Canadian Chamber of Commerce supports the federal government's commitment to re-engage our relationship with the Americas. Many Canadian companies are active in these markets, presenting a great upside potential for Canadian exporters and investors and for Canadian jobs. To that end, our members have been very supportive of the negotiations with both Peru and Colombia. Since the hearings today are on Colombia, I'll only address that side of the negotiations.

We support the government's decision to pursue a free trade agreement with Colombia. Although a separate agreement, we also support and strongly urge the government to finalize the double taxation treaty with Colombia. There are important trade policy and foreign policy arguments in favour of both agreements.

Looking first at trade policy, Canada's economic relationship with Colombia is a modest one, although most suspect that it is larger than the official statistics suggest. Canadian foreign direct investment in Colombia is driving most of this economic relationship. Canadian companies in the extractive sector are particularly active in Colombia, as well as all the Canadian service providers that specialize in the ancillary services that go along with this. Canadian manufacturers are also selling some of their products into Colombia, providing important Canadian manufacturing jobs.

Indeed, Colombia is an important market for those Canadian companies investing in South America, Latin America, and the Caribbean, as Colombia is influential in the region and many Canadian companies view Colombia as key to their South American strategy.

We understand that the agreement being negotiated with Colombia is a NAFTA-like agreement, covering issues such as services and investment, in addition to the traditional market access. This means there will be strong environmental and labour provisions as components of the agreement.

The Canadian chamber and our members support responsible business conduct and government's effort to build capacity in these areas for both companies and host governments, and Canadian companies are recognized global leaders in socially responsible business practices, commonly referred to as CSR. They lead by example and help the normative standard for all companies to be raised wherever they operate.

Canadian companies present in Colombia are contributing to the progress being made there by their operations, and the passage of a Canada-Colombia FTA will make it easier for Canadian companies to access the Colombian market and, through their voluntary contributions, will contribute to the human rights situation there.

For our members, the key to an agreement with Colombia is one that ensures a free, open, and fair trade and investment relationship between our two countries.

**The Chair:** Ms. George, could I ask you to slow it down just a touch? I rarely ask people to do that, but in this case it's just a little easier for the translation.

**Ms. Shirley-Ann George:** I apologize. I was trying to make sure I didn't take more than my ten minutes. I'll slow it down.

It is critically important that the protection of investment stability agreements is negotiated into the FTA, including existing agreements being afforded the same protection as new investments.

With respect to the specific investment provisions that Canada negotiates as part of the FIPAs—the foreign investment promotion and protection agreements—and the investment chapters in our bilateral FTAs, some of our members have serious concerns about the protection that these agreements afford. Our standard provisions include a number of carve-outs meant to protect Canadian defensive interests here at home that result in Canadian companies investing abroad enjoying less protection than their competitors from some other countries. In some instances, these weaker protections have led Canadian companies to actually route their investment abroad through non-Canadian companies, which means that the taxable income from these investments is outside of Canada.

We have raised this issue and continue to work with our officials at International Trade Canada, and we urge the Government of Canada to move quickly on the needed changes so that they can be incorporated into the FTA negotiations.

Beyond investment protection, a free trade agreement with Colombia offers many benefits to Canadian exporters. While most of the products we import from Colombia actually enter Canada already duty-free, Canadian products entering Colombian markets can face significant tariffs. For example, one of our main exports to Colombia—cereal, such as wheat and barley for the very important agricultural community—faces duties of around 15%.

Other leading exports to Colombia include agricultural products, potash, paper, machinery, and equipment. As the Colombian

economy expands, there will also be additional opportunities in some areas in which Canada has true strength, such as financial services.

Concluding and ratifying an FTA with Colombia is important to ensure a level playing field is afforded for Canadian companies.

As I am sure you are aware, the U.S. has negotiated an FTA with Colombia. Although not yet passed, the implementing legislation has been sent to Congress, and while it is unclear when this agreement will be voted on, many commentators and our contacts in the United States have stated quite clearly that they expect this to pass. In addition, the EU is in intensive negotiations with Colombia, with three negotiating rounds planned between now and October.

Canadian industry has been harmed again and again as other countries sign and implement FTAs ahead of us. Here is an opportunity for Canada and Canadian jobs to get an early move or advantage. Canada's FTA with Colombia can also be seen as part of a defensive FTA to prevent Canada from being shut out of this market. This is consistent with the recommendation made by this very committee in its report on trade policy in the last session.

Concluding and ratifying an FTA with Colombia is also important for Canada's credibility as an FTA negotiating partner. Our recent FTAs with the EFTA and Peru are the first we have concluded in more than six years, and they have yet to be implemented. By contrast, the United States has completed and implemented ten FTAs since 2004.

Now that we are seeking to negotiate and complete FTAs in a more timely fashion, we are having significant difficulties getting other countries to take us seriously and show interest in negotiating with us. Even some small countries are reluctant to engage. So we must not forget that how we approach the FTA with Colombia can have real consequences on our ability to negotiate FTAs with other larger partners, including, for example, the very important European Union.

I would now like to briefly address the foreign policy grounds for the FTA with Colombia. The federal government has committed to re-engage with the Americas to advance security, prosperity, and democracy. These are lofty and important goals. An FTA with Colombia is one of the pieces that will help achieve this objective.

While it is true that Colombia can be a very violent and dangerous place, unfortunately, for far too many of its citizens, President Uribe and the Colombian people desperately want to achieve peace, stability, and prosperity. Significant progress has been made. Since 2002, murders have dropped by 40%, kidnappings by 83%, and terrorist attacks by 76%.

As a result, trade and investment is increasing, the economy is rebounding, and the number of people living in poverty has fallen by 20%. These are truly remarkable achievements for a short five-year period.

•(1545)

As well, working conditions are improving, and the International Labour Organization has recognized that union legal rights in Colombia meet its highest standards. Indeed, Canadian companies operating on the ground in Colombia report that they see real progress first-hand.

In my recent visit to Colombia in June 2007, I saw first-hand the positive attitude that Colombians had towards the dramatic turn-around by their president. The common view of Colombia held in Canada is very outdated. While we understand why some parties would use the opportunity that's been afforded by these negotiations to highlight some of the challenges remaining in Colombia, we draw your attention to the amazing progress that has been made in recent years and the significant support the Colombian people have given to their government.

In short, by quickly signing an FTA with Colombia, we can be true to our word and support the causes of peace, stability, and prosperity while ensuring our own commercial interests. This will contribute to the new-found stability of a progressive government. A stronger government will be in an even better position to do more for its people, including strengthening human rights—on which they freely admit there's more to be done, and they're willing to work on it—or we can just let this agreement flounder for reasons that will only strengthen those who actually commit the human rights abuses, and in turn deal a severe blow to the progress being made in Colombia.

The Canadian Chamber of Commerce and our members believe it makes sense to support our friends, our allies, and our bottom line.

I will close with those comments.

Thank you very much. *Merci beaucoup.*

•(1550)

**The Chair:** Thank you, Ms. George.

We'll move on to the Canadian Sugar Institute.

Ms. Marsden, would you give us a brief opening?

**Ms. Sandra Marsden (President, Canadian Sugar Institute):** Thank you very much, members of the committee. I'll speak for a few moments and then ask my colleague, Dan Lafrance, to say a few words about the perspective of Lantic and Rogers Sugar.

I'm president of the Canadian Sugar Institute, which is the national trade association for the refined sugar industry in Canada—that is, sugar produced from sugar beets in Alberta and from imports of raw cane sugar from developing countries, including Colombia.

We've appeared before the international trade committee a number of times on similar issues, such as with the Costa Rica FTA and the Central American four free trade negotiations. Unfortunately, our message today is the same. These agreements pose substantially more of a threat than an opportunity to our industry. We're an industry that really has embraced open trade, because we operate in an open sugar market, so I'd like to explain the difficulties we face with these negotiations.

The sugar sector is one of the most politicized and subsidized worldwide. With few exceptions, almost all governments intervene in their sugar sectors to support prices above international levels, to protect producers from import competition, and to subsidize or otherwise facilitate exports. In contrast, in Canada, sugar beet producers and cane refiners operate on the world market without subsidies, without prohibitive tariff walls, and we've been forced to adjust to the distortions on that world market. We've been reduced to just three cane refining operations in three provinces and one sugar beet producing plant in Alberta. So we're highly efficient and competitive. That forced rationalization has made us competitive in North America and globally.

