



HOUSE OF COMMONS  
CHAMBRE DES COMMUNES  
CANADA

## **Standing Committee on International Trade**

---

CIIT • NUMBER 023 • 2nd SESSION • 41st PARLIAMENT

---

**EVIDENCE**

**Tuesday, April 8, 2014**

—  
**Chair**

**The Honourable Rob Merrifield**



## Standing Committee on International Trade

Tuesday, April 8, 2014

• (1100)

[English]

**The Chair (Hon. Rob Merrifield (Yellowhead, CPC)):** We will call this meeting to order.

We want to thank the department for being here.

We are studying, pursuant to the order of reference on Monday, March 31, 2014, Bill C-20, an act to implement the free trade agreement between Canada and the Republic of Honduras. That is an environmental agreement as well as a labour agreement. We have with us the department, which is sort of tradition to have a department here to kick us off on this for the first hour. Then maybe we'll get into witnesses in the second hour.

So with that I believe it's Cameron MacKay. You are going to lead us in that and you have an entourage with you. Welcome to committee and we look forward to your testimony and we'll follow it up with some questions. The floor is yours.

**Mr. Cameron MacKay (Director General, Trade Negotiations, Department of Foreign Affairs, Trade and Development):** Mr. Chair, thank you very much.

[Translation]

I thank the committee for this opportunity to speak to Bill C-20, the Act to implement the Free Trade Agreement between Canada and the Republic of Honduras, and the parallel Agreements on Labour and Environmental Cooperation.

[English]

I am currently the director general for trade negotiations at the Department of Foreign Affairs, Trade and Development. From 2010 to 2012, I was Canada's ambassador to Honduras.

I'm joined at the table today by my colleagues Henri-Paul Normandin, who is the director general for the Latin American and Caribbean bureau; Paul Huynh, deputy director for tariffs and goods market access; Vern MacKay, director of investment trade policy; and we also have Pierre Bouchard, director of bilateral and regional labour affairs at Employment and Social Development Canada.

Mr. Chair, members of this committee are well aware that to compete and succeed in international markets in this hemisphere and beyond, Canadian companies need a level playing field with respect to tariffs and market access. The Canada-Honduras free trade agreement achieves that goal. It is a concrete demonstration of the government's commitment to an ambitious pro-trade plan, as well as our strategy for engagement in the Americas.

[Translation]

Of course Honduras is a relatively small trade partner, but there is potential for long-term growth, and several Canadian companies are already active there.

[English]

Indeed our bilateral trade is already growing. From 2009 to 2013, Canada's two-way merchandise trade with Honduras grew 59%—from \$176 million to \$280 million. Just over last year, from 2012 to 2013, Canada's exports grew by almost 17% with imports growing more than 7%. To support Canadian businesses operating in Honduras, Export Development Canada, EDC, has assisted 28 Canadian companies and had a business volume in Honduras of more than \$23 million in 2013.

But Canadian companies face some stiff competition in Honduras. Honduras already has free trade agreements in force with eight partners: the United States, the European Union, Mexico, the Dominican Republic, Chile, Taiwan, Panama, and Colombia. It is also negotiating free trade agreements with Peru and Korea. Each of these agreements gives the businesses from those countries a measurable competitive advantage in Honduras over their Canadian counterparts, including clear price advantages in terms of lower tariff rates. Once our FTA enters into force, Canadian exporters will be able to compete with them head to head.

Today Canadian exports to Honduras face, on average, tariffs of 10.5% for agriculture products and 4.8% for non-agricultural goods. If Parliament agrees to implement this free trade agreement, it will help Canadian companies take advantage of Honduras' growing economy by immediately eliminating duties on almost 70% of Honduran tariff lines, with most of the remaining tariffs to be phased out over periods of 5 to 15 years.

[Translation]

The range of products that would benefit includes: agricultural and agri-food products, forestry products, plastics, chemical products, vehicles and auto parts, and industrial machinery.

• (1105)

[English]

This agreement will have benefits for communities across Canada, and especially with respect to the agriculture and agri-food sector. For example, pork producers from Quebec and Ontario; processed potato product producers from New Brunswick, Prince Edward Island, and Manitoba; linseed producers in Saskatchewan; and beef producers in Alberta will all benefit from the removal of Honduran tariffs as high as 15% on their products.

With the Honduran approval last fall of Canada's beef and pork inspection systems, Canadian producers and exporters of beef and pork can take advantage of the tariff reductions on day one of the implementation of this free trade agreement.

[Translation]

This agreement will also eliminate tariffs on a wide variety of Canadian industrial goods exports such as chemical products, wood, pulp and paper products, vehicles and auto parts, as well as fish and seafood. The gains in goods market access will benefit companies in diverse sectors right across Canada.

[English]

Canada's service sector also stands to benefit. The FTA goes further than Honduras' existing commitments under the World Trade Organization's General Agreement on Trade in Services in sectors of export interest to Canada, including professional services and information and communications technologies. Overall, the FTA will provide secure, predictable, and equitable treatment for Canadian service providers.

Investors will also benefit. The Canada-Honduras free trade agreement includes provisions designed to protect bilateral investment through legally binding obligations, and to ensure that investors will be treated in a non-discriminatory manner. Through the FTA, investors will also have access to transparent, impartial, and binding dispute settlement. The investment provisions of the FTA will support a stable legal framework that protects Canadian investments in Honduras and vice versa, including guaranteeing the transfer of investment capital and protecting investors against expropriation without prompt and adequate compensation. The investment provisions also include an article on corporate social responsibility, which recognizes that both governments expect and encourage their respective companies operating abroad to observe internationally recognized standards of responsible business conduct.

The FTA also contains strong provisions with respect to government procurement. Honduras has numerous infrastructure projects under way, which relate to ports, airports, and the production of energy from renewable sources. These projects aim to improve, among other things, access, quality, and sustainability of infrastructure services for the rural poor. The FTA will expand access for Canadian suppliers to these types of procurement opportunities, reduce the risk of doing business in the region, and create attractive opportunities in areas such as environmental technology, engineering, infrastructure projects, and construction services.

Finally, in keeping with Canada's overall approach on free trade negotiations, Canada has negotiated parallel agreements on labour and environmental cooperation. The agreement on environmental

cooperation, like others that Canada has signed, commits both Canada and Honduras to effectively enforce our environmental laws, and to ensure that we do not relax or weaken those laws to encourage trade or investment. Similarly, the agreement on labour cooperation ensures that increased business between our two countries does not come at the expense of labour rights.

[Translation]

Canadian companies that do business abroad rely on fair, transparent, predictable and non-discriminatory trade rules. With the Canada-Honduras Free Trade Agreement, we are helping to provide Canadian companies with the rules they need to compete and win abroad, and build a stronger Canadian economy here at home.

[English]

Of course, Hondurans will also benefit from this FTA. Canadian companies invested in Honduras, and Canadian importers buying Honduran exports, are already providing jobs and opportunities there. Over time, this FTA will create the conditions for more such opportunities for Hondurans. Committee members are well aware that Honduras is a country facing challenges on all fronts—with respect to poverty, violence, narco-trafficking, and respect for human rights, to name a few.

Honduras needs help, and Canada is responding. Canada is engaged with the government, civil society, and other international donors on the ground in Honduras to address their human rights, security, and development challenges.

[Translation]

The Canadian government's view is that prosperity, security and democratic governance—including full respect for human rights—are interconnected and mutually reinforcing.

• (1110)

[English]

The governments of Canada and Honduras agree that increased prosperity through trade and investment, supported by a strong free trade agreement, can contribute to the reduction of poverty and social exclusion in Honduras.

[Translation]

Thank you, we will be pleased to take any questions the committee might have.

[English]

**The Chair:** Thank you very much.

Before I turn it over to questioning, I want to welcome our committee back together. Last week, a number of them were down in Peru. I see some of them are a little darker than before they left. I don't know what they were doing there exactly. Nonetheless, welcome back and we look forward to your questions.

We'll start with Mr. Davies, the floor is yours for seven minutes.

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

Thank you to the officials for being with us today.

In 2009, the Honduran army overthrew the democratically elected government of president Manuel Zelaya. Following the coup, the military government suspended key civil liberties, including freedom of the press, expression, and assembly; responded with violence to peaceful demonstrations of citizens, causing injuries, deaths, and thousands of arbitrary detentions; shut down media outlets; and kidnapped and murdered political opponents. Mere months later, in January 2010, the coup leaders were installed in an election that was overwhelmingly described as illegitimate, and condemned by all Latin American nations, the European Union, the United States, and the General Assembly of the United Nations.

That is a government that was in place until October 2013. Can you tell me if DFAIT conducted negotiations with that Honduran government from 2009 onwards?

[Translation]

**Mr. Henri-Paul Normandin (Director General, Latin America and Caribbean Bureau, Department of Foreign Affairs, Trade and Development Canada):** Mr. Davies, thank you very much for your question.

Following the 2009 events, the Canadian government first of all condemned what happened at that time.

[English]

The Canadian government was very active in the months that followed, working together with other countries in Latin America, including working with and through the OAS to try to bring back democratic order and peace in Honduras. Honduras, at the time, was suspended from participation in the Organization of American States. Following a lot of work that was done by the OAS, including the work of the truth and reconciliation commission, Honduras was finally readmitted to the OAS by all members of the region.

