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CANADA

## **Standing Committee on International Trade**

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**EVIDENCE**

**Tuesday, April 29, 2014**

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**Chair**

**The Honourable Rob Merrifield**



## Standing Committee on International Trade

Tuesday, April 29, 2014

•(1100)

[English]

**The Chair (Hon. Rob Merrifield (Yellowhead, CPC)):** I call the meeting to order. We have three witnesses with us. We'll go perhaps an hour and a half, perhaps a little bit longer, and then we'll break into committee business at the end.

We are dealing with Bill C-20, An Act to implement the Free Trade Agreement between Canada and the Republic of Honduras, the Agreement on Environmental Cooperation between Canada and the Republic of Honduras and the Agreement on Labour Cooperation between Canada and the Republic of Honduras.

From Aura Minerals Inc., we have the president and chief executive officer, James Bannantine.

It's good to have you with us.

Our second presenters will be from Cavendish Farms, Vincent Taddeo, vice-president international; and from J.D. Irving Limited, Wayne McDonald, senior vice-president, corporate relations.

I believe you are splitting your time.

**Mr. Vincent Taddeo (Vice-President International, International, Cavendish Farms):** We are.

**The Chair:** Very good.

Then we have, from Canada Pork International, Mr. Urias, director, Latin America.

Let's start with our presentations.

Mr. Bannantine, the floor is yours.

**Mr. James Bannantine (President and Chief Executive Officer, Aura Minerals Inc.):** Good morning, ladies and gentlemen. I'm Jim Bannantine, president of Aura Minerals.

We're a Toronto Stock Exchange listed company under the symbol ORA. Just for reference, last year we were a \$350-million revenue company, with our operations split among Toronto, Vancouver, Mexico, Honduras, and Brazil. We produce copper and gold. We produced 200,000 ounces of gold last year and 14 million pounds of copper. For reference purposes, of our operations, our mine in Honduras, which is a gold mine called San Andres, was \$100 million of our \$340-million revenue last year. That's just for reference purposes.

With respect to the subject for today, at a high level we believe that the best hope for Honduras and Central America in general is integration into the economies of North America: economic

integration. We also believe this is good for Canada in terms of security, human rights, environmental issues, democracy—CSR in general.

We also see in the regions we're operating in, both in Honduras and Mexico, production moving from Asia back to the Americas, in particular production that's integrated with engineering design, marketing, and manufacturing and production—or elements of production—split between the various countries in the area. We believe this provides jobs in these countries, which is the best defence against what is the biggest problem in the areas we're mining and operating in, and that is narco-violence. The best defence against a young man's going into the narco business is a job. So the best thing for security, the best thing for human rights, is employment and jobs.

Going from a macro level down to the micro level, in our own particular case, to put things into perspective, we've employed over the last two years between 13 and 25 people between Vancouver and Toronto, and we have a monthly payroll in those two cities of about \$400,000. So they're good jobs. Over the last two years we have spent approximately \$10 million on engineering and services in those markets, on various engineering and consulting firms that we use for the technology and services we need both to operate and to build the mines where we're operating.

If you look at our website, you'll see we publish annually a corporate social responsibility report. A big part of management's efforts and our efforts in the region is corporate social responsibility, including environmental and human rights, all of this governed by the Equator Principles, as defined by international finance corporations standards of the World Bank. We are often standard bearers in the countries that we operate in, including in Honduras.

Honduras had a democratic presidential election last November. Juan Orlando Hernández was elected president, but there was a very vigorous contest with a very high voter turnout.

We also don't believe at this point in time, even today, that democracy can be taken for granted in the areas where we operate. We operate in Latin America, but we see examples in Venezuela, Bolivia, Argentina, Cuba, and even Nicaragua, next to us, of a lot lacking.

At least as far as we can see, we think the economies of Canada and Honduras are complementary. Honduras's competitive advantage and focus is on tropical products such as fruit, textiles, coffee, and in our case minerals. Honduras, in our case, also benefits from Canadian services, technology, and manufacturing.

●(1105)

At \$100 million in revenue, our wholly owned mine in Honduras is one of the biggest companies in the country. We employ about 700 people at the mine, one of two mines in the country. There's a great potential for many more mines in Honduras. Obviously, mining is a very significant sector for Canada. We're the world leaders in mining, and so more mines in Honduras and Central America should mean more opportunities for Canadian companies.

Central America is very narrow, and the biggest part of the land mass is mountains. They are the spine, the backbone, that goes from North America to South America. There's good geology there, a lot of good faults. However, relative to the geology there are very few mines. I think there's potential.

Honduras passed a new mining law last year. It still has room for improvement, and it's still open for improvement, but the new mining law was debated and there was a lot of input from Canadian companies and Canadian consultants into the new mining law. Again, we're still working on that.