The only request we have in advance of global WTO trade negotiations, the liberalization of sugar, I should say, is that the Canadian government protect the very small tariff that helps insulate our industry from world market distortions. The tariff on raw sugar is zero; the tariff on refined sugar is \$30 per tonne—that's about 8%. So we're not talking about protecting a very high tariff wall, and it's certainly not a tariff that is prohibitive to importers. That tariff is very small in relation to those markets that we would like to access but cannot. The U.S. tariff, for example, is about 150%; the Colombia tariff, for example, in this context is about 20%.

We have been strong advocates of WTO trade liberalization in cooperation with a number of global developing countries, recognizing that this represents the only real opportunity for sugar reform and the only real potential for us to export, at least to get us on equal footing to those who import into our country.

Unfortunately, bilateral trade agreements are much more limited in their scope. They strive for reciprocal gains in market access but don't address the underlying market distortions in terms of domestic subsidies and export supports. For us, that paves the way for further inequity in our market.

Our logical export market is the United States, but we're confined to a minimal quota of about 10,000 tonnes. That's just 0.1% of the U.S. 10-million-tonne market. There is no opportunity to increase that quota outside a trade liberalizing agreement at the WTO. Even then, the current Doha Round is looking at protecting sensitive products, with the outcome that it's very unlikely we'll have any opportunity to increase even under an agreement that may be negotiated. So we're confined to our market. That's why any additional pressures on our market make us very sensitive.

Unfortunately, Colombia is not a logical export market for us. Certainly from a negotiating perspective it is logical that negotiators would love to seek reciprocal gains in market access, tonne for tonne. The problem is that we're not operating on a level playing field. Colombia's access to Canada is supported by subsidized credit for production, government programs that support exports. They can tap into a price stabilization fund.

Colombia is already actively competing in Canada. We're not asking to put up new tariff walls or additional barriers. They don't need the additional \$30-per-tonne incentive to be competitive in Canada. They are one of our largest suppliers of raw sugar for refining, and they are one of the main refined sugar competitors in Canada, second to the United States. Colombia is one of the four most efficient sugar producers in the world and one of the largest refined sugar producers in the region.

•(1555)

The combination of the high efficiencies, consolidated marketing and exports, and government financial supports provides the competitive advantage for Colombia in Canada. It's also because the U.S. market is not open. Even the proposed FTA with the United States will not increase Colombia's access to the U.S. in a sufficient way. Canada becomes a market because other markets are closed.

Imports from Colombia and other more distant suppliers tend to target the more profitable retail market in Canada. Our sugar market is about 1.2 million tonnes, and about 150,000 tonnes of that is on the retail side—packaged sugar and the food service markets. Imports tend to come into that market because it's accessible and they don't have to supply industrial customers on a just-in-time daily basis.

The Costa Rica free trade agreement demonstrated the impact, and I'll let Mr. Lafrance talk to that issue. We've had no success in accessing the Costa Rica market under that agreement.

The government's own studies have shown the economic impact these FTAs will have—for example, the Central American four. Detailed studies were undertaken that predicted the closure of at least one refining operation in Canada. Exports of refined sugar from the CA-4 are about 300,000 tonnes, compared to Colombia's exports of about 700,000 tonnes.

As I've stated, Colombia is already an active competitor in Canada. The \$30-per-tonne tariff is not a barrier. Since 2003, Colombian exports to Canada have ranged from \$2 million to \$8 million, representing about 10% of our retail sugar market. They're the second most active competitor in Canada after the United States. Colombia is more competitive than Costa Rica, which has a 6,000-tonne duty-free quota.

So we are efficient and cost-effective in the North American context, actively competing with imports, and we have nowhere else to go. In advance of a more liberalized sugar world in the North American world, and particularly the United States, we're vulnerable in these negotiations. We are urging the Canadian government to recognize this in a negotiating context with Colombia, and to ensure that this agreement protects that small tariff to continue to enable our industry to supply Canadian consumers and food processors.

Thank you.

[Translation]

**Mr. Daniel L. Lafrance (Senior Vice-President of Finance and Procurement, Lantic Sugar Limited and Rogers Sugar Ltd, Canadian Sugar Institute):** Mr. Chair, members of the committee, thank you for giving the Canadian sugar industry the opportunity to express its fears about the bilateral agreement with Colombia.

[English]

I'll just give you a small description of what Lantic and Rogers are. We have three plants across Canada: two Canadian refineries, one in Montreal—a world-class facility—and one in Vancouver; and also a sugar beet plant in Taber, Alberta. We are the only sugar beet plant producers in Canada.

When we look at Canada itself, over the last number of years it has been a shrinking market. We had some growth in early 2000, but since 2005, we've seen more and more industries moving out of Canada, going to countries such as Mexico and in Central America to produce sugar-refining products. It is a shrinking market. It's getting harder and harder to keep our volume level and our competitiveness in this marketplace.

When we look at western Canada itself, in the last two years we were blessed with record crops in Taber, Alberta. By the way, when we have record crops, it would seem to be very good. On the other hand, because it's a limited market, we have no choice but to store sugar. We store over 28,000 tonnes of sugar each year for the next season. What that does really is limit the amount of acreage we are able to allow to our sugar beet growers the following year.

In order to mitigate this, we did export some sugar in the last two years to Mexico. This is not a solution. We did that just to avoid the warehousing costs and to sell these products at cost. We basically made no money on these sales. It was only an opportunity to get rid of some of these products instead of warehousing them.

Another result was that Vancouver, being the swing capacity for western Canada, produced less sugar, and more sugar was being produced in Taber. In the last two years, our Vancouver facility has operated approximately 28 or 29 weeks a year. For a manufacturing plant, this is horrible, as you well know.

So when we're looking at the future with Colombia... Colombia is a western port. The big thing with a western port is that they ship first to western Canada, similar to what occurred with Costa Rica back in 2004-05 when Costa Rica tried to sell into Canada. We're the most vulnerable; there is no doubt about it.

As I said, we have two locations in western Canada. The Taber plant operates four or four and a half months a year, depending on the size of the crop. This year, because it will be a smaller crop as we have so much sugar stored, they'll operate probably only three months. In Vancouver, we're estimating again probably operating between 20 and 30 weeks this year.

So if more sugar is coming into western Canada, we will have to make a major decision. We cannot continue operating these plants at half level. That's the reality we'll have to face.

When we look at what Colombia has done over the last number of years, it is really shipping refined sugar into Canada and competing with us on the retail level. As Ms. Marsden mentioned before, retail is not a very large part of our total sales. It could be about 20% of our total volume, but it represents a major part of our profitability. It is an added value product. So the more we lose on this side, the more it will hurt our industry in Canada.

Colombia is a raw sugar exporter today, but it's becoming harder and harder to get raw sugar from Colombia. We are negotiating some sugar availability in Vancouver as we speak, and Colombia has just said, "No. We are producing more and more ethanol. We are producing more and more white sugar. You are welcome. If you want white sugar, there's no problem, but we will not sell raw sugar at this time." So they are converting their industry more and more from raw into white sugar, and that's clearly what they want to do. They want to sell white sugar into the market in the future.

Having access to Colombia, just like Costa Rica, is impossible. First, it will have to follow the rules of origin. We would have to sell sugar that was produced in Taber. To move Taber products first to the port in Vancouver to ship to Colombia is very expensive. It's over \$80 or \$90 a tonne, and it's not in Colombia yet. You have to put it into containers and you have to ship it to Colombia.

First, Colombia's cost of energy is much lower than the cost in Taber, Alberta, because they use their own bagasse. They don't have to buy natural gas. You know what natural gas has been doing in the last number of weeks or months. It has been increasing a whole lot, so our cost keeps increasing in Taber, Alberta.

Our labour costs, our fringe benefit costs, are much, much higher than those of any Colombian producers. Therefore, we're just not competitive.

• (1600)

To think that gaining access to Colombia will give us an opportunity to make some export sales is impossible. It was impossible in Costa Rica. We tried to sell some of our value-added products, our cubes, our brown sugar, but there again, we were not competitive. It was impossible.

So Colombia is not an access market for us. We will not be able to ship Taber products from Taber, Alberta, to Colombia and be competitive with them. It is impossible; it will not happen. You can rest assured.

That is why we see no opportunity for gain for us in Canada. We see only the negative side, them coming and establishing themselves even more than they are today.

They are here today. They are competing even with the small duty we have of \$30 a tonne, but that \$30 a tonne is important for us because it gives us, on the volume we have of about 7,000 or 8,000 tonnes, a small profit margin at the end of the day, such that we can compete with them. So that's what we'd like to maintain.

[Translation]

Thank you for your attention.