There was an election that took place, as you mentioned, in 2009, and there was an election more recently. The recent election was deemed by the observers to be generally free and fair. There were some issues that—

**Mr. Don Davies:** Monsieur Normandin, I'm sorry to interrupt you. I will get to that, but my question was, between 2009 and 2013, was DFAIT negotiating the free trade agreement with that government?

**Mr. Henri-Paul Normandin:** Oh, negotiating the free trade agreement...I'm sorry.

**Mr. Cameron MacKay:** We had no contact with the interim government. I mean, between the time of the coup and election in 2009, there was no negotiation and no contact.

**Mr. Don Davies:** You bargained in 2010.

**Mr. Cameron MacKay:** Once the Lobo government took office in 2009—and that was an election that was recognized by Canada, the United States, the European Union, and most other countries as being legitimate—we recognized that government and we did continue negotiations with that government.

**Mr. Don Davies:** I'm sorry to interrupt you. I want to get this straight.

I think you misspoke. There was no election in 2009. The election was in 2010, right? That's when the Lobo government was installed

**Mr. Henri-Paul Normandin:** The fall of 2009.

**Mr. Don Davies:** —and that government was not recognized immediately by us. That election was condemned.

It was the fall of 2009 and the government took office in 2010.

**Mr. Cameron MacKay:** The president took office, I believe, in January 2010, and we recognized that government and worked with them, including on the free trade.

**Mr. Don Davies:** My only question is, was DFAIT negotiating a free trade agreement with that government in 2010 and 2011 and 2012? That's all I'm asking.

**Mr. Cameron MacKay:** With the Lobo government, yes, we did. When we concluded negotiations it was with the Lobo government.

**Mr. Don Davies:** We have conducted research on Honduras, canvassing a wide array of respected sources, including the U.S. State Department, *The Economist*, Human Rights Watch, the United Nations, PEN, and many others. Here's a sample of what we found.

Honduras is not considered a democracy but a hybrid regime. It has slid from 74th to 85th from 2008 to 2012, so it's going in the wrong direction. Transparency International ranks Honduras as the most corrupt country in Central America. The U.S. State Department estimates that 79% of all cocaine shipments originating in South America, the world's leading producer of cocaine, land in Honduras.

According to *The Economist*, the countries in the northern triangle of the Central American isthmus, which include Honduras, form what is now “the most violent region on earth”. The United Nations Office on Drugs and Crime reports that in 2011 there were 92 murders per 100,000 people, making it the most violent country in Central America. The next year, in 2012, Honduras became the murder capital of the world, recording 7,172 homicides. In 2013, just last year, there were, on average, 10 massacres per month. A massacre is defined as an instance where three or more people are killed at once.

According to the Americas Policy Group, less than 20% of homicides are even investigated, never mind prosecuted, and they say this high level of impunity serves to mask political violence. Since 2010, there have been over 200 politically motivated killings. According to a 2013 Human Rights Watch report, Honduras is the most dangerous place in the world for journalists. According to the Honduras human rights commission, 36 journalists have been killed between 2003 and 2013, 29 since President Lobo—the one you just said that you were negotiating with—took office illegally in 2009.

Over 149 documented cases of extrajudicial killings by police were recorded in 2011 and 2012. In the last 18 months alone, at least 16 candidates and workers for the opposition party, Libre, have been assassinated. In June 2013, 94 members of the U.S. Congress called on the U.S. State Department to halt all military aid—

• (1115)

**The Chair:** Get to a question, because your time's about gone—

**Mr. Don Davies:** I'll get to that.

**The Chair:** —and I want to leave time.

**Mr. Don Davies:** —and in January the UN Special Rapporteur on the Independence of Judges called the Honduran government's dismissal of four Supreme Court justices a violation of international norms and “a grave threat to democracy”.

Let me ask you this. Is this the kind of country—one that does not respect democracy, violates its citizens' most basic rights, intimidates judges, commits atrocities and human rights abuses, murders journalists and political leaders, is corrupt, is a drug smuggling centre, is unable to maintain the rule of law—that DFAIT believes Canadians want our government to extend preferential trade access to?

**Mr. Cameron MacKay:** Well, I'm not going to speak for the department. Let me go back and address some of the allegations that you raised.

You mentioned that the Lobo government took office illegally in 2009. The position of the Government of Canada, like that of the United States, the European Union, and other industrialized countries, is that the election through which President Lobo took office was legitimate. We recognized that government and worked with them—and it wasn't just us. Other western countries did as well. We worked with them to conclude a free trade agreement. We also worked with them to implement programming with respect to development, cooperation, and security.

Frankly, Honduras is a country that suffers from all of the things that the member described: the cancer of narco-trafficking, violence in the region that is bordering on out of control, serious human rights concerns. It's for that reason that the Government of Canada, along with other like-minded governments, is working with the Government of Honduras to try to address these issues, both directly and through tools like the negotiation, in our case, of a free trade agreement, which the United States and the European Union also have in force with Honduras.

**The Chair:** Okay. Thank you very much.

Mr. O'Toole.

**Mr. Erin O'Toole (Durham, CPC):** Thank you, Mr. Chair.

Thank you all very much for appearing this morning.

As opposed to my colleague across the way, I'll be asking questions as opposed to giving a speech.

Since he focused on a couple of years of our relationship with Honduras, could you take us back a little further to talk about the origin of these discussions? I believe they actually began as part of Canada's engagement with the Central American four. Could you walk us through from the origins of these discussions to the FTA today?

**Mr. Cameron MacKay:** Thanks for the question.

The negotiations were launched back in 2001 with the Central American four; that is, Honduras, Guatemala, El Salvador, and

Nicaragua, as a group. We made good progress for the first few years of those negotiations. Shortly after we began negotiating, that group of countries also began negotiating a free trade agreement with the United States. They got a little distracted, and they were unable to carry on two major negotiations at the same time. They concluded their agreement with the United States, and that was implemented in 2006.

We made an effort again to begin negotiations. We tried off and on for a few years. About 2008 we started again in earnest with the Central American four. Once again they got a little distracted in their negotiations with the European Union. Back around 2009 we had conducted a couple more rounds with the four countries. Then there was the coup in Honduras, and the Canadian government stopped contact with the Honduran government during that period. When we re-engaged after a legitimate election in Honduras, it became very apparent that we would be unable to conclude a single free trade agreement with all four of the CA-4 countries.

Frankly, the other three parties were simply not ambitious enough. They were not willing to offer Canada the same kind of market access package they had agreed to with the United States and the European Union. The Hondurans, on the other hand, were more ambitious in their negotiating posture. For that reason the Canadian government moved on and concluded a bilateral agreement with Honduras.

• (1120)

**Mr. Erin O'Toole:** Thank you.

So 2001, that goes through three separate Canadian governments, with some interesting perspectives.

Under the global markets action plan, and the economic diplomacy focus in the last year or two, Honduras is one of our 20 countries of focus. We're talking a lot about trade today, and certainly we're at the culmination of negotiations for 13 years in various forms, but we're also the third-largest bilateral donor in development aid, capacity building, institution building.

Mr. MacKay, from your experience as an ambassador, could you give some thought on two things, probably in the remainder of the time. First is Canada's presence as the third-largest bilateral donor assisting with capacity building. Second, in your experience on the ground as an ambassador, not from Google searching, could you give me your perspective on whether trade and increased economic activity on the ground improves the standard of living, quality of life—even if gradually—for the average Honduran slowly over time?

**Mr. Cameron MacKay:** Thank you for the question.

When I was head of mission in Honduras, I had the opportunity to visit several of the major development projects we have ongoing there. As you mentioned, Honduras is a country of focus. The department that used to be called CIDA had a list of top-20 countries of focus, and Honduras was one of them because the need there is so great. There are some terrific projects going on there with respect to maternal, newborn, and child health. We work directly with the Honduran Red Cross to support programming with the World Food Programme, the so-called school feeding programs for malnourished children in the rural areas, where they're now attracted to come to school to get breakfast because of food programming that Canada is co-sponsoring with the World Food Programme.

Leading to what you asked about with respect to the opportunities under the free trade agreement, we also have development cooperation programs that help Honduran coffee growers exploit international markets. We're working with cacao producers to help them develop more sustainable ways to grow their local cacao product.

Turning to Canadian investment in the country, Gildan—and I believe you will be hearing from representatives of Gildan later today—is currently the largest private sector employer in the country. It has roughly 20,000 employees in Honduras, creating jobs and opportunities there. Gildan is seen as a very attractive employer in the country. Hondurans want those jobs. The Government of Honduras at that time was very supportive of all the activities of the Canadian government with respect to the development cooperation program I outlined, and the private-sector investment from Gildan. The Honduran government saw Canada as a very important partner for them in trying to address some of the very serious challenges they face, as was outlined earlier by another member of the committee.

**Mr. Erin O'Toole:** That's an interesting point: a Canadian company...our brand is there...largest private sector employer. Is the unemployment rate in Honduras...? It certainly would be high for our standards, but where does it rank with respect to Central America? Is it high or low, or is it improving on the trend line?

• (1125)

**Mr. Cameron MacKay:** I don't know offhand the unemployment rate in Honduras.

I don't know, Pierre, if you happen to...

But maybe what I can say is that employment in Honduras and in the region is a top concern for every government. Unemployment rates are typically high and also the quality of jobs in the region is a challenge. So Honduras, like other governments in the region, is always looking for private sector investment to help increase employment opportunities, and we think the trade agreement will help in that regard.