Specifically with respect to the free trade agreement, the investment protection provision is the greatest element of the free trade agreement in our favour. A new mine is \$100 million-plus. It's a big investment. It takes many years to recoup that investment, to amortize that investment. The investment provision in the free trade agreement is the single most important element to us.

With that, I'll conclude my comments and look forward to your questions later.

●(1110)

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

We'll now hear from Cavendish Farms.

Go ahead, Mr. Taddeo.

**Mr. Vincent Taddeo:** First of all, good afternoon, ladies and gentlemen. Thank you for giving us the time to present our points of interest.

My name is Vince Taddeo. I work for Cavendish Farms. I would also like to introduce my colleague, Wayne McDonald.

Please go ahead, Wayne.

**Mr. Wayne McDonald (Senior Vice-President, Corporate Relations, J.D. Irving Limited, Cavendish Farms):** On behalf of Robert Irving, we would like to thank you for the invitation and the opportunity to appear before this committee today. Our operating structure at J.D. Irving isn't commonly known, so it might benefit the committee if I gave a very brief description of where Cavendish Farms is within the organization.

At J.D. Irving Limited we have six operating divisions: forest products, consumer products, shipbuilding, retail and distribution, food products, and transportation. We often describe ourselves as a

plural organization. We have two co-CEOs, led by brothers Jim and Robert Irving. We have two corporate offices located in Saint John, New Brunswick, and in Dieppe, New Brunswick. Jim Irving predominantly takes care of the forest products, shipbuilding, and the retail and distribution divisions, and Robert Irving takes care of the consumer products, food, and transportation divisions.

My role of corporate relations encompasses community investment, sponsorship and donations, philanthropy, and government relations for the organization. I play a support role to each of the subject matter experts within the independent operating businesses, and it's in this capacity that I'm joining my colleague today, Vince Taddeo.

Vincent is well qualified to be here today. He has over 39 years of international trade experience, all within the food sector, so I'll turn it back to Vince.

**Mr. Vincent Taddeo:** Thank you, Wayne.

I want to talk a bit about Cavendish Farms. We're a frozen french fry and appetizer processor located on the east coast with our head office in Dieppe. We have two plants in Prince Edward Island; one in Wheatley, Ontario; one in Lethbridge, Alberta; and one in Jamestown, North Dakota.

We currently produce in excess of 1.3 billion pounds of frozen product and utilize over 2.5 billion pounds of potatoes. Our modern plants are approved by all of the major QSRs, or quick service restaurants, that you can think of, including Wendy's and Burger King. We are one of the largest private-label packers for many of the largest North American retailers, such as Walmart, Sam's, Loblaw's, Sobeys, Costco, and so on.

Cavendish Farms, as Wayne said, is a division of J.D. Irving. We're a team of 15,000 dedicated employees. We have been in business since 1881, so more than 133 years.

I would like to give you a little bit of an impact of the kinds of things we do. On Prince Edward Island, for example, we have 780 full-time employees and 130 seasonal employees. We have an annual payroll of over \$45 million. We produce over 760 million pounds of frozen product; 1.2 billion pounds of potatoes, which represents 42,000 acres; and we buy from 280 suppliers.

Aside from providing for the U.S. and Canadian marketplaces, we ship our products to more than 50 countries worldwide. My history has always been in the international; after 39 years in the food industry, I've seen both the pros and the cons. One of the things I would like to talk to you guys about is the positives that Canada has instituted in the international but also the negatives. If you give me just a few seconds, I'd like to attest to some of those things.

Cavendish Farms relies on exports and access to foreign markets. Our ability to sustain growth in export markets has been hampered by the lack of free trade agreements. As an example, on May 18, 2010, Central America and the European Union reached a free trade deal between the two regions, and we have suffered because of that. But the one that really hurt us the most was the Central America free trade deal where in 2005 the U.S. got the free trade deal, and Canada had been discussing this one for years prior to the U.S. The day after it went into implementation stage, all our Burger King, Wendy's, KFCs—we lost them overnight. It was that quick. It was because all of a sudden they had a 15% duty advantage.

The same thing has happened again in the Dominican Republic, where the U.S., in January 2010, got a free trade deal implemented and immediately we lost all our business.

Now, having said that, let's talk about the positive side of the FTAs. Canada in 2002 got a free trade deal with Costa Rica. At that point in time, from then to now, our sales have ten times increased. It just goes to show that whenever we can conclude these free trade deals, there are massive positive aspects. The same thing happened in the EFTA, the European free trade agreement, with Liechtenstein, Norway, Iceland, and so on. In Iceland our sales are up five times what they were.