• (1605)

[English]

**The Chair:** Thank you, Mr. Lafrance and Ms. Marsden.

We are going to have to stick rigidly to a five-minute round here. I'll ask Mr. Maloney to begin, and I would remind our witnesses that the questions and answers are to be concluded in five minutes.

Mr. Maloney.

**Mr. John Maloney (Welland, Lib.):** Ms. Marsden and Mr. Lafrance, when we entered the deal with Costa Rica, you said one refinery went down.

**Mr. Daniel L. Lafrance:** No, we didn't shut down a refinery. We invested heavily in our marketing programs. Rogers' results, within our public results...it probably cost us between \$5 million and \$10 million less in margins to compete with them. Over 2004, 2005, and 2006, and then when the U.S. had their disaster with Hurricane Katrina, they moved some of the sugar there and exited the Canadian market at that time. So that gave us some reprieve.

**Mr. John Maloney:** So if we enter this deal without protecting you with the status quo, what will happen to your industry?

**Mr. Daniel L. Lafrance:** Our industry?

**Mr. John Maloney:** Yes.

**Mr. Daniel L. Lafrance:** With the status quo with Colombia?

**Mr. John Maloney:** If we don't maintain the status quo, what would be the impact on your industry?

**Mr. John Maloney:** What does "major" mean?

**Ms. Sandra Marsden:** Costa Rica was producing about 20,000 tonnes of white sugar. Colombia produces 700,000 tonnes.

**Mr. John Maloney:** How many employees do you have?

**Mr. Daniel L. Lafrance:** With Lantic and Rogers full-time employees, we have approximately 800 employees.

**Mr. John Maloney:** What are your gross revenues?

**Mr. Daniel L. Lafrance:** Our gross revenues last year were about \$425 million.

**Mr. John Maloney:** What I'm trying to get at is, will this agreement put you out of business?

**Mr. Daniel L. Lafrance:** Well, it will not put the whole company out of business, but it will more than likely force us to make a decision as to how many plants we will operate in the future.

As I said, right now, with limited volume opportunity, especially in western Canada as it is today, and with them more than likely being more competitive on the western side than on the eastern side because of the freight going across the Panama Canal, we would have to make a very tough decision as to what to do with our Vancouver or our Taber facility.

**Mr. John Maloney:** And how many workers would that impact?

**Mr. Daniel L. Lafrance:** It depends on which one...in Vancouver there are about 160 full-time employees. In Taber, Alberta, there are about 100 full-time employees, plus another 200 part-time employees during campaign season, during the slicing season.

And let's not forget 350 beet growers—not only our employees but the economy of southern Alberta itself.

**Mr. John Maloney:** Ms. George, in the letter that Mr. Beatty provided us, a brief introduction of roughly a page and a bit, there were nine companies listed. Are these the only nine companies that are supporting your position on this?

**Ms. Shirley-Ann George:** No. Not to be confused, there were nine companies that are active players in Colombia, and they're the ones that were signing on. The Canadian Chamber of Commerce is making this position on behalf of all our members.

Did you want to add anything, Brian?

**Mr. Brian Zeiler-Kligman (Policy Analyst, International, Canadian Chamber of Commerce):** Mostly that's a reflection of timing, just trying to get the letter in to the committee within adequate time and connecting with our members.

**Mr. John Maloney:** As you know, we've visited Colombia, and certainly the change of the political scene has impacted the security in Colombia. But still, you say murders are reduced by 40% and kidnappings by 80%.

First, where did you get your figures? Secondly, that's 40% of I don't know what, but there are still a significant number of murders and kidnappings.

We were very impressed by the Canadian companies who appeared before our committee, but are you prepared to advocate that Canadian business locate in Colombia with the concerns about security, the environmental concerns, and the human rights concerns?

**Ms. Shirley-Ann George:** Canadian companies are operating in Colombia today.

• (1610)

**Mr. John Maloney:** And would you encourage more to operate there? That's the question.

**Ms. Shirley-Ann George:** As for all developing countries, every company needs to assess whether or not it's a good idea. You're right that Colombia is still a violent place. It can be a dangerous place, and that's part of the assessment that companies make.

Canada is a world leader in the extractive sector, and those are generally the companies that go into these types of markets early. The Canadian mining industry is the largest foreign industry in that sector in Colombia.

So yes, there are companies that are going there, and there are more that are looking at it. They are generally sophisticated companies that understand the dangers and how to mitigate them. It's not a market for everybody, although it's important to understand that much of the unfortunate violence that takes place in Colombia is very targeted to specific sectors.

**Mr. John Maloney:** You've heard the testimony of the Canadian Sugar Institute, that it's going to be a little difficult to operate in that sector if we enter into this agreement. How would you recommend we deal with the Sugar Institute and their companies?

**Ms. Shirley-Ann George:** In every trade agreement, both sides have winners and losers, people who gain significantly and those who are hurt, and it's very important that our negotiators work to mitigate any sort of damage, basically allowing for the phasing out of any kind of tariff, if that's needed in the sector. It's also very important for Canada to take a step back and ask itself the question, "Where is our trade assistance package? What are we doing to help companies that need to make some adjustments?"

Sometimes companies just need to put in place highly sophisticated new machinery, and that allows them enough to compete in these markets.

There are other things that need to be done, and sometimes it's more training. There are lots of things.

Unlike, for example, the United States, which has the trade adjustment assistance package, Canada is missing that. So that's part of the challenge we face.

**The Chair:** Thank you.

Monsieur Cardin.

[*Translation*]

**Mr. Serge Cardin (Sherbrooke, BQ):** Thank you, Mr. Chair.

Ladies and gentlemen, welcome, and thank you for being here.

We have excellent representation this afternoon. We have a group that represents a host of entrepreneurs doing business or making investments overseas, as well as one specific company that is experiencing a very unique situation that raises real fears.

But we have decided on a free trade agreement for the Canadian and Quebec economy as a whole, that is, for everyone who wants to business elsewhere. We have businesspeople who want to sell and to trade with as few tariffs and barriers as possible. Then we have investors who want to set up operations in foreign countries in order to benefit from low wages in industries that can be very competitive.

You have said that it is the government's role to ensure that the free trade agreement is a positive one in all its aspects, not only for business people, but also for employment in Canada. In fact, many people are afraid that they are going to lose their jobs. The employer fears for his company while the employees fear for their jobs.

The situation in Colombia is unique. Representatives from the organization called Lawyers Without Borders explained it to us. Despite improvements in absolute figures and percentages, it is still a fact that there are a good number of human rights and labour violations.

Overall, you seemed to be saying that you were prepared to accept arrangements to ensure that human rights and the Labour Code were respected. But would you go as far as to say that, if companies established there violated human rights, the Labour Code or workers' rights, Canada would be able to take action against companies representing us in foreign countries and doing so dishonourably?

• (1615)

[*English*]

**Mr. Brian Zeiler-Kligman:** We already have standards in place for Canadian companies that don't obey the laws. We certainly support that any companies that aren't operating within the full scope of the law should be assessed in that way and face the repercussions.



As we have already said, Canadian companies are global leaders in the areas of environmental, labour, and other corporate social responsibility practices. Their presence in the Colombian market has already helped them make improvements to the labour situation and the human rights situation in Colombia. Certainly concluding a free trade agreement between Canada and Colombia will enable more Canadian companies to get established in Colombia and help the situation even more.

[Translation]

**Mr. Serge Cardin:** I am turning the floor over to Mr. André.

**Mr. Guy André (Berthier—Maskinongé, BQ):** Welcome to the committee, everyone.

Ms. George, you indicated that free trade will improve human rights and workers' rights in a country. You spoke at length about the improvement of the situation in Colombia in the past several years. In the statistics that I have read, there has been some improvement, but in 2008, 28 trade unionists have been murdered.

*Le Monde diplomatique* is an internationally recognized French publication. In the May edition, we read that "...the Colombian government caused a (minor) surprise by agreeing to the extradition of fourteen former leaders of paramilitary groups to the United States". Those people were put in prison and called to testify about the various operations they led. Their latest statements somewhat increased the pressure in the country. That is why they were sent off to the United States with American cooperation. Paramilitary groups have been linked to Juan Manuel Santos, Minister of Defence, Francisco Santos Calderón, the country's Vice-President, whom we have had here at the committee, and President Alvaro Uribe.

*Le Monde diplomatique* is no local daily or weekly. It is an international journal. Those are the facts, sir, and I can show you the article I am referring to.

**An Hon. Member:** It is left-wing.

**Mr. Guy André:** No, it is very scientific in its arguments. As I read the article, I wonder how a free-trade agreement can really help to improve the situation of workers and trade unionists, when the goal of such agreements is often purely economic. The talk of investment, of eliminating tariff barriers, and of letting companies do more work in other countries is all well and good, but how are we really going to improve the situation? We still have a lot of concerns about human rights and workers' rights in Colombia.