I think Mr. Bouchard may now have some figures to share.

**Mr. Pierre Bouchard (Director, Bilateral and Regional Labour Affairs, Department of Employment and Social Development):** These are figures from the ILO department of statistics, June 2012. For Honduras, the unemployment rate was listed as 2.9%, but there is still a large sector of the population that is employed in informal sectors—nearly 73.9%. Overall, the labour force participation rate is still relatively low. It is at about 38%.

**The Chair:** Very good.

We'll now move to Mr. Pacetti. The floor is yours, sir.

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

Thank you all for coming today. It is very interesting.

Mr. MacKay, maybe just take it back a step in terms of before Canada enters into a trade deal. What are the criteria used? You stated in your brief as well that Honduras is a relatively small trading partner. So are we looking at the end and saying, okay, we can probably get into a trade agreement with Honduras, and a labour agreement, and any other type of agreement? Or does it start with a beginning, and say, we want to target the poorest countries in the world? Can you expand on that?

**Mr. Cameron MacKay:** Well, when we first began negotiating with Honduras back in 2001—and I was not working on the file at that time—I can imagine that the government of the day was looking at both commercial opportunity in the region and also wanting to build a stronger economic relationship with a region that had been torn apart by a civil war and revolution in the 1980s, and frankly, needed the kind of economic opportunity that trade liberalization, when it is supported by the other appropriate programs—

**Mr. Massimo Pacetti:** No, I understand. Sorry, I must interrupt because my time is limited.

I believe you said you started with four countries. So wouldn't your ultimate goal be to finish trading with four countries? I understand there were things that happened along the way, but wouldn't you want to carry at least a second country or a third country along the timeframe? These are small trading partners, very small trading countries.

**Mr. Cameron MacKay:** We would have preferred to conclude an agreement with all four of the CA-4 countries, but after 10 years of negotiations, it simply proved impossible. So we concluded an agreement with the one country that, frankly, was willing to negotiate an ambitious—

**Mr. Massimo Pacetti:** So what would the status be with the other three?

**Mr. Cameron MacKay:** The other three negotiations are currently inactive.

**Mr. Massimo Pacetti:** Okay. Would the other three have free trade agreements with the United States or the European Union?

**Mr. Cameron MacKay:** They do. They have agreements with both the U.S. and the EU

**Mr. Massimo Pacetti:** So would they just say it's not important to trade with Canada? What would their philosophy be? Why would we not pursue that?

**Mr. Cameron MacKay:** In order for Canada to conclude a trade agreement with any country, particularly a country that already has an agreement with, say, the United States and the European Union, as these countries do, we're looking for a market access package that allows Canadian companies to compete on a level playing field in those markets with their U.S. and EU counterparts. If our negotiating partners are unwilling to negotiate that kind of a deal with us, then we are unable to conclude an agreement that leaves the playing field unbalanced for Canadian exporters.

**Mr. Massimo Pacetti:** There are human rights abusers in Guatemala, and we have companies in Guatemala. I still don't understand why we wouldn't pursue a free trade agreement with Guatemala?

**Mr. Cameron MacKay:** Frankly, the Canadian government was willing, and at the time that we were actively negotiating with Guatemala, the Guatemalan government simply did not engage at the level that was required to conclude a trade agreement.

**Mr. Massimo Pacetti:** Does the funding from CIDA follow, or does it start...? Is that a factor that's considered in negotiating free trade agreements?

**Mr. Cameron MacKay:** Let me go back and speak about Honduras. As I mentioned earlier, Honduras is one of the top 20 countries of focus for Canadian development cooperation, and that is unrelated to commercial considerations.

• (1130)

**Mr. Massimo Pacetti:** When it comes to the other agreements—for example, labour agreements—is that a criteria for free trade? How does it work in the department? Is it all negotiated at the same time, or is it, let's work on tariffs, then we'll work on the environment, and then labour? What order is it?

**Mr. Cameron MacKay:** We negotiate the 23-or-so chapters of the free trade agreement and the parallel agreements on labour and environment all effectively at the same time, in parallel. It's very much a whole-of-government exercise. There are more than half a dozen government departments involved, including ESDC and Environment Canada.

Our aim is to conclude one package at the same time, which is what we have done with Honduras, and before Honduras, with Panama, Peru, Colombia, etc. That's effectively the model that we are using and the model that countries in the Americas are accustomed to. It's standard practice in the hemisphere.

**Mr. Massimo Pacetti:** If you were to start your free trade negotiations, it would be under the understanding that it would have to include the labour component and the environmental component?

**Mr. Cameron MacKay:** Yes.

**Mr. Massimo Pacetti:** Okay, two more minutes...?

**The Chair:** No, you have 20 seconds, but make the most of it.

**Mr. Massimo Pacetti:** One of the last statements you made was regarding how we can contribute to the reduction of poverty. How do you feel we can contribute to the reduction of poverty in a country like Honduras? I understand it's through CIDA. But through free trade, how is that going to happen?

**Mr. Cameron MacKay:** I think it's a matter of all of the things, frankly, that I mentioned in answering an earlier question to another

member. It's the CIDA programming that helps to alleviate poverty, provide better health and education for Hondurans. It's the free trade agreement that will provide more economic opportunity—

**Mr. Massimo Pacetti:** Do you have benchmarks?

**Mr. Cameron MacKay:** We have more security and justice programming as well, I would say. All of these things are mutually supportive.

**Mr. Massimo Pacetti:** Do you have benchmarks in the agreements?

**The Chair:** If you can answer that really quickly, I'll allow it. He's stretching it.

**Mr. Cameron MacKay:** I'm not sure I understand the question.

**Mr. Massimo Pacetti:** Do we have benchmarks that indicate, okay, we want—

**The Chair:** That's okay, you're done. This could go on forever but we won't allow it.

Mr. Cannan, the floor is yours for seven minutes.

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

Thank you, Mr. MacKay, and to your team, we appreciate your being here today and providing some first-hand experience to enlighten our committee on this important free trade agreement with Honduras. I know we're joined here also by Her Excellency Sofia Cerrato, the Honduran ambassador to Canada and her team.

We've been working closely over the last few years with the Honduran office to try to ensure that this agreement is not only beneficial to our Canadian companies, but also that we have caring and compassionate Canadians looking at the aspect of being responsible Canadian businesses and bringing those socially responsible corporate practices to Honduras.

In your opening comments, Mr. MacKay, you said there is a provision for an article on corporate social responsibility that recognizes that both governments expect and encourage their respective companies operating abroad to observe internationally recognized standards of responsible business conduct.

We believe it's important to level the playing field to be competitive with the EU and the U.S.A. Could you enlighten the committee on what Canada is doing to ensure that Canadian companies operate in a responsible manner in Honduras?

**Mr. Cameron MacKay:** I'll begin by just giving a very practical example of the time that I was there as head of mission. We organized a full-day seminar in San Pedro Sula, which is the industrial capital of Honduras. It happens to be where Gildan is located.

We invited representatives of Canadian companies and other companies, representatives of Honduran civil society and government, to come for a full-day seminar and discuss what corporate social responsibility is, look at the international guidelines in that regard, and what is required in Honduras to have stronger programs for corporate social responsibility. This is just one practical example of outreach that was undertaken by the Canadian embassy with support from headquarters.



I know that a similar seminar was held by my predecessor just a year, or a year and a half, before that. I believe there have been others conducted since then. So corporate social responsibility is seen as one of the priority activities for the embassy in Honduras, and that work continues.

**Hon. Ron Cannan:** Thanks.

I had the honour of being one of the committee members to travel to Peru last week. It's always an education when in Colombia and Panama, and now Peru, to see first-hand some of the incredible Canadian workers on the ground and the great work that our department officials are doing.

One of your former staff, Camille, who was working with you in Honduras and is now in Peru...so we had a chance to talk a little bit about some of the initiatives that have been under way for several years.

Could you maybe share a little bit about the anti-crime capacity building program and what this department—formerly the Department of Foreign Affairs and International Trade, and now the Department of Foreign Affairs, Trade and Development—is doing to help by working with the police forces and the attorney general's office in Honduras to try to provide security in the country for all Hondurans?

• (1135)

**Mr. Cameron MacKay:** Chair, maybe for that question I'll turn to my colleague Mr. Normandin, who was recently in Honduras and who is managing these issues now.

**Mr. Henri-Paul Normandin:** As we know, the justice system in Honduras is greatly challenged on several fronts, and a lot of the work that Canada does tries to strengthen the justice system.

A number of projects have taken place that train legal officials from judges to prosecutors to police to prison officials and so on, so as to increase their capacity to effectively fight crime and lack of security.

As this is being done, some of these initiatives, as we strengthen the capacity of local institutions, also can have a positive effect by way of greater protection of human rights, because human rights issues that arise in Honduras take place within a broader context of very weak institutions, including a very weak judicial system and a climate of impunity. As we build the capacity of the local institutions, we stand a better chance to not only fight crime but also to better protect human rights.

A lot of training has taken place with justice officials. We've also been providing some specialized equipment and providing training in investigative capacities for those in charge of the criminal justice system.

These are the types of activities, Mr. Chair, that have been conducted, on a fairly large scale.

**Hon. Ron Cannan:** Thank you.

I have one last question. Basically there are two choices facing us as Canadians. We can isolate these folks in Honduras and let them be as they will and watch on the news as people, say, want to murder each other.