Having said that, what is it that's required? The Canadian government must make the timely establishment of free trade negotiations a greater priority and ensure a more level playing field for our exports and exporters; revive the Central America countries of Guatemala, El Salvador, and Nicaragua negotiations; resume negotiations with the Dominican Republic; and be proactive and aggressive in negotiating and conducting other free trade agreements.

Please conclude the Korea trade agreement as quickly as possible. This area represents ten times what Central America represents.

We're here to answer any of your questions. Thank you.

•(1115)

**The Chair:** Very good. We're well on our way on those.

Mr. Urias, the floor is yours.

**Mr. César Urias (Director, Latin America, Canada Pork International):** Thank you.

Honourable members of Parliament, I'll introduce myself really quickly. I am the director for Latin America of Canada Pork International. I'll describe what CPI is and what we do in the pork industry.

Canada Pork International, CPI, is the export market development agency of the Canadian pork industry. CPI is a joint initiative of the Canadian Pork Council and the Canadian Meat Council. CPI membership includes the national and provincial associations of hog producers as well as federally registered pork packing and processing establishments and trading companies. Combined, CPI members represent nearly 99% of the Canadian pork exporting industry.

This industry has been serving international markets for more than 100 years, and currently reaches clients and consumers in more than

100 countries: more than 60% of Canadian pork production is exported. This said, Canadian pork exports account for nearly 20% of today's world pork trade. In 2013 Statistics Canada reported that Canadian pork exports amounted to nearly 1,184 metric tons worth \$3.2 billion.

Over the last five years, Canadian pork exports have registered record years in volume. One of the reasons for this consistent development of the export business has been establishing free trade agreements with strategic partners, obtaining preferential access conditions such as reduced and/or eliminated tariff rates, and unrestricted access in veterinary and sanitary regulations.

The free trade agreement with Honduras is estimated to generate sales of \$5 million to \$7 million in the first year following implementation. The FTA will open a duty-free tariff rate quota, TRQ, for pork products starting in year one; the quota will be 1,644 metric tons. It will expand to 2,710 metric tons by year 14. By year 20, the 15% duty rate for the out-of-quota imports will be reduced by one percentage point per year with unlimited volumes at zero duty by year 15 as well.

Furthermore, Honduras has granted system approval to Canadian Food Inspection Agency pork plants, meaning that all federally registered pork plants can export pork products to this market. This measure will effectively restore access for Canadian pork to the level it enjoyed prior to 2009 when regulatory changes made by the local government limited the number of Canadian plants eligible to serve this market.

In 2004, similar to the case of the potato industry, Canada exported 1,345 metric tons estimated at \$2.2 million, approximately one-third of Honduras pork imports. By 2006, Canadian pork exports dropped to zero as the Dominican Republic-Central America-United States free trade agreement, the CAFTA-DR, came into effect. The strong competition from the United States is evident in the Central American region. U.S. pork exports account for 99% of Honduran pork imports. The ratification of the FTA between Canada and Honduras could allow Canadian pork exports to attain 10% to 12% of the market share just within year one.

Pork is one of the main animal protein sources in the region. Exported items can serve mostly to further the processing industry. However, CPI will target niche and high-end market segments as trade evolves. Additionally, local pork consumption in Honduras has increased over the last ten years. The current average per capita consumption is about 4.7 kilos a year, not very comparable to what it is in Canada, nearly 15 kilos per year.

In conclusion—I apologize, I'm trying to keep this brief—there's plenty of room for growth. Canadian pork products have been selling well in Honduras in spite of the higher tariff, which is also 15%. Our exports have already risen in 2014. Therefore, Canada Pork International strongly supports Canada's ratification of the free trade agreement with Honduras.

I thank you for your time, and I remain open to any questions or comments you may have.

•(1120)

**The Chair:** Thank you, all three of you. I'm sure you've stimulated a lot of good questions.

We'll start with Mr. Caron.

[*Translation*]

**Mr. Guy Caron (Rimouski-Neigette—Témiscouata—Les Basques, NDP):** Thank you very much, Mr. Chair.

I would like to start by saying that, last April 11, Carlos Mejia was murdered. He was a journalist and a member of the reflection, investigation and communication team for Radio Progreso, which is affiliated with the Jesuits in Honduras. He was stabbed to death in his home. This did not really come as a surprise. He had just completed a public opinion survey about various public policies related to the Government of Honduras.

On five occasions, between 2009 and 2011, the Inter-American Commission on Human Rights asked for special protection for him given that his life was in danger. He is the 34th journalist to be murdered since the coup d'État in 2009. In 15 of those cases, it has been confirmed that the reporters were working on corruption issues or that they had worked with the opposition to the government following the coup d'État. In the 15 cases in which work with the opposition or work on corruption has been confirmed, only four arrests have been made to date.

With that, my first question goes to Mr. Bannantine.