[English]

**The Chair:** That's six minutes, Monsieur André.

I'm sorry, you're going to have to limit your answer to one minute.

**Ms. Shirley-Ann George:** You bring up a very important point. The free trade agreement is indeed an economic agreement; it is not the solution to all the problems, and it will never be the solution to all the problems. Part of what we need to do is look at what else we can do beyond a free trade agreement. How do we help build the capacity in Colombia so that they have more and better judges and more capacity to prosecute?

There are many other things we can do and should be doing, and if we are a free trade partner with Colombia, that will give us additional credibility to go in and help build their capacity.

**The Chair:** Thank you.

Go ahead, Mr. Julian.

**Mr. Peter Julian:** Thank you, Mr. Chair.

I have a question for each of you. I'll run through them, and hopefully you can respond.

Mr. Zeiler-Kligman, you mentioned there should be prosecution of companies that are breaking the law. We heard evidence in Colombia that companies like Coca-Cola, Chiquita, and Nestlé essentially have ties with paramilitaries, resulting in the deaths of labour activists. The Colombian government has refused to investigate any of those companies. Would you not agree that's something the Colombian government should be following up on? Shouldn't they be investigating those very serious allegations?

Ms. George, I would like to come back to your point around the FTA. You said the United States had signed ten FTAs, but as you well know, the Colombia agreement has been completely stopped in the U.S. Congress. In fact, for the first time, the U.S. Congress has refused to fast-track authorization on the Colombia free trade agreement because of all the concerns around human rights and labour rights. Essentially, as Mr. André indicated, the number of labour activists who have been murdered has gone up this year. The number of summary executions by the Colombian military has gone up. There are very serious allegations about the Colombian government manipulating statistics such as the unemployment rate—simply redefining it in an effort to show that there have been improvements in dealing with poverty and improvements in employment.

My question is quite simple: when the U.S. is essentially stopping this agreement, why would Canada proceed, when the same concerns have been expressed here in Canada?

Ms. Marsden, you raised issues around protecting and supporting the Canadian sugar industry. I want to know whether there have been any consultations with the sugar industry around Canada and Colombia. Do you feel that protections in the agreement are sufficient? I gather not, but I want to hear you clearly reply on that.

Mr. Lafrance, I want to know what the potential job loss would be. You talked about the structure of the Canadian sugar industry now. What do you think would be the number of jobs that could potentially be lost if we run through this agreement?

• (1620)

**Mr. Brian Zeiler-Kligman:** I'll start this off.

Certainly we believe that violations of the law should be investigated. We'll note that the Colombian government has already actually introduced special measures specifically to look at allegations of violence against union members, and these measures are on an expedited track within the Colombian justice system. We also have to be cognizant of the fact that this is a system that is starting to emerge after many years of turmoil and is getting itself sorted out. It's not going to be done overnight; there are, as has been acknowledged, a large number of cases that have to be investigated, although what's key is that they are being investigated, so—

**Mr. Peter Julian:** I'm sorry, but in this case they are not. The government is refusing to investigate the links between the paramilitaries and the companies. My question was very simple: do you believe they should be investigating those allegations?

**Mr. Brian Zeiler-Kligman:** I'm not familiar with the particular allegations you are suggesting, so I cannot comment on those specific instances. Certainly we are aware that the Colombian government is taking special measures to investigate these other allegations that have been put forward and to ensure that there are both serious investigations and serious convictions on these issues.

I'll also note that none of the companies you mentioned are Canadian companies, and that even the Panamanian ambassador, when speaking to this very committee, spoke about the fact that Canadian companies are seen as global leaders in responsible business practices.

**Ms. Shirley-Ann George:** I'm afraid I don't agree with your assessment that the Colombian agreement has stopped in the U.S. Every indication that I've been given is that some negotiations are under way and that they expect to proceed with the Colombian and the Korean agreements. It will definitely go forward; it's the timing of when, but it's probably this year.

**Mr. Peter Julian:** The fast-track authority was refused. Very clearly that's the first time the U.S. Congress has said no to fast-track legislation. We'll have to agree to disagree on that. Very clearly, though, it is in big trouble because of the labour violations.

**Ms. Sandra Marsden:** We are consulted by the Canadian government. Unfortunately, we don't always feel that our input shapes the decisions made around the agreement. That's what happened with Costa Rica: we were told not to worry and that it wouldn't be bad, but it set a very negative precedent for us that we're living with today.

Thank you.

**Mr. Daniel L. Lafrance:** As for job losses, they vary depending on the plan. When you look at Vancouver, as an example, you're talking about 160 employees, but the important thing is also the type of job. Those blue-collar jobs are fast disappearing, and there are fewer and fewer of those available. That's very important. When you look at Taber, Alberta, as an example, there are approximately 100 full-time employees, 200 seasonal employees, and all the growers attached to this production.

Also, let's not forget the reason we are keeping two plants is to keep our customers competitive in western Canada and also in eastern Canada. Our customers are there. If they have to bring sugar from eastern Canada to western Canada or from Taber to Vancouver or vice versa—from Vancouver to the prairie market—they'll have to absorb more freight. The more freight they absorb, the less competitive they'll be, and where will they go? They'll go, just as some of the companies did, to Mexico, Costa Rica, and Central American countries to produce what is now being produced in Canada. That's very important also.

• (1625)

**The Chair:** That was six minutes. That was pretty good.

Go ahead, Mr. Keddy.

**Mr. Gerald Keddy (South Shore—St. Margaret's, CPC):** Thank you, Mr. Chairman. I will be sharing my time with Mr. Casson.

I have no questions; I simply have a statement.

You can go back through the committee's records on the time we were in Colombia, and there's absolutely no record that's been corroborated by any companies in Colombia of labour union activists being killed by Canadian companies or any other foreign companies. To say otherwise is misleading to the committee and misleading to our witnesses. It's as simple as that.

**Mr. Rick Casson (Lethbridge, CPC):** Thank you, and thank you very much to the committee for letting me be here today to ask some questions. Being from southern Alberta, I of course want to focus in on the homegrown sugar beet, sugar, and refining.

Sandra, I want to start with your statement that Canada has already led the way in opening its sugar market with a zero tariff on all imports of raw sugar from developing economies like Colombia and a \$30-per-tonne tariff—about 8%—on refined sugar. In comparison, the U.S. and Mexico tariffs are 150%, so we've already opened our doors quite wide to the importation of both raw and refined sugar.

Mr. Lafrance, give me and the committee an idea of the scope of this industry in southern Alberta. I understand it's the only homegrown, home-refined sugar left in Canada. Is that right?

**Mr. Daniel L. Lafrance:** Yes, it is. It's the only place we now produce Canadian sugar to talk about. That gives us access to a small U.S. quota of 10,000 tonnes. As you well know, this plant is probably the one most in jeopardy right now because it is the smallest plant.

The problem we're having is that in a bad crop year—usually Vancouver has a swing capacity—could we afford to have only one plant in western Canada, that being the Taber sugar beet plant? If you have a bad crop year, what happens?

**Mr. Rick Casson:** Yes. I understand that an industry has been established in Taber to use your product.

**Mr. Daniel L. Lafrance:** Yes, Flexible Solutions, which just invested millions of dollars to produce a product there, and they will be starting early next year, I believe.

**Mr. Rick Casson:** It's an environmentally friendly product using sugar.

**Mr. Daniel L. Lafrance:** Very much so. That's one of the new industries that came to southern Alberta that is very key for us also, for the sugar beet plant in Taber, Alberta. For them to lose their feedstock would be horrible, after all the investment they have made.

**Mr. Rick Casson:** Give me an average... I know this year the acres are down because of the glut of sugar, but can you tell me the average number of acres produced, the number of producers, and the dollar return to those producers?

**Mr. Daniel L. Lafrance:** In a normal year we would have about 35,000 to 37,000 acres of sugar beets. That will put back into the Taber community around \$30 million to \$35 million in income for these growers, so it's a very important crop.

The one thing the beet growers like about this crop is that it's a resistant crop. It's a rotating crop, and they need them in rotation. What happens is they can harvest the beans and all their other crops, and the beets will always be the last crop to be harvested. That's because even if there's a small frost, the beets will be good and they will be able to be harvested, so it's very key for them.