I have a constituent who just became engaged there at Christmastime. He loves the country, he wants to live there, and he wants to help out.

Can you elaborate a little bit more on the reason we chose Honduras at this time and what the benefits are from a Canadian government perspective, your perspective, of our engaging in this trade agreement rather than isolating them?

**Mr. Cameron MacKay:** I think I mentioned earlier and we had a good discussion in the committee this morning about all the challenges that face Honduras—poverty, violence.... Narco-trafficking, I have to say, is an overwhelming concern in the region, and particularly in Honduras. All of these things really undermine prosperity, security, and good governance, which are the three key themes in Canada's Americas strategy—prosperity, security, good governance, along with democracy.

We have a choice in terms of our foreign policy, our trade policy, etc. We can look at a country such as Honduras, facing all the challenges it has, and turn our backs and say, "You aren't doing enough, you need to do more, and after you do more, then we will engage with you." Or we can do what the Canadian government's policy is, which is to engage with that country and say, "We recognize that you need help on all of these fronts, and so we will engage with you on all of these fronts."

It's in that regard that Honduras is a country of focus for Canada's development cooperation programming. We are working closely with them in terms of security and justice programming, helping to build a legal system that will eventually be able to overcome the challenges my colleague mentioned of a culture of impunity, etc. We are engaging with them on prosperity, in part through some of the CIDA programming in helping directly some of the coffee and cacao farmers learn to engage with international markets. We are also negotiating and ideally soon implementing with them a free trade agreement that will liberalize the trade and investment environment, provide appropriate rules, and open the doors to more economic opportunity for both Canadians and Hondurans.

**The Chair:** Thank you very much.

We'll now move on to, I believe, Mr. Davies and Madam Liu.

I think you're splitting your time.

**Mr. Don Davies:** Thank you, Mr. Chairman.

Can you tell us whether DFAIT has any criteria that it uses to assess the democracy and human rights situation in a country before deciding whether Canada should extend preferential trade benefits?

In other words, is there any country in the world that DFAIT or this government would not sign a trade agreement with?

• (1140)

**Mr. Cameron MacKay:** This comes back to a point you raised earlier.

DFAIT doesn't sign trade agreements. The Government of Canada, after Parliament approves them, moves to implement trade agreements—just to be clear about the role of the public service versus the government, which is actually making these kinds of decisions. You're all part of it.

**Mr. Don Davies:** So you just follow what the government tells you. You bargain with whoever the government tells you to bargain with. Is that how DFAIT works?

**Mr. Cameron MacKay:** The government of the day sets the foreign and trade policy priorities for—

**Mr. Don Davies:** So I'm asking whether the government has set any criteria for minimum standards of democracy or human rights standards before we will engage in free trade negotiations with a country. Again, is there any country that we wouldn't...?

Do you have criteria? Do those criteria exist in DFAIT?

Apparently not.

**Mr. Cameron MacKay:** There's no flow chart within the department—

**The Chair:** It may be an unfair question, because you are asking our bureaucracy what I think is a political question.

Go ahead.

**Mr. Don Davies:** That's fair enough.

I'll tell you why I ask. We don't engage with North Korea, we don't engage with Iran—in fact, we are embargoing Iran—and we don't engage with the Yanukovich government of Ukraine, because those countries don't conform to normative standards on the international stage. This is for various reasons. I'm not comparing them exactly. When countries don't behave in civilized ways, when they do not conform to basic behaviour that we expect of countries, we generally don't reward those countries with preferential trade terms.

Now, contrary to Mr. O'Toole's characterization of the record I gave as Google facts, the list of facts that we've raised is as long as my arm and from reputable sources of every type, showing that the situation in Honduras is simply appalling when measured by a human rights and democratic standard. It's not just civil society; the government itself is participating in these democratic and human rights violations. So I'm just asking...

You could make the argument that we should engage with every country in the world because that's the way to improve things. But that's not the way we conduct our foreign policy. We don't say that we should bargain a trade agreement with Iran because it's only by engaging them that things will improve.

I'm just wondering how this fits in terms of Honduras. Have you had any of those discussions or thoughts?

**Mr. Cameron MacKay:** I might just say that there is a qualitative difference between some countries on the planet that are engaging daily in state-sponsored repression of human rights, etc.—and you may have named some of them—and a country like Honduras.

The human rights issues and the problems associated with violence that you have described, in my experience when I was there, were not state-sponsored, directed by the government with orders from the top to “arrest my political opponents”, etc. This is simply not the situation in Honduras.

It has a different set of challenges. It is generalized violence. It is particularly driven by narco-trafficking, which is verging on being

out of control in the region. It is a very serious concern, and it is for that reason that Canada and its like-minded partners, I should emphasize—the United States, the European Union, the Japanese, the Inter-American Development Bank, the World Bank—are together, as the major donors in the country, engaging with that government to try to address these challenges. This includes our free trade policy, and it is likewise with the U.S. and EU.

**Mr. Don Davies:** Thank you.

I'm going to turn the floor over to Madam Liu.

**Ms. Laurin Liu (Rivière-des-Mille-Îles, NDP):** Thank you very much for your testimony and for appearing before committee today.

Mr. MacKay, you mentioned that the elimination of tariffs and the creation of better conditions for Canadian investment in Honduras were the motivating factors behind the negotiation of the Canada-Honduras FTA. But going over internal DFAIT reports, notably the report that was made public in October 2013, I was interested to read that in fact the bulk of top import and export items currently traded between Canada and Honduras are subject to very low tariffs, less than 5%. Moreover, statistics on the level of Canadian direct investment in Honduras are not actually publicly available.

We know that Honduras is Canada's 104th export market in terms of the value of exports, and internal DFAIT reports confirm that the benefits that Canada stands to gain from this FTA are in fact marginal. As a parliamentarian, I have quite a lot of trouble understanding the urgency and the need to negotiate a free trade agreement with a country like Honduras, especially considering the rampant human rights abuses that country faces.

But I'd like to touch on the question of the agricultural industry in Honduras. Bananas are the second-highest import into Canada from Honduras. But according to Festagro, which is a federation of agro-industrial unions, since 2009 there have been 31 trade unionists and 52 rural workers murdered. We still have reports of high-profile trade unionists, such as José Maria Martinez from Festagro continuing to receive death threats.

How aware is DFAIT of these human rights abuses, and how much information does DFAIT actually have on these human rights abuses and the threats these trade unionists face?

• (1145)

**Mr. Cameron MacKay:** I'd just like to come back to the first part of your statement, or your questioning, about the size of the Honduran market and its relative importance. We recognize that Honduras is nowhere near Canada's most important trading partner, and our bilateral trade, as I mentioned in my opening statement, is \$280 million, which compared to daily trade with the United States, or something, is indeed very small. But \$280 million is \$280 million. For the businesses in Canada looking for opportunities in that market, these are dollars that matter. Where they don't have a level playing field, because other countries have a free trade agreement with Honduras and we don't, they will be commercially disadvantaged, and for that reason—

**Ms. Laurin Liu:** Is it true that Canada has a trade deficit with Honduras?

**Mr. Cameron MacKay:** Yes, and the trade agreement is not a tool to address that. That is not its purpose. The purpose of a trade agreement is to provide a level playing field.

If I can answer the question on human rights, the embassy is well aware of the human rights abuses that are going on in Honduras. There certainly are shockingly high rates of violence. You mentioned murders of trade unionists, journalists, etc. I would add to the list lawyers, accountants, and public officials. I'm willing to guess that probably the highest rate of homicide would be young, unemployed men between the ages of 18 and 30, who are dying at a very high rate because of this narco-trafficking. So the embassy and the department are well aware of the human rights challenges that Honduras faces.

**The Chair:** Thank you very much.

Mr. Hoback.

**Mr. Henri-Paul Normandin:** Yes, and if I can add, Mr. Chair—

**The Chair:** Oh.

**Mr. Henri-Paul Normandin:** —we work on those issues. Contrary to some of the other countries that were mentioned before in Honduras, we can work with and in Honduras to address those human rights issues. We can entertain dialogue with the Honduran government, which we do. I was there a month ago, and I did raise human rights issues in my meetings with the minister of foreign affairs. We can carry on projects with various units of the government. We can also support civil society, which we do very actively in Honduras.

All those things are possible in Honduras, unlike some of the other countries that were mentioned before. I've worked in several countries, actively promoting human rights, and Honduras is in the category of countries where we can do some work with them to address those issues.

**The Chair:** Very good.

Mr. Hoback.

**Mr. Randy Hoback (Prince Albert, CPC):** Thank you, Mr. Chair.

Thank you, gentlemen, for being here this morning.

It's interesting to listen to my colleagues talk about this agreement, and all the reasons why they think it's not appropriate. It seems to come around to the fact that they don't want to give Honduras a helping hand. The way I see it is that one of the best social programs we can have is to give somebody a job. Now, the impact in Honduras of a job can be two ways. If you have a job in narco-trafficking, you have the cancerous effects of that type of job, which result in violence, murders, human rights abuses, and other types of illegal activity. Or you can give them a job that's fair-paying and honourable.

You talked about the cacao industry, Mr. MacKay. Can you maybe expand on the opportunities in that industry, with this type of agreement, and what impact that would have on ground to the individual Honduran?

**Mr. Cameron MacKay:** Let me say that when I was there, we had at the time—and I believe it's still ongoing—a CIDA project to help the local cacao farmers. There is already some local production.