**Mr. Rick Casson:** Good.

I don't know if you supplied to the committee the Costa Rica numbers on what's happened since the Canada-Costa Rica Free Trade Agreement. Have you done that? If not, I think the committee would—

**Mr. Daniel L. Lafrance:** Just as an example, as we said, in 2004-05, when they came in, basically they probably sold about 4,000 to 5,000 tonnes in Canada. The other thing is that they marketed probably 150,000 tonnes in western Canada, so we had to match prices in many instances in order to retain our market share and retain our market.

It's not the volume at times that they are selling; it's the offers they made to our customers, and we had to match them. That's why it costs us millions of dollars in order to protect our marketplace.

**Mr. Rick Casson:** Good.

Is that it?

• (1630)

**The Chair:** You have another minute, if you like.

Mr. Keddy, do you have another speech?

**Mr. Gerald Keddy:** Yes, I have another speech. How much time do I have, Mr. Chairman?

**The Chair:** You have one minute.

**Mr. Gerald Keddy:** When the sugar industry was here earlier, they said they simply wanted reciprocity: whatever deal the Colombians had coming in, we expected to have it in return. What I'm hearing from you today is that reciprocity isn't exactly what we're looking for.

**Ms. Sandra Marsden:** I think that was qualified by...

Generally speaking, that's what you want in a trade agreement, but we were partners with the growers on our international trade file, and clearly they recognized the threat to their sector as well as we recognized the threat to our industry, so reciprocity is theoretical—

**Mr. Daniel L. Lafrance:** Let me be more direct: it will not work. We tried it in Costa Rica, and it does not work.

We are marketing our sugars. They are good producers of sugar, the sugar beets; we are the marketers of sugar, and we pay a fixed price to our growers. What we would have to sell to Colombia...we can't lose money on our stuff, or there's no reason to grow it.

**Mr. Gerald Keddy:** I thought that at the time. So what about an alternative market? You say we're storing 20,000 tonnes of sugar a year. What about the ethanol market? What about another place to sell that sugar?

**Mr. Daniel L. Lafrance:** We are right now doing a study to see if we could produce ethanol from our sugar beets, or another alternative input that we would have to help our plant for 12 months

a year, because sugar beets are only four to five months. We are doing a study right now.

As a feedstock for ethanol, sugar beets are very expensive, as you probably know, but we are investigating that.

**The Chair:** Thank you, Mr. Keddy.

I think we're going to have to wrap this up; we're past the bottom of the hour.

Thank you for that. There may be additional questions coming because of the shortness of time today, so if you wouldn't mind, I would ask you to respond to our members individually if you can.

Thank you for coming today. We appreciate your being here.

We're going to have to take a break now because we're moving to a teleconference. That means the witnesses will have to move opposite while the television screen is moved to where they're sitting. I'm going to take about a three-minute break while we do that.

Thank you.

• (1630) \_\_\_\_\_ (Pause) \_\_\_\_\_

• (1640)

**The Chair:** I'm going to welcome the group back. We're going to take a minute or two with logistics here.

First, I'd like to welcome those who are joining us via video conference this time around.

**Mr. Peter Julian:** Mr. Chair, I think there's been a switch. We're getting Spanish on channel 1.

**The Chair:** Okay.

We're going to presume that we're going to continue with these little translation devices, for those who would like to have them.

I don't know whether our guests on video conferencing are wired for Spanish as well as English and French, but I hope they are. We'll get to that in a moment.

For the time being we're going to presume that we're going to continue with English on channel 1, French on channel 2, and Spanish on channel 3.

Can you hear me on the screen there? I'm not sure where you're from. Are you in Boston?

**Ms. Maria McFarland (Senior Researcher, Human Rights Watch):** Yes. I'm in Boston.

**The Chair:** Thank you. We have a connection.

You are senior researcher with Human Rights Watch.

We also have Jeffrey Schott, a senior fellow at the Peterson Institute for International Economics. Can you hear me?

• (1645)

**Mr. Jeffrey J. Schott (Senior Fellow, Peterson Institute for International Economics):** Yes, I can.

**The Chair:** Great. Thank you.

We have a slight delay, I sense, but that's okay.

Where are you speaking from?

**Mr. Jeffrey J. Schott:** I'm at the Peterson Institute, in our conference room.

**The Chair:** I'm sorry, I don't know where the Peterson Institute is. That was my question.

**Mr. Jeffrey J. Schott:** The Peterson Institute was previously known as the Institute for International Economics. We added the name of our chairman, Peter Peterson, in honour of his 25 years of service. We've become known as the Peterson Institute for International Economics, or IIE, which is probably better known throughout Canada.

**The Chair:** Can I ask you where the institute is?

**Mr. Jeffrey J. Schott:** It's in Washington, D.C., right next door to the former Canadian embassy that used to be on Massachusetts Avenue.

**The Chair:** Right. Now I know exactly where you are. Thank you.

Mr. Bains is anxious to get started, so we will.

We also have with us today Luis Hernán Correa Miranda, vice-president of the Unified Workers Confederation in Colombia. Mr. Correa was visiting Toronto, Canada, with a Canadian Labour Congress meeting, I believe. We're fortunate to have him come up to Ottawa to join us today.

We're going to proceed with brief opening remarks. We're going to have to keep them brief because our meeting is a little condensed today. I will ask Mr. Correa to begin with a brief opening statement. We will hear all three statements from our witnesses, and then we'll proceed to questioning in the usual manner.

Now we will ask Louis Hernán Correa Miranda, vice-president of the Unified Workers Confederation of Colombia, to please begin.

**Mr. Luis Hernán Correa Miranda (Vice-President, Unified Workers Confederation) (Interpretation):** Mr. Chairman, thank you very much for the opportunity to address a committee of Parliament. I'm deeply honoured to be here with you.

I'm the vice-president of the Unified Workers Confederation. I was the founder of the mining trade union in Colombia in the seventies. I'm also a member of the CUT, the Central Union of Colombia. I have 20 years of experience in the trade union business. I was the president of the banana trade union. Since I was 15 years old, I've been a member of this union.

Because of this political career, because I have been working as a trade unionist, I have lost five members of my family. I have suffered a lot of losses in my family, as you can see.

I want to try to answer some of the questions that are being posed at the international level. First, why are union members being killed in Colombia? Union leaders are being killed because there is a culture that has developed between the government and the employers. The unions are considered responsible for all the companies that are being lost in Colombia. To most employers and the government, unionists and union members are very expensive. They are the reason the companies are going bankrupt, and that's why they have to be killed and gotten rid of.

Union members are being killed in companies where there are no trade unions. They are being killed because they are asking for the collective agreement to be respected, for negotiating a collective agreement, for going on strike, or for starting or launching a negotiation. They're also being killed because they are being identified by employers and the government as people who are considered guerillas, who are supporting the Revolutionary Armed Forces of Colombia, the FARC. In a single word, those who are not with the government are against the government. Those who are not with the government are enemies of the government. Those who are not with the government are supporting terrorism. Unfortunately, that's the way union members are considered in Colombia.

The Uribe administration hates trade unions. When Uribe was a senator in the congress, he promoted a bill that threatened security for the workers. That's one of the reasons. Another situation we are going through in Colombia is that the union member is seen as related to FARC, to the Revolutionary Armed Forces of Colombia, and is considered a terrorist.

I should tell you that our position is not in support of FARC. We do not agree with FARC. We do not agree with the kidnappings and the terrorist attacks being carried out by FARC in the country. We believe the guerrilla movement has become a real problem—a threat, an obstacle, and a barrier to the development of social struggle in the country—because those who do not share the views of the government are linked to the FARC.

To us, it is necessary to develop a political negotiation. As long as we are being connected...we will not be able to fight a social struggle. We deal with social issues, with the political cause of workers, and the popular cause of the country and the workers.

• (1650)

I wanted to emphasize this because we currently face a very serious issue; the union movement is being killed in Colombia. At the same time, the government says that the number of our ILO people killed has been reduced. That is true to a certain extent, but we also need to say that trade unionism has disappeared. The right to collective negotiation and collective agreement has vanished. Last year, only 3% of the workers were members of the unions and had the right to collective agreements and negotiation.

Everything is being outsourced, and they are creating what they call the "work cooperatives". ILO calls them pseudo-cooperatives because these cooperatives end up in the hands of two or three individuals. That is the situation we're currently going through in Colombia in terms of collective agreements.

The collective agreement—as a contract between the workers and the companies—has vanished. More than 66% of the workers are a part of the informal economy. They're being exploited, because through outsourcing, workers have to work without social security, with no right to employment, and they are forced to work under severe conditions of exploitation. More often than not, they are being paid under the minimum wage.