We worked closely with some consultants from Colombia, who were experts in this kind of agricultural production. We brought them in to work with local Honduran farmers on the coast, and one of the top objectives of this kind of program is to provide alternative employment and alternative economic opportunity to poor land-owners and labourers in these underdeveloped coastal areas.

Frankly, if they don't have that kind of economic opportunity, if they can't make a living through this sort of legitimate economic activity, then right there at their doorstep is the opportunity for illegitimate economic activity, which leads directly to the kind of violence and human rights concerns we've been discussing here this morning. I think these kinds of programs are important.

• (1150)

**Mr. Randy Hoback:** You brought up the word Colombian. I've been to Medellin, and Medellin is kind of like Chicago in a lot of ways. If you talked about Medellin in the early eighties, you would have thought of it as the drug capital and of all the horrible things that went wrong with the drug trade. If you look at Medellin today, and you look at the growth in Colombia and the totally different country it has become, do you see that type of opportunity actually happening in Honduras because of the economic activity that can happen, such that an FTA would provide?

**Mr. Cameron MacKay:** Well, I think that's certainly the goal of the Honduran government and the entire donor community. Again, it wouldn't just be Canada. But I've mentioned before that the United States, the E.U., the World Bank, and the Inter-American Development Bank programming are all very mindful of the fact that Honduras is facing all of the challenges now that so troubled Colombia 15 or 20 years ago. I think everyone's aspiration is that over time—and it will take many years, frankly—Honduras will turn around, and we'll be able to look at it as the success story that Colombia is now.

Colombia still faces many serious challenges but it's come a long way, and ideally Honduras will go in the same direction.

**Mr. Randy Hoback:** It's interesting, because historically Canada is known as the country that helps people when they're in need. We've done that in areas around the world. We go into areas that are not necessarily polite, but five or ten years later, when you see the advancements, what we've done is we've cemented that maple leaf solidly in that country. It shows up 20, 30, 40, 50 years later.

Do you see that happening in this scenario?

**Mr. Cameron MacKay:** I have my fingers crossed. I hope so. I think it can be done. If we were talking about Colombia 15 or 20 years ago, it would have looked like a very desperate situation. It's much better now. Honduras has all the opportunity to achieve the same kinds of outcomes.

**Mr. Randy Hoback:** So if we look at the agriculture sector, we have access for beef products coming out of Alberta. By the way, Saskatchewan has very good beef also. I just wanted to make you aware of that. We definitely have to get our flag out there for Saskatchewan.

**The Chair:** You're just about out of order there.

**Voices:** Oh, oh!

**Mr. Randy Hoback:** I do have the chair working against me, in that scenario anyway.

How do you see the tariff removal happening for the agriculture products? How do you see that unfolding, the impact it will have here in Canada, and the impact in Honduras?

**Mr. Cameron MacKay:** Just on beef and pork, seeing that you mentioned beef, this was a very sensitive issue for the Hondurans. They have local beef and pork production. This was one of the more difficult areas of the agreement to finalize negotiations on. The outcome that was negotiated with respect to beef, and in particular, high-quality beef, which is typically what we would export to the region, is that upon implementation of the free trade agreement there will be a quota of 500 metric tonnes of duty-free Canadian high-quality beef allowed into the country. That will grow by about 25 metric tonnes per year over a period of 15 years. Eventually there will be duty-free unlimited access for Canadian beef into Honduras.

Pork is likely to be an even more important export product for us. The quotas start much higher, at 1,600 metric tonnes, when the agreement comes into force. That will increase by about 100 metric tonnes per year. Once again, after 15 years, in order to allow the Honduran beef and pork producers to adjust, it will be duty-free unlimited for Canadian pork exports. It's a good news story there.

As I mentioned in my opening statement, there's a wide variety of other agriculture products, including linseed oil, etc., from Saskatchewan, where the tariffs will be coming down either immediately, or where they were more sensitive for the Hondurans, over some period of time.

I should acknowledge that the outcome in the trade agreement is asymmetrical in that we recognize that Honduras faces development challenges that Canada doesn't. So we are dropping more of our tariffs earlier, and the Hondurans have more time to adjust.

**The Chair:** The time is gone.

But I do want to thank you for coming in and kicking us off on this bill that we hopefully will get across the line with regard to a free trade agreement with the Republic of Honduras.

Cameron MacKay, you were director general of the trade negotiations, so thank you for your testimony and what it meant for us.

Henri-Paul, you're now director general of the Latin America and the Caribbean bureau. We first met in Haiti, as ambassador to Haiti, and I want to thank you for your work down there.

• (1155)

[Translation]

**Mr. Henri-Paul Normandin:** Thank you.

[English]

**The Chair:** So thank you for your team, and for all of the others who were here as support.

With that, we will suspend as we set up our next panel.

• \_\_\_\_\_ (Pause) \_\_\_\_\_

•

• (1200)

**The Chair:** We want to call the meeting back to order.

We have in this hour two individuals that will testify before us and then we'll get into questions and answers. We have from the Committee of Relatives of the Detained and Disappeared in Honduras, Bertha Oliva.

Ms. Oliva, the floor is yours.

**Ms. Bertha Oliva (General Coordinator, Committee of Relatives of the Detained and Disappeared in Honduras) (Interpretation):** Thank you very much for giving me 10 minutes to speak. I will try to make the best possible use of those 10 minutes. I will tell you what we are concerned about as human rights defenders and about my organization, COFADEH.

I'd like to give you a bit of context about the situation in that respect. For COFADEH, the situation in Honduras is of great concern. There has been a great deterioration of the human rights situation and that is why we're here. The fact that you are listening to us sends a good message that human rights should not just be a matter of words on paper. They must be made a reality. It is also necessary for you to know that, after the coup in 2009, the situation has gotten worse. It is also important for you to know, and I'm sure that you already know this, that democracy cannot be sustained if there is no full support for human rights.

That is why I would like to tell you what we've been doing and why we're concerned. We have been busy and because of greater and greater human rights violations we are obviously becoming more and more alarmed.

State institutions in Honduras exist, but in fact they do not work. There is no institutional sphere. I'm giving you this as part of the context because investors might think that if the institutions in a country are so weak, how can it be possible to invest? How can there be guaranteed returns on investment?

Another essential element to my mind is that in a country like Honduras and with people like you, how can you believe that the human rights situation is not the priority? It has to be the priority. That's what we have to say.

We have data on human rights violations that scare us. In recent times—and when I say times, I mean since last year—more than 600 women have been murdered. That's not just because they're women. It's because women have devoted themselves fully to defending the rights that have been taken away from them. Over 30 journalists have been murdered. That was not the case in our country. We did not suffer from that phenomenon before. This is a clear message that freedom of expression and the right to information are being violated.

Over 400 young people have been recently murdered. Over 120 peasants in the Bajo Aguan region alone have been murdered. The state and the agents of the state are showing absolutely no interest in investigating these murders. When there is no serious, independent, responsible investigation in a country, what you have is impunity.

We are not here to talk about the state of insecurity and the violence in the country, because Honduras is one of the most violent countries in the world. We are here to talk about serious human rights violations because violence is generalized. There is even more than what I've given you in the data that I presented, but there is also the fact that work is being done and those who speak out and who try to change things are countered by a culture of fear.

• (1205)

Those who defend human rights face a situation in which we are being paralyzed. In the corporate media those who defend human rights are called destabilizing elements. We help victims. We help the people. We speak out about our concerns and we try to consolidate and strengthen the rule of law in Honduras.

Right now there is a formal rule of law, but it is not there in essence. This worries us. There has been a profound worsening of the human rights situation. We are also concerned about something else. According to the work that we've been doing for years, we thought that we had overcome political intolerance and militarization.

Furthermore, we must deal with poverty. When people are poor, militarization will not solve the problem. Military intervention exists throughout the country. That is a very serious situation and we want to draw attention to that fact. We are worried because we want to strengthen this state. We want to guarantee a country with full enjoyment of human rights for the Honduran people and we have not achieved that yet; we do not see that. We have seen a consolidation of power for the party in power and that makes it impossible for the powers of the Honduran state to be independent. When power is consolidated, the logical result is necessarily harmful for human rights, and that is the situation now. It is striking and I want to draw your attention to it.

Those who want to invest in Honduras must know that the situation does not make it possible to guarantee your investments. The conditions are not there to strengthen the people either—quite the contrary. Communities are trying to put on as much pressure as they can because they are not consulted, and that leads to human rights violations.

I would also like to tell you about the internal displacement of communities, of people from one community to the other, due to the reigning state of terror. Since the elections there have also been murders among the political dissident community. We are not making this up. This is actually happening.

I would also like to draw your attention to the exodus of people from the country, not because they want to leave their country but because they are afraid of being murdered. The exodus of Hondurans continues, be it for political reasons or because they do not agree with what is going on, because when they speak out they are persecuted, threatened, and they face hostility.

Right now there is another worrying phenomenon that is a product of the concentration of state power. Most people are being persecuted through legal means. That makes it impossible for people to exercise their right to disagree with what is going on in Honduras.

I'm not sure whether I've used up my 10 minutes, but I will finish now. If you want to ask questions, I will be pleased to answer them.

• (1210)

**The Chair:** Thank you very much for your testimony.

That was very interesting. I'm sure it will stimulate some good discussion in the questions part.

Before we get there we have, from Gildan Activewear Inc., Peter.

I could try your last name, but please share your testimony with us.

**Mr. Peter Iliopoulos (Senior Vice-President, Public and Corporate Affairs, Head Office, Gildan Activewear Inc.):** Thank you, Mr. Chair.

Let me begin by expressing my sincere gratitude for the invitation to appear today. We have tremendous respect for the work of your committee. In particular, we are excited to contribute to your examination of the Canada-Honduras economic growth and prosperity act.

[*Translation*]

My name is Peter Iliopoulos and I am the Senior Vice-President, Public and Corporate Affairs, at Gildan.

[*English*]

I would like to start by giving you a brief overview of Gildan's operations. Gildan was founded in 1984 by the Chamandy family and is a publicly-traded company on both the Toronto Stock Exchange and the New York Stock Exchange with its headquarters based in Montreal, Quebec.

The company employs over 34,000 people worldwide and distributes its products in over 30 countries. We pride ourselves on our ability to deliver a high-value quality product to our customers, leveraged against our leading social and environmental practices and Canadian corporate governance profile.

We are a vertically integrated apparel manufacturer with our manufacturing headquarters located in Honduras. Our manufacturing operations include facilities in Honduras, the Dominican Republic, and Nicaragua. We also recently acquired a small vertically integrated manufacturing facility in Bangladesh.

As part of our vertical integration business model, we also conduct yarn-spinning operations in the United States. We distribute our products in two primary markets, namely, the wholesale channel in Canada, the United States, and other international markets, and more recently, the retail channel in the United States. We sell T-shirts, sport shirts, and fleece products in the wholesale distribution channel. For the retail channel we have expanded our product line to include socks and underwear in order to provide a full product line offering.

With respect to our operations in Honduras, they first started in 2001 and they represent the most significant piece of our overall manufacturing production. We operate four textile manufacturing facilities, two integrated sock manufacturing facilities, four sewing facilities, and a screen-printing facility, which are responsible for producing active wear, hosiery, and underwear product. In total this represents a capital investment of over \$700 million. We have over 24,000 employees in the country, which makes us the largest and most important private sector employer in the region.

We established our manufacturing operations in Honduras given its strategic location in servicing our primary market in the United States. Our experience has shown that there's a very skilled workforce in Honduras, resulting in the development of a strong decentralized local management team to run our operations in the country. In Honduras we can also leverage the CAFTA-DR trade agreement, which provides goods manufactured in Honduras and the Dominican Republic duty-free access into the U.S. market.

The negotiations for the Canada-Honduras free trade agreement were completed in the summer of 2011 and the subsequent signing of the agreement occurred in November 2013. Accordingly, we are now looking forward to the upcoming ratification of the agreement that, once implemented, will allow us to effectively service the Canadian retail market, particularly against competing Asian imports.

Our corporate social responsibility program, the Gildan genuine stewardship commitment, has been evolving for over a decade and is based on four core pillars: people, environment, community, and product. CSR represents a key component of our overall business values and strategy and we believe our practices position us as a leader in the apparel industry. Our social compliance program includes a strict code of conduct and ethics based on internationally recognized standards and encompasses a very thorough audit process that includes the conducting of both independent and third-party audits at each of our facilities on a regular basis.

In 2007 Gildan became the first vertically integrated apparel manufacturer to be accredited by the Fair Labor Association, which was a stepping stone to what is now our comprehensive and robust corporate social responsibility program. In addition, each of our sewing facilities has been certified by the Worldwide Responsible Accredited Production program.

Since 2009, Gildan has been annually recognized by Jantzi-Macleans as one of Canada's 50 best corporate citizens. Furthermore, in 2013 Gildan was included in the Dow Jones Sustainability World Index and is one of only two North American companies, as well as the only Canadian company, named to DJSI World under the textiles, apparel, and luxury goods sector. The annual DJSI review is based on a thorough analysis of corporate, economic, environmental, and social performance, which covers issues such as supply chain standards and labour practices, environmental management systems, corporate governance, and risk management.

Specifically, in Honduras, Gildan was awarded for six consecutive years the seal of the Foundation for Corporate Social Responsibility, which recognizes our high standards and strong commitment to CSR in the country.

●(1215)

The working conditions that we offer to our employees at our worldwide locations include competitive compensation significantly above the industry minimum wage; 24-hour access to on-site medical clinics, staffed with a team of 22 doctors and 37 nurses; free transportation to and from work; and subsidized meals. We are also currently in the process of implementing a best-in-class ergonomics program in collaboration with the Ergonomics Center of North Carolina, which we expect to complete in Honduras by the end of 2014 and subsequently at each of our other locations. Most recently, we inaugurated three schools for back health in Honduras, which was a first for our industry in the country.

Overall, the working conditions that we offer our employees, who represent our greatest asset and success factor, are of paramount importance to us. After almost 15 years in the region, we have undertaken numerous initiatives in order to contribute in a meaningful manner to our employees' well-being and their communities' well-being. The following are just a few examples.

Since 2003, Gildan has partnered with the Honduran ministry of education and the U.S. Agency for International Development to offer primary and secondary education to underprivileged regions in Honduras, which has also benefited 900 of our employees. In 2010, Gildan facilitated the opening of a drug store adjacent to our on-site medical clinics at our facilities in Honduras, which in 2013 alone, provided medicine to fill more than 57,000 prescriptions issued by our on-site doctors. In 2011, one of the nurses at our on-site medical clinics developed a workshop to benefit all pregnant employees, in which close to 500 employees have participated.

From an environmental perspective, we have a strict environmental policy, an environmental code of practice, and an environmental management system. Similar to our labour compliance program, we conduct regular environmental audits at each of our facilities. We also operate highly efficient biological waste water treatment systems as well as biomass steam generation facilities, to produce energy resulting in a significant reduction of our greenhouse gas emissions.

From a community perspective, our emphasis has been on partnering in the communities in which we operate, with a focus on youth education and humanitarian aid. As one example, in 2005, we spearheaded the development of an industry-wide initiative for the creation of a technical school in Honduras. To date, this represents an investment of over \$1.6 million and has resulted in 7,000 students graduating from the school.

With respect to product sustainability, all Gildan-branded products are OEKO-TEX Standard 100 certified, thus assuring consumers that our products are safe and that no harmful chemicals or materials are found in their composition.

Unfortunately, due to our time constraints, I can only present a brief summary of Gildan and our CSR practices.

I would like to conclude by addressing the importance of the Canada-Honduras free trade agreement to Gildan and its operations in Canada. Once implemented, we, as a Canadian company, will be able to compete on a more level playing field in our home country, in particular against competing Asian imports, some of which already enjoy duty-free access into the Canadian market. More specifically, this agreement will provide us with the opportunity to seek entry into the Canadian retail market, which we have not yet penetrated up to this point. Today our sales into Canada account for only 3% of our total consolidated sales.

Our entry into the Canadian retail market will also benefit Canadian consumers, by providing them with a more competitive pricing option for apparel, hosiery, and underwear products. More importantly, the presence of our product in the Canadian retail marketplace will provide Canadian consumers with the option for a competitively priced, high-quality product that will be manufactured based on leading recognized standards in the area of corporate social responsibility and Canadian values.

In closing, we look forward to the ratification of this agreement and its subsequent implementation. We have been waiting for free trade between these two countries for over a decade, and accordingly, we do hope to see a rapid implementation.

I would like to once again thank the committee for this invitation, and I look forward to your questions.

Thank you. Merci.

• (1220)

**The Chair:** Thank you very much.

We'll start with Mr. Davies.

The floor is yours.

**Mr. Don Davies:** Thank you, Mr. Chairman.

Señora Oliva, welcome to the committee. I note that you have been nominated for a Nobel Peace Prize. We are honoured to have you testify before us today in Parliament.

Ms. Oliva, I think you were in the room when we heard the Department of Foreign Affairs officials testify. They essentially left the impression that the Honduran government is not responsible for the human rights situation in Honduras, that it's civil society or the narco-traffickers, or simple crime and violence that is going on in Honduras. They've even said that they can engage with the Honduran government.

I'm interested in your point of view on that. Specifically, is the Honduran state itself responsible for any of the human rights abuses or political oppression going on in Honduras?

**Ms. Bertha Oliva (Interpretation):** Thank you.

We would like to state something categorically. First, poverty is something that we don't understand, insofar as it is so severe in our country. When we hear Peter talking about all that is good, there are a number of serious violations of labour rights. We are working on that, because we are not getting a reaction or a response from the internal legislation. We have presented our concerns to the Inter-American Court of Human Rights. That's with regard to the Gildan enterprise. For us, it is a basic fact that young women make up the

bulk of the workforce. There is never a clear vision of the health impact on these women in terms of the work they do. We wish to deal with that issue legally and with due process.

With regard to your question, I will answer it this way. We cannot deny that in Honduras there is drug trafficking and generalized violence; that is why the country has been called the most violent country. But what we are talking about, in the area in which we work, is not linked to organized crime or drug trafficking. It really has to do with human rights violations generated by state authorities against political dissidents. So we want to be very clear here.

It is difficult to work in the area of human rights right now in Honduras, because the level of crime has gone beyond what can be done. But we know that the number of deaths and arrests, with the political persecution and the accusations that have been generated within the legal system, are factors that discourage the population from making demands.