So the situation in Colombia is very dire for workers. We are convinced that with the free trade agreement conditions will not improve, and they will not improve because with FTAs...in particular, this free trade agreement that was negotiated with the United States is a free trade agreement that was not the result of a consultation with the Colombian people; the Colombian people were not asked whether or not they agreed with the agreement. The only ones who will benefit from that free trade agreement will be the multinational companies, in particular the U.S. companies.

I should also point out that companies like Chiquita have provided funds to the paramilitaries and the guerrillas, and they have contributed to violence in the country. Drummond, a coal company on the northern coast of the country, has done the same thing. They are going to be strengthened; they will be fortified, and the small to medium-sized enterprises will go out the window because they will not be able to compete with multinational corporations. These small and medium-sized companies are the ones that create the highest number of jobs in Colombia. The free trade agreement is no doubt very negative to the Colombian people and the Colombian workers in particular.

I would also like to say that there is some kind of a partnership between the Uribe administration and the paramilitary groups. These paramilitary groups are responsible for 24 deaths. There's a change here now: trade leaders are being murdered; they're being stabbed to death with machetes and knives, because a person who's murdered without firearms looks like they were killed by regular criminals—or because of some kind of personal vendetta—without an apparent political cause.

The CTC, the CUT, and several NGOs in the country were threatened by illegal groups. They are called the Black Eagles. These are groups of paramilitaries who don't want anything to do with trade unions or trade unionism. These groups are usually linked to companies.

I also want to say that I've been the target of seven murder attempts in Colombia. That happened to me in San Alberto, in the department of del Cesar. We had a negotiation there, and the Black Eagles killed the president of the board of directors' brother, Juan de Jesús Gómez, who was the president or the chair of the union, because he was negotiating a collective agreement. I saved my life because God didn't want me by his side that day.

• (1655)

These are concrete facts, evidence that shows that these groups are fighting the trade union movement.

The employers are benefiting because the trade union movement is disappearing. There is no doubt that the Colombian economy has been growing at a rate of over 6% a year, but poverty and misery among the people and the workers in Colombia is widening. The employers are getting all the fringe benefits as a result of a labour amendment fostered by the government. They have kept over six billion pesos. They cancel guarantees, they cancel salaries, they cancel a lot of claims by the workers for the employers to generate jobs—but that remains to be seen. There are no jobs and they are keeping the money. So this is the result.

There is no equity. There are no conditions that we could call favourable to workers and the people in Colombia. So this government is clearly supporting the employers. I say also that many of these paramilitary leaders that were extradited to the United States were extradited so they will not speak up in Colombia. Because they are interested in re-election, they take the scandal out of Colombia. They don't want them to speak in Colombia.

Over 50 members of the Colombian congress who are supporters of Uribe are being investigated by the supreme court in Colombia. It is obvious that they are close to the president. The members of Parliament who are being investigated are members of the party or supporters of Uribe.

There's no grey zone here.

• (1700)

**The Chair:** I'm sorry, but we're going to have to cut you off. We're two and half minutes over already, and we have two other witnesses to hear.

Thank you for your time.

Sorry if I wasn't clear at the beginning. We have to try to keep these opening remarks to 10 minutes, because we have a number of members who wish to ask questions.

I'll proceed now to Washington, and we will hear from Jeffrey Schott, who is a senior fellow at the Peterson Institute for International Economics.

Mr. Schott.

**Mr. Jeffrey J. Schott:** Good afternoon.

I greatly appreciate the opportunity to appear again before the standing committee, as I have in the past on NAFTA. I commend the decision to conduct this part of the hearing via video conference. While I would prefer to be in Ottawa at this time of the year, as an economist interested and concerned about the environment, I take satisfaction in the fact that the carbon footprint from my participation is much smaller as a result of not taking an airplane.

My short statement today will summarize U.S.-Colombia trade issues and negotiations. In many ways, they are issues that parallel talks that are going on between Canada and Colombia. They build on a book I wrote at the institute on the U.S.-Colombia negotiations, which was published two years ago. At the committee's request I will give particular attention to the environmental provisions.

Like all their trade initiatives, U.S. trade officials had both economic and foreign policy goals in mind when they launched free trade negotiations with Colombia four years ago. Most important, however, they had and still have a strong vested interest in Colombia's economic development. That development is critical to its success in the war against drugs and ending the prolonged armed insurrection in the country. These foreign policy objectives are a key reason why Colombia rose to the top of the FTA queue in the United States.

In a nutshell, the facts ought to make permanent the U.S. trade preferences that accord duty-free status to most imports from Colombia. As a result, that would provide incentives for companies to invest and create employment in Colombia. It was also meant to spur economic reforms in Colombia—some of which had already been introduced—that would create new opportunities for production and employment, particularly in rural areas where the drug trade and armed insurrection comingled. Of course, it was also meant to complement and support Plan Columbia, which the United States has worked on with the Colombian government for the past eight years.

Talks were not completed until late February 2006, but there was haggling over agricultural provisions and the pact wasn't signed until November 2006. It has not yet been acted on by the U.S. Congress.

The terms of the agreement were revised in June last year to incorporate new provisions on labour and the environment required by a bipartisan agreement between the Democratic leadership of the Congress and the Bush administration. In February this year, Congress agreed to extend Colombia's trade preferences until the end of the year. On April 7 this year, the Bush administration tabled implementing legislation under our so-called fast-track procedures. Soon after, however, the House voted to amend their rules that set time constraints on the debate over the Colombia legislation, which is now in legislative limbo, with long odds that a vote will be taken this year. So that's where things stand on the U.S. agreement.

Let me turn briefly to the environmental provisions of the trade pacts.

As a former U.S. trade negotiator, I know very well that trade negotiators learn by doing. Each iteration of trade agreements builds on, and hopefully improves, the substantive content and legal structure of rights and obligations. This proposition applies across the range of issues covered by trade pacts but is particularly true in the areas of interest in today's hearing on labour and the environment.

Just think back 15 years ago. NAFTA was state-of-the-art, with side accords on labour and the environment, despite some important shortcomings. It needed updating, and subsequently has been improved. Recent free trade agreements have incorporated more extensive obligations in the core treaty text and supplemented the trade provisions with commitments to develop programs that attack environmental problems in the partner country. These new provisions have had a modest but beneficial impact, primarily by highlighting areas or issues that require urgent action.

• (1705)

In this area, the recent agreements with Peru and Colombia contain the most refined set of obligations, including those mandated by the democratic leadership of the Congress in their deal with the Bush administration last May.

Among the key provisions in the environmental chapter are that the FTA requires signatories to implement and enforce seven multilateral environmental agreements, including the CITES and the Montreal Protocol, and to effectively enforce national laws and regulations. All these obligations are subject to these pacts' general dispute settlement procedures, unlike NAFTA. Also innovative are

new obligations regarding public participation in the rule-making and regulatory process, provisions that were developed in conjunction with NGOs and private sector advisors in both countries.

Because of its critical importance in both Peru and Colombia, both agreements promote the protection of biodiversity. The Peru-U.S. pact also includes an annex on forest sector governments to address the problem of illegal logging. In addition to the FTA, both countries also signed an environmental cooperation agreement for pursuing environmental capacity-building in Colombia.

Neither of these pacts, however, contains a dedicated source of funding for environmental programs. If the Government of Canada follows a similar path, I would strongly encourage you to ensure that there is adequate funding so that cooperative programs can get beyond the planning stage and into actual implementation, where they can do good. This is true whether one is talking about environmental programs or whether you are supporting labour programs under the supplementary labour accord, such as the one signed between Canada and Peru just last week.

Let me conclude with a brief comment about how an FTA can address environmental challenges going forward, particularly given our common interest in crafting a post-Kyoto global climate change regime.

Free trade agreements create special relationships between partner countries that can facilitate work on a broad range of bilateral economic issues and cooperative approaches to regional and multilateral initiatives. For example, such goodwill helped forge coalitions in support of launching global trade negotiations in the Doha Round in late 2001. Free trade agreements have also served as negotiating laboratories for new issues that have not been vetted in previous multilateral forums. You will recall that the Canada-U.S. Free Trade Agreement established important precedents for the General Agreement on Trade in Services.

In a similar fashion, regional cooperation can serve as a model for global solutions to mitigate greenhouse gas emissions. We should use the partnership on environmental matters embodied in our FTAs to develop a broader consensus on how to meld the interests of developed and developing countries to address the problems of global warming.

Hopefully these efforts would yield useful precedents that then could be applied when negotiations shift to Copenhagen in 2009, where negotiations will hopefully design a new global climate change regime. This is a way we can work with our partners, both bilaterally and regionally, to achieve goals and objectives that are important to both of our countries. But we need to have the support of both developed and developing countries around the world to have a successful result. I encourage the Government of Canada to do that to hopefully provide some useful precedents that can be adopted down here in Washington.