We are talking about deaths that follow a pattern. It is clearly established that the pattern is there, because there is a squad leading those murders. There is a state agent that either by omission or agency allows it. Our reiterated denunciations are that there are clandestine places, like in the old days, when COFADEH was born, where people are taken and where they are tortured. If they're lucky, they are then set free. In most cases, however, they are killed.

So yes, we cannot deny what has been said here. There is drug trafficking, and there is activity linked to drug trafficking. But we cannot allow serious human rights violations to take place with the excuse that in fact the drug trafficking problem is creating such a problem for us. In the community of Ahuas, we saw what happened there. Four people were murdered: two pregnant women, one minor, and one man of about 40 years old. The attack was important not only because there were four people killed; four people were also injured, two of whom were minors. They cannot now have a full life because of the damage caused by the attack.

So there are human rights violations, serious human rights violations, being committed under cover of drug trafficking. These attacks are against political dissidents.

• (1225)

We are here to ask you to consider ratifying this treaty. Think about it, look into it, go to the areas, go to Honduras, and meet with the different social groups that make up Honduras, not only with the groups that agree with this project. Don't only speak to them.

There must be an exercise to include and to create democratic stability in Honduras. It's not something that can be done in four years because what we see are fierce violations of human rights.

**Mr. Don Davies:** I have a quick question.

**The Chair:** Very quick because time is running out....

**Mr. Don Davies:** We've heard about the truth and reconciliation commission. Can you tell us, have the recommendations of the truth and reconciliation commission actually been implemented?

**The Chair:** I'll allow a very short answer.

**Ms. Bertha Oliva:** The farce of the truth and reconciliation commission, which was also supported by the Government of Canada... We had to create a truth commission, an alternate commission, and the report is here.

But your question is a concrete question and I will answer you concretely as well. The recommendations are not being implemented fully because if they had been, we wouldn't have human rights violations. There is no state policy with regard to human rights violations and that's one of the recommendations from the truth and reconciliation commission. There is no national commissioner for human rights who is independent and represents the different social groups.

**The Chair:** Mr. O'Toole, you have seven minutes.

• (1230)

**Mr. Erin O'Toole:** Thank you, Mr. Chair, and thank you to both of our witnesses today.

Thank you, Ms. Oliva, for appearing and from your biography I've seen your extensive work in this area for several decades.

I see you helped found the group in 1981 along with other family members who lost people through death or disappearance, and your husband was a professor. Prior to that time in the 1980s, he was a professor at one of the universities. What subjects did he teach and was the economy functioning better then, so that people could pursue university and then go on to participate in the economy? Was it a different time then?

**Ms. Bertha Oliva:** Well, that's one of our concerns. We have gone back to that horrible time when COFADEH originated. COFADEH was created because of human rights violations by the state. When there is no tolerance, and that political intolerance leads to a military presence throughout the country, the logical result is human rights violations.

In the eighties when we began our work, that was the situation, political intolerance and persecution of political dissidents. That's why there were forced disappearances as a practice, and as we know, it is a crime against humanity.

We're back in that very same situation and that is why we are here. That's why we are so concerned. There is talk of democracy, but in essence, there are attacks against dissidents, against those who want to speak out, who want to talk about what's going on to improve things. We are making proposals, we want to make proposals, but we cannot. It's not possible.

COFADEH has been working for many years and after all of that work, we have collected so much evidence about what is being done against the people. For example, people who protest against mines and there are the garment factories as well. There are over 600 young women who have presented their cases over recent years. We are studying it in COFADEH because their social rights have been violated and their right to help has been violated.

We are working on all of those issues and we are showing it here, so that you can learn about this situation so that it won't surprise you if a claim about this is issued by our organization. Our organization also supports the people in the Siria Valley.

**Mr. Erin O'Toole:** Ma'am, I only have limited time. If you would allow, I will narrow down my final question to really a quintessential issue we face. We have heard it already in the first hour today.

Canada has a choice. In our own hemisphere we can either trade and engage nations—not just trading but helping build capacity—or we can choose isolation. I'm not sure how isolation helps a single Honduran. Would it not be fair to say that positive engagement through trade, diplomacy, and capacity building is really the answer to solving some of the issues your group is raising?

I do not see how isolation helps assist any of your efforts. What are your thoughts on that general topic, please?

**Ms. Bertha Oliva:** We are not proposing isolation for Honduras. We don't want that. We don't want Honduras to be isolated from Canada or from the world. What we are saying is that we want the governments of the world and the Government of Canada to monitor the situation more regularly—and not only monitor the situation but also engage, have debate, and go to people in the communities where there are companies that have violated their rights, for which we have proof. We have proof that they have committed human rights violations.

Where those human rights violations have taken place and when Canadian companies are involved, we want there to be an attempt to repair the damage. There can be no claim that poverty and problems are being fought when, essentially, we have people who are ill, when there is no right to health care.

• (1235)

**Mr. Erin O'Toole:** In my last minute, if I can take from what I am hearing you say, you feel there is more of a role for Canada in an engaged way than through diplomacy, trade, or development, like our work in justice system improvements, than there is in isolating and not engaging, not trading. Is that fair to say?

**Ms. Bertha Oliva:** No. What I am saying is that businesses cannot be placed above development and the protection and advocacy for human rights and respect for human rights. Things cannot be that way. There cannot just be economic progress if at the same time there is a violation of human rights.

What I am saying is that all stakeholders have to sit around the table. You have to sit with the communities, discuss issues, and repair the damages that have been done in places like *el valle de Siria*.

**The Chair:** Thank you very much. I think you made your position on that well known.

Mr. Pacetti, the floor is yours.

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

I was going to ask my own set of questions, but I guess I better let you, Peter, in on this. A direct question, what do you feel about what Ms. Oliva is saying?

It seems to be a little bit contradictory to what you're saying or what you're feeling. Do you have any comment?



**Mr. Peter Iliopoulos:** What I can talk about is the experiences that we have. We have been in Honduras for over 15 years. We have made a significant investment. As I mentioned during my opening remarks, our CSR program is really an important part of the overall business strategy of the company.

When we go into a country and operate, be it Honduras or any other country in which we operate, we ensure that we export the Canadian values and have a very robust corporate social responsibility program that's based on internationally recognized standards. We really believe that we are the leaders in our industry with respect to corporate social responsibility. We audit our facilities on a regular basis. Audits are done both internally, externally, and independently.

We have been recognized by many organizations in terms of our corporate social responsibility program. As I outlined, we were just listed on the Dow Jones—

**Mr. Massimo Pacetti:** Sorry to interrupt, but the community that you're in or the people who work for you, are they subject to some of these human rights? Do you see it first-hand? Is the government in your face? I don't know which examples I can give you, but do you see any of the things that Ms. Oliva has?

**Mr. Peter Iliopoulos:** We employ over 24,000 people in Honduras. We have had a very positive experience in the country and with our employees. The best example that I can give you is that when we have a job fair to hire people in the country, there are literally hundreds of people lined up outside of our facilities wanting to come work for us. That's because of the reputation that we have as an employer in the country. That's because of the investment that we've made in the communities in which we operate in Honduras. We offer extensive benefits to our employees to ensure that we have the best working conditions.

**Mr. Massimo Pacetti:** Sorry to interrupt again, but I would just ask you one question.

The vertically integrated aspect, you mentioned it a few times. What is vertically integrated in your industry? Is it because you're buying the raw materials and producing a finished product?

• (1240)

**Mr. Peter Iliopoulos:** Essentially what we do is we buy our raw materials, then, through our own controlled facilities, we manufacture the product.

**Mr. Massimo Pacetti:** So where are raw materials coming from? Are they coming from Honduras?

**Mr. Peter Iliopoulos:** It could be local suppliers in Central America. Our biggest raw material is cotton, in fact, in the making of our product. That comes primarily from the United States, where we have our yarn-spinning operations. Depending on the raw material that you're referring to, there are various—

**Mr. Massimo Pacetti:** Okay. I just want to get a question to Ms. Oliva.

Thank you, again, Ms. Oliva.

Is it possible that certain industries, sectors, or communities, certain people, are preferred and are not affected by some of the items that you referred to in terms of human rights abuses? Or is the

government saying, a Canadian company is doing a good job, so let's leave them alone? Is that maybe what's happening?

What is your comment, and I'll let the chair interrupt you.

**Ms. Bertha Oliva:** I repeat that regulations have to be created with the full respect of human rights. Those regulations have to be implemented, and that's what is not happening.

I'm not here because I am angry at anyone. I am here to present the testimonies of people who have been affected by a situation in which there are no measures to guarantee the human rights of the workers in garment factories.

For example, in this company at San Pedro Sula there are over 600 women who have presented their claims about labour rights violations. We're examining those claims so that we can avail ourselves of the Inter-American Commission on Human Rights. We want to ensure that there is a guarantee with regard to the health and the lives of these people. We're not saying that we want immediate action. We want people to think about what will be approved in the long run and we want it to be thought through.

I'm also here to encourage you to strike a commission and to not just work through diplomacy and investors. Speak to the different social groups, those that are organized, and unorganized civil society as well. Speak to the workers and to those who work within human rights organizations, because we are working for full respect for human rights. I cannot understand how, in this case, investors and companies can talk about fighting poverty when we can see the clear results in the illness rates and in the violations that workers have suffered. I can't understand it.

I think that strengthening human rights is based on a respect for human rights and ensuring their practical implementation, but it hasn't to do with imposing anything.