Thank you very much.

**The Chair:** Thank you, Mr. Schott. And thank you for watching our time here.

We're going to go now to Maria McFarland, who is a senior researcher with Human Rights Watch.

Go ahead, Ms. McFarland.

• (1710)

**Ms. Maria McFarland:** Thank you.

Mr. Chairman and honourable committee members, I am honoured to appear before you today. Thank you for your invitation to address the problem of violence against trade unionists in Colombia and the Canada-Colombia free trade agreement.

I would like to request that my written remarks, which I have already submitted, be incorporated into the record of this hearing.

I am the senior Americas researcher who covers Colombia for Human Rights Watch, the largest international human rights organization based in the United States. Human Rights Watch is an independent non-governmental organization supported by contributions from private individuals and foundations worldwide. We accept no government funds, directly or indirectly. We have offices in numerous cities around the world, including an office in Toronto, which has been very active in raising awareness about human rights issues in Canada.

Human Rights Watch has monitored Colombia's human rights situation for nearly two decades. We have covered abuses by government forces as well as by the left-wing FARC and the ELN guerillas who engage in systematic and horrific violations of the laws of war, including kidnappings and the use of child soldiers.

We have also reported on abuses by drug-running paramilitaries who have engaged in widespread atrocities, massacres, killings, and extortion, often with a toleration and sometimes with the collaboration of military units.

Human Rights Watch does not have a position on free trade agreements per se, with one exception. We believe that any free trade agreement should be premised on respect for fundamental human rights, including especially the rights of the workers who are producing the goods that are to be traded.

I think if you agree with this basic point, then you must also agree that at this time Canada should not enter a free trade agreement with Colombia.

I have heard it said a number of times, including by Prime Minister Harper, that the FTA should not be used to address all of Colombia's human rights problems. But these statements are simply setting up a straw man. It's true that Colombia does have the worst human rights and humanitarian situation in the region, with many serious problems. But the key issue that we have raised in connection with the free trade agreement is a very specific problem, and that is the extremely high rate of violence against trade unionists in Colombia and the failure of the Colombian government to hold accountable those responsible for the violence and to dismantle the paramilitary groups to which many of the killers belong.

This is an issue that's directly related to free trade. Canada should not grant permanent duty-free access to goods that are in many cases produced by workers who cannot exercise their rights without fear of being killed.

For years Colombia has led the world in trade unionist killings. More than 2,500 unionists have been murdered in Colombia from 1986 to the present. More than 400 of them have been killed during the government of current President Alvaro Uribe, according to the National Labour School, the main non-governmental organization in Colombia documenting this violence.

The number of killings has dropped from its peak in the 1990s, but it remains extremely high. Last year, 39 trade unionists were killed, and killings are increasing substantially this year, with the National Labour School reporting 24 killings and four disappearances just through the middle of April.

According to the government statistics, which are slightly different, 22 trade unionists have been killed through April of this year, representing a 50% increase in killings of teachers who are unionized and a 400% increase in the killings of trade unionists from other sectors.

A principal factor contributing to the ongoing violence against trade unionists has been the Colombian government's persistent failure to bring the killers to justice. Despite the thousands of reported killings, in only 78 cases has anyone been convicted. Nearly one-third of those convicted have served no prison time, and the main reason there are even this many convictions is the fact that the U.S. Congress has delayed ratification of the U.S.-Colombia free trade agreement. In fact, throughout most of the Uribe administration, the rate of convictions for trade unionist killings has been consistently low, all the way through 2006. There were nine convictions in 2003, eleven in 2004, nine again in 2005, and eleven again in 2006.

It was only in 2007 that the number jumped to 43. This sudden increase is due directly to the pressure from the United States Congress in connection with the U.S.-Colombia free trade agreement, which led to the establishment of a specialized group of prosecutors in the Colombian attorney general's office to focus on investigating these cases. The increase in convictions is a sign that when the government wants to produce results, it can. But once the pressure is lifted, the Uribe administration will lose its main motivation for supporting the investigations.

•(1715)

In fact, what the Colombian government often fails to mention in discussing violence against unionists is that many of the killings are committed by right-wing paramilitary death squads that openly admit to deliberately targeting trade unionists, whom they stigmatize as collaborators of left-wing guerillas. *The New York Times* recently described how a unionist earlier this year was forceably “disappeared”, burned with acid, and killed after he participated in protests against paramilitary violence.

The paramilitaries have typically worked closely with important sectors of the military and intelligent systems, and they have heavily infiltrated the political system. More than 60 members of the Colombian congress, nearly all of whom are part of President Uribe's coalition, are now under criminal investigation for collaborating with paramilitaries. More than 30 of them are under arrest, including Senator Mario Uribe, President Uribe's cousin and closest political partner over the last two decades.

One case of particular importance involves Jorge Noguera, President Uribe's former national intelligence director from 2002 to 2005. Noguera is under investigation for allegedly providing paramilitaries with the names of trade unionists who were later killed. The evidence against Mr. Noguera is serious enough that the U.S. has revoked his visa.

It's important to bear in mind that nearly all these investigations are the result of an initiative by the Colombian supreme court, which a couple of years ago decided to organize itself to specifically investigate the paramilitary infiltration of congress. They are not the result of any initiative by the Uribe administration. Once the investigations had started, President Uribe did provide funding to the court, but he has simultaneously taken steps that could undermine the investigations. He has repeatedly launched personal attacks against supreme court justices, and even at one point floated a proposal to allow the politicians to avoid prison entirely. He later tabled that proposal after it became evident that it would be an obstacle to ratification of the U.S.-Colombia FTA.

An additional blow to the investigations in Colombia is the fact that President Uribe recently ordered the extradition of nearly all the top paramilitary leadership to the United States to face drug charges. The fact that these criminal bosses will finally face real justice for at least some of their crimes—the drug crimes—is a positive development. The extradition also means they will no longer be able to continue ordering crimes from prison, as they were doing in Colombia.

However, the timing of the extradition raises serious concerns for us. The decision to extradite came only after some of these commanders had actually started to cooperate, and others had announced plans to do so by beginning to talk to Colombian investigators about their links with Colombian military and government officials, including generals and politicians close to the president. Now that they are in the United States, they will have little incentive to cooperate with Colombian prosecutors and will almost certainly be advised by their lawyers to remain silent. Numerous institutions that track the military demobilizations and the investigations, including the Colombian inspector general's office,

and the Inter-American Commission of Human Rights, have expressed concerns that the investigations will be seriously affected.

Meanwhile, paramilitary organizations continue operating and engaging in violence under new leadership. The Colombian government claims most of these organizations have demobilized and are now extinct; however, nearly all the 30,000 people who supposedly demobilized are free and have never been investigated. Dozens of new groups that are closely linked to the paramilitary, such as the Black Eagles, are operating all over the country, engaging in extortion, killings, forced displacement, and drug trafficking.

Eight foreign embassies in Bogota, the Organization of American States' mission verifying the demobilization, and scores of human rights defenders and trade unionists have reported receiving threats from these new groups in recent months. I have personally interviewed several victims of these new groups, who have seen their sons and sisters horrifically tortured and murdered. To them, the government's claim that paramilitaries are now extinct is a pretty cruel joke.

Let me emphasize again, as I'm wrapping up, that it is our view that any free trade agreement should be based on respect for fundamental human rights, particularly the rights of the workers producing the goods to be traded. Colombia does not meet that standard at this time. By delaying consideration of the free trade deal, Canada would be creating valuable leverage that could be used to finally get Colombia's government to seriously address anti-union violence and impunity in a sustained manner.

•(1720)

This opportunity would be squandered if Canada were to approve an FTA prematurely, at a time when the Colombian government's commitment to break the power of paramilitaries and to protect workers' rights remains ambiguous. Once a deal is approved, the Uribe government will lose its main incentive to address these serious problems.

In this context, if Canada were to enter a free trade agreement with Colombia, many Colombians and international observers would understandably believe that Canada does not mean what it says when it talks about human rights, as it would apparently be willing to overlook the plight of Colombia's workers and the influence of its murderous paramilitaries.

Canada has historically been considered one of the most important international leaders in the promotion of human rights in Colombia. I urge you to maintain that reputation by providing assistance to Colombia, to its institutions of justice, and to the promotion of democracy, human rights, and the rule of law, and by refusing to consider the trade deal at this time.



Thank you very much.

**The Chair:** Thank you, Ms. McFarland.

With about nine minutes to go here, we're going to have to severely limit the questions. To try to get everybody in, I'm going to say two minutes—just one quick question from each group and as brief an answer as possible. That's all we can do.

Mr. Bains.

**Hon. Navdeep Bains (Mississauga—Brampton South, Lib.):** Thank you very much, Chair.

I appreciate very much the comments you made.

I have some specific questions with respect to the killings. We received various data when we were there with regard to killings, from human rights organizations, civil society, and the government. I just want a clarification on the killings.

Ms. McFarland, could you speak to the issue raised by Mr. Miranda with respect to killings and those attributed to crime versus those related to their activities as trade unionists? The feedback we got was that these killings were an aggregate number and they included criminal activity as well. Do you have any data that could distinguish between those two?

The other question that I think is important is with regard to the informal economy. That's an issue that was raised. There are many people...I think you mentioned two-thirds. Is there an absolute number or any of the data to validate that, Mr. Miranda, with respect to this informal economy of people who don't get benefits, don't get wages, and they just happen to be working on the streets in these small shops? Do you have that number as well?

Those are my two questions, one regarding the aggregate killings of trade unionists, those attributed to, according to your data, crime versus their activities in union organizations, and the other regarding the informal economy and the number of people there.

**Ms. Maria McFarland:** I will address the first question, the issue of the number of killings and who they're attributed to. As I said before, in the overwhelming majority of cases there have been no convictions. The cases have never been investigated. But in the majority of cases where there have been convictions, where the perpetrator has been identified, the perpetrator is a member of a paramilitary group. This represents a trend. There is a small minority of cases attributable to guerillas, another portion to the military, and another portion to common crime.

So when we're talking about the aggregate number, the 2,500 killings since 1986, that includes killings by all actors, but a majority of killings are generally attributed to paramilitary groups that have deliberately targeted and persecuted trade unionists for their activity.

**Hon. Navdeep Bains:** Okay.

Mr. Miranda, with regard to the informal economy...

**Mr. Luis Hernán Correa Miranda (Interpretation):** Three million workers are part of the informal economy. That's out of eight million workers. About 2.8 million workers are protected by a collective agreement. That's the data we have.

Around three million workers are part of what we call the informal economy. They're people who have been fired from their jobs. We would need to add that we have also nearly three million displaced people from the farms, from the fields, people who have moved to the cities. So the economic situation for our people is really catastrophic. The workers who are covered by a contract are a minority. We estimate that nearly 66% of labour nowadays is part of the informal economy.

• (1725)

**The Chair:** Now we'll go to Monsieur Cardin.

I'm going to have to cut off the answers. We cannot go on this long with answers, I'm sorry.

Go ahead. You have two minutes, whatever you want to do with it. If you want to talk to me, go ahead.

[Translation]

**Mr. Serge Cardin:** A point of order, Mr. Chair. Once the witnesses have given their presentations, could we at least just have five minutes to ask questions? It would be interesting, given the amount of information we have been given. I do not see why we have to stop at 5:30 p.m. If everyone is in agreement, we can have a round of five minutes per group.

[English]

**The Chair:** I'm sorry, we're going to have to discuss that at the next meeting. In this meeting we're going to proceed in this manner, and you've got one minute left.

[Translation]

**Mr. Serge Cardin:** I take it that you are in agreement, Mr. Chair.

There seems to be an anti-union culture, in government as well as in business. It actually seems, given the assassination attempts against you, that government and business do not want unions any more. That also explains why it is impossible to charge and convict people.

Is that the situation on the ground?

[English]

**Mr. Luis Hernán Correa Miranda (Interpretation):** There is no doubt in my mind that the companies are supporting the government, and vice versa. We have a perfect duo here. In other words, the number one supporters of the Uribe administration and their policy are the companies, through the different mechanisms they have. They are the number one supporters of re-election of Mr. Uribe.

I also want to finish by saying that I fully agree with Ms. McFarland. I want to say that it is important for Canada to preserve its image, its history of respect for human rights, of valuing fundamental labour rights. I believe that for the Colombian people and for Colombia workers the signing of an agreement with Colombia would be immoral under the current conditions. There is no respect for these rights.

**The Chair:** Go ahead, Mr. Julian.

**Mr. Peter Julian:** Thank you, Mr. Chair.

I'd like to ask Señor Correa and Ms. McFarland the following question. One of the most controversial aspects that we've learned about on this proposed Canada-Colombia agreement is the idea that if there are continued killings of labour activists, human rights activists, the Colombian government, through a very convoluted process, would pay a fine into a solidarity fund. A leading editorial said the idea of a dollar amount being rewarded for each extrajudicial killing, as if murder can be bought, is horrific.

My question to both of you is, do you feel in any way that this type of dollar amount or fine, treating murder as if it was a speeding ticket, is going to encourage the Colombian government to actually increase the human rights in Colombia and decrease the murders we're seeing there?

**Mr. Luis Hernán Correa Miranda (Interpretation):** I do not believe this would work out. I agree there's no price tag you can assign to life. When we talk about a solidarity fund, I do not understand. After the damage you have done, there is no solution, because this solidarity fund is agreed on between the members of the agreement. This is something for training. It is not going to improve the labour conditions of all workers.

We need to go beyond that. We need to go beyond assessing the damage to workers. The damage to work goes beyond just the loss of work. All we need to do is to prevent all this. We need to prevent and not cure. It would make no sense to just work through a fund. We need to prevent these kinds of violations. We believe that under the conditions we have in Colombia and under the Uribe administration, this kind of agreement should not be signed, because there are no ethics, there are no values respected. They are not taking into account the fact that labour rights are an integral part of human rights. It would be a catastrophe to sign an agreement under such conditions.

• (1730)

**The Chair:** Thank you very much. It was right within the time.

Mr. Petit.

[Translation]

**Mr. Daniel Petit (Charlesbourg—Haute-Saint-Charles, CPC):** Thank you.

Ms. McFarlane, you have spoken a great deal about the number of problems related to violence in Colombia. We know very well that the long-term effect of a free trade agreement is to help people to come together. Since Canada is a peaceful country, it is possible that the mere fact of dealing with Canadians may make Colombians more peaceful over the long haul, because there will be more and more trade.

Mr. Miranda said something quite remarkable. He said that trade unionists are literally hunted in Colombia. If I have properly grasped the country's history, the trade unionists started out with the FARC. They are not any more, for various reasons. Perhaps the government is anti-union, but the unions have supported the FARC for a very long time.

Would a free trade agreement not be a good opportunity to ease tensions? The country's economy would be improved. If we halt this agreement with Colombia, as you are requesting us to do, there is a danger of putting unions and workers in jeopardy. There is even a danger of some families and plants going bankrupt.

I would like to hear your opinion about that.

[English]

**Ms. Maria McFarland:** For one, I think there are different forms of engagement that a country can have with Colombia. You don't have to engage through trade. You can engage through assistance and many other ways that would be more productive and would not raise these questions of whether you are engaging in trade with a country where workers' rights are being violated.

As to whether you would be penalizing unions or harming Colombia's people, I think right now the best way to help Colombia and to help its unions is by delaying consideration of a free trade agreement. This is a unique opportunity, one that will not come back again. This is also connected to the side agreement issue that Mr. Julian raised. You cannot, through a side agreement, create the same incentive that you have now, which is potentially holding up a free trade agreement and not having a free trade agreement unless certain steps are taken. Once you have a side agreement, sure, maybe they'll have to pay into this fund, they'll have to pay sanctions. Those are very minor issues compared to holding up a free trade agreement.

Getting reforms by the Colombian government has been, in our experience, like pulling teeth. It's been extremely difficult, and it's only because the U.S. Congress has held up the FTA that we've seen some movement.

I think the pressure needs to be kept on, and that is a way of engaging that will help Colombia's workers more than just about anything else you could do.

**The Chair:** Thank you.

Thank you, Mr. Petit.

I am sorry, again, that we've had such a limited time. We're going to have to revise our consideration of that. You were excellent witnesses, and I very much appreciate the time you all took to be here today. Thanks to Mr. Miranda, particularly, for being in Canada for this event, and to your brothers and sisters in the Canadian Labour Congress who facilitated your visit. We appreciate your being able to be here.

Also, via video conference—and saving those greenhouse gas emissions—I appreciate the time of Ms. McFarland, from Human Rights Watch, and Jeffrey Schott, from the Peterson Institute for International Economics.

Thank you for being with us today. Sorry the time was so short. I know our members would have a lot more questions if we had more time. But we don't, and we'll have to conclude it with that.

Thank you again for coming. The meeting is adjourned.







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