**The Chair:** Thank you very much.

We'll now move to Mr. Cannan.

I believe you're going to split your time with Mr. Hoback.

**Hon. Ron Cannan:** I am, indeed. Thank you, Mr. Chair.

The hard-working Mr. Hoback was also the chair of ParlAmericas, so he has some first-hand experience he'll share in a moment.

Peter, just from your company's perspective, I believe it was 2001 when you entered into business, so you invested in Honduras. The close proximity to the U.S. was one of the reasons.

Can you share a little about since 2001? Obviously, you're still there. What have you done to expand your operations and why are you still there?

**Mr. Peter Iliopoulos:** As I mentioned, we've had a very positive experience in Honduras. We have grown our operations from what started in 2001 as an initial investment in a sewing operation in the country to the point now where we've put in over \$700 million, represented by four textile facilities, two sock manufacturing facilities, four sewing facilities, and a screen-printing facility. We employ over 24,000 people in the country, and the biggest most distinguishing factor is that we have really been able to develop a very strong, decentralized, local management team because of the excellent quality of the expertise we have found in the country.

In addition, as part of our operations, as I mentioned, CSR is a very important business strategy for the company, and exporting Canadian values in each of the foreign countries in which we operate is of paramount importance to us. We've made a significant investment in partnering in the communities in which we operate, and we've made a significant investment in terms of developing a robust, corporate social responsibility program, which has been recognized by many international organizations. We believe—again as I mentioned—that we are really a leader in our industry with respect to this practice.

It's been a very positive experience for us in Honduras, and we hope to continue to build on that.

•(1245)

**Hon. Ron Cannan:** Thank you.

I have a question for Ms. Oliva.

Thank you for being here as well, and thank you for continuing on in your caring, compassionate way. I've read some of your background, and it's just such a horrific situation. Your husband disappeared, and I know that none of us around the table can understand or empathize from that perspective. We want to help those people who are in Honduras.

My question to you today would be a follow-up to Mr. O'Toole's comment about whether we turn our backs and isolate or we engage the Honduran people in social development, social justice, human rights initiatives, and economic development. Do you think that's the correct direction in which we should proceed?

Supplementary to that, within the agreement itself... We talked about rights of workers. Canada and Honduras have negotiated both a labour chapter, within the free trade agreement, and a parallel agreement on labour cooperation, including extensive enforcement obligations and associated penalties.

Under the agreement on labour cooperation, Canada is dedicated to working with Honduras to promote labour standards and better protect workers. Canada is providing labour-related technical assistance to help Honduras meet its obligations under this agreement. Do you think that is a positive initiative in addition to lowering the prices of beef and pork? Or should we just turn our backs, leave Honduras, and not engage?

**Ms. Bertha Oliva:** We feel that first the idea is to debate and arrive at agreements, but not between local businessmen and international businessmen, and not between governments. The debate and the agreements should really take place among the various social groups, among the people. Here we have Peter with a company that is fruitful and that does not have human rights

violations, but we have found a different result. I think that's a good starting place.

We have to see who is telling the truth, and what can be improved and what we must do. Here, isolation would not be the best strategy. It would not be a good idea to cut off diplomatic ties either. I think it's better to forget major gains in exchange for dealing with the sacrifices and human rights violations in the garment factories, the maquilas.

I can tell you that I will await you with open arms, and I will show you the cases that show there have been human rights violations and that women who work in the garment industry have mentioned those human rights violations repeatedly. We will provide all of the information you need with regard to those human rights violations.

**The Chair:** I don't mean to cut you off, but I need to give a little more time to Mr. Hoback.

**Hon. Ron Cannan:** *Gracias.* Thank you very much.

**The Chair:** You have a minute and a half.

**Mr. Randy Hoback:** Thank you, Mr. Chair. A minute and a half almost doesn't do it justice.

Mr. Iliopoulos, I did have the pleasure of touring your facility in Honduras with the Prime Minister, going through it and seeing how you conduct your business there. I commend you on that. As are other Canadian companies that are doing business around the world, you are doing so with good corporate social responsibility.

Can you just give us an idea of the wages you pay, the impact those jobs have on the local community, what those jobs mean to the local people there in Honduras, and what things would be like if you weren't there?

**Mr. Peter Iliopoulos:** As for what we do from a labour standpoint, first and foremost the wages that we pay are significantly above the industry minimum wages, but we don't stop there. We offer extensive benefits to our employees, and we keep building upon that year over year.

As I mentioned, we have in-house medical clinics at each of our facilities, staffed with doctors and nurses. If something were to happen, there's on-site medical support for checkups or whatever the case may be. We offer subsidized transportation for our employees so they can get to and from work, back and forth, in a safe manner. We offer subsidized meals for our employees. Working with the Ergonomics Center of North Carolina, we're in the process of developing a best-in-class ergonomics program.

We have 39 employees dedicated specifically to health and safety. We have a health and safety committee as well as an ergonomics committee. We take what is really a root-cause analysis approach, look at our manufacturing processes and practices, and conduct the review in that respect to determine whether there are any root-cause problems and address them before an injury occurs.

•(1250)

**Mr. Randy Hoback:** Okay.

What would the 24,000 people do if you weren't there?

**Mr. Peter Iliopoulos:** I don't know. What we're focusing on, really, is providing jobs in the country. We think that's what's most important, and obviously it would have a negative impact on the employment level if we weren't there—for sure.

**The Chair:** Thank you very much.

I have just one follow-up question.

Is there a minimum salary in your plants or in Honduras?

**Mr. Peter Iliopoulos:** There's an industry minimum wage.

**The Chair:** There's a minimum wage. Do you know what that is? Or I guess it's hard to relate it to....

**Mr. Peter Iliopoulos:** The industry minimum wage, I believe, is about \$250 per month. That's what I understand. We pay wages over and significantly above that, and as I mentioned, offer significant benefits.

**The Chair:** Do you know what the average salary is?

**Mr. Peter Iliopoulos:** For competitive reasons, we typically don't disclose that information publicly.

**The Chair:** No. I mean the average salary in Honduras.

**Mr. Peter Iliopoulos:** For the average salary in Honduras, I wouldn't have that information at my fingertips today.

**The Chair:** Okay. That's not a problem.

I want to thank you for your presentation and for the questions and the answers. This has been very good.

We have to suspend as we move into an in camera session for the last five minutes.

*[Proceedings continue in camera]*

---





Published under the authority of the Speaker of  
the House of Commons

---

### SPEAKER'S PERMISSION

---

Reproduction of the proceedings of the House of Commons and its Committees, in whole or in part and in any medium, is hereby permitted provided that the reproduction is accurate and is not presented as official. This permission does not extend to reproduction, distribution or use for commercial purpose of financial gain. Reproduction or use outside this permission or without authorization may be treated as copyright infringement in accordance with the *Copyright Act*. Authorization may be obtained on written application to the Office of the Speaker of the House of Commons.

Reproduction in accordance with this permission does not constitute publication under the authority of the House of Commons. The absolute privilege that applies to the proceedings of the House of Commons does not extend to these permitted reproductions. Where a reproduction includes briefs to a Committee of the House of Commons, authorization for reproduction may be required from the authors in accordance with the *Copyright Act*.

Nothing in this permission abrogates or derogates from the privileges, powers, immunities and rights of the House of Commons and its Committees. For greater certainty, this permission does not affect the prohibition against impeaching or questioning the proceedings of the House of Commons in courts or otherwise. The House of Commons retains the right and privilege to find users in contempt of Parliament if a reproduction or use is not in accordance with this permission.

---

Also available on the Parliament of Canada Web Site at the following address: <http://www.parl.gc.ca>

Publié en conformité de l'autorité  
du Président de la Chambre des communes

---

### PERMISSION DU PRÉSIDENT

---

Il est permis de reproduire les délibérations de la Chambre et de ses comités, en tout ou en partie, sur n'importe quel support, pourvu que la reproduction soit exacte et qu'elle ne soit pas présentée comme version officielle. Il n'est toutefois pas permis de reproduire, de distribuer ou d'utiliser les délibérations à des fins commerciales visant la réalisation d'un profit financier. Toute reproduction ou utilisation non permise ou non formellement autorisée peut être considérée comme une violation du droit d'auteur aux termes de la *Loi sur le droit d'auteur*. Une autorisation formelle peut être obtenue sur présentation d'une demande écrite au Bureau du Président de la Chambre.

La reproduction conforme à la présente permission ne constitue pas une publication sous l'autorité de la Chambre. Le privilège absolu qui s'applique aux délibérations de la Chambre ne s'étend pas aux reproductions permises. Lorsqu'une reproduction comprend des mémoires présentés à un comité de la Chambre, il peut être nécessaire d'obtenir de leurs auteurs l'autorisation de les reproduire, conformément à la *Loi sur le droit d'auteur*.

La présente permission ne porte pas atteinte aux privilèges, pouvoirs, immunités et droits de la Chambre et de ses comités. Il est entendu que cette permission ne touche pas l'interdiction de contester ou de mettre en cause les délibérations de la Chambre devant les tribunaux ou autrement. La Chambre conserve le droit et le privilège de déclarer l'utilisateur coupable d'outrage au Parlement lorsque la reproduction ou l'utilisation n'est pas conforme à la présente permission.

---

Aussi disponible sur le site Web du Parlement du Canada à l'adresse suivante : <http://www.parl.gc.ca>