You mentioned your policy of social responsibility. Basically, your policy reads as follows. Correct me if I am wrong:

“Aura Minerals is committed to sustainable development, the protection of human life, the preservation of the environment, and the improvement of positive impact on the communities where the Company operates. The Company demonstrates this commitment through corporate responsibility strategies and sustainable growth aligned with all corporate responsibility practices.”

Is that a reasonable reflection of your policy?

[*English*]

**Mr. James Bannantine:** That is correct.

[*Translation*]

**Mr. Guy Caron:** We have previously heard from a number of expert witnesses who, murdered journalists aside, mentioned the fact that dozens of members of the opposition party LIBRE were murdered in the months leading up to the elections in November 2013, that dozens of trade unionists, indigenous leaders and hundreds of campesinos have been killed since the coup d'État for reasons linked to resources and political conflicts. They also mentioned that the impunity rate for these murders is 98%, that there is an office of special human rights prosecutor but that the budget is only enough for one person's salary and the use of a car and that the Honduran government's social spending has dropped since the coup d'État although overall spending has risen.

Tell me this, Mr. Bannantine. How do these facts tie in with your policy of social responsibility? If Aura Minerals can conduct activities in Honduras—as you are already doing—without the free trade agreement, is it not your opinion that the Canadian government

should establish the improvement of the Honduran government's social responsibility as a priority in the negotiations?

[*English*]

**Mr. James Bannantine:** The security situation in Honduras is very bad, no doubt about it. It's the per capita murder capital of the world. San Pedro Sula, the main city, the business city, the city you fly into, is the per capita murder capital of the world when it comes to cities.

I also have lived in Honduras. It's a major concern. With boots on the ground, the biggest source of insecurity is the drug trade, by far. Our operations, to be honest with you, are not affected much by the security. We're not in the line of fire. We're not on the front lines. Our mine is in the department of Copan, which is in the northwest corner of the country.

So we have, in terms of our ability to implement our CSR policies in the country and enforce our standards, if you want to call them that, or do things like we would do them in Canada, or do them in Brazil or Mexico—

•(1125)

[*Translation*]

**Mr. Guy Caron:** Let me interrupt you for a few moments.

You are telling me about the drug trade, but the question was whether the Government of Canada should be using these agreements to promote social responsibility with the Government of Honduras, rather than simply making economic agreements.

You are telling me about the drug trade, so let me remind you that your mine in San Andrés is about 25 km from El Paraíso, where the situation is very problematic. According to the Woodrow Wilson Center, the mayor himself, a member of the party in power, is working with the Sinaloa cartel and travels with an armed bodyguard of 40. A number of situations are causing problems for the elections and for freedom of expression precisely where the San Andrés mine is located.

Are you not concerned by the link between the drug trade and the public and police authorities in the same region where you are conducting your activities?

You will eventually have the opportunity to talk about the role of the Government of Canada in the negotiations and to tell us whether trade accords should be used to advance the country's social responsibility.

[*English*]

**Mr. James Bannantine:** I was going to get there, actually, in my answer to your question, after my introduction.

In answer to your question, the free trade agreement, through the economic integration and jobs, is the best effect on the security in Honduras. By far the number one positive factor in security in Honduras, that allows us to practise our CSR and operate unimpeded, is jobs, economic growth; jobs make the best defence against this violence.

The real violence, as you said—you referenced the Sinaloa cartel—is driven by the drug trade. The drugs aren't going through Honduras, just the cash. Honduras is the route for the cash. The violence and the deaths are by far gang on gang, the Mara Salvatrucha versus the Zetas, one gang versus another gang, who are trying to fight for the drug turf.

In relative terms, with all due respect, the Mexican army and police are winning the war in Mexico, and the bad guys are going to where the vacuum is. They're going to El Salvador, Honduras, Guatemala.

So I think the best thing we can do for that is to create jobs, and the free trade agreement does that.

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

Mr. Hoback, seven minutes.

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

Thank you, witnesses, for being here this morning.

Listening to Mr. Caron, I agree; some things have happened in Honduras in the past that are not acceptable. They're just not acceptable. We've had witnesses here before who have talked about some of the violence, the murders and everything else that goes on there.

The question I have—and I pass this on to my colleagues in the opposition—is that the status quo is not acceptable either, so how do you help them? How do you get them out of the scenario they're in today, where they are the murder capital in the city that you mentioned there, that they have these types of social issues?

You mentioned that you have some 700 employees in your operation. What would they be doing if you weren't there?

**Mr. James Bannantine:** The 700 employees in our operation in Honduras are some of the best-paid employees in Honduras, and our city is not 25 kilometres from El Paraiso. Our mine is 25 kilometres from Santa Rosa de Copan. That department, Santa Rosa itself, the region, is in relative terms much more secure than other regions of the country. You can't say it's statistically cause and effect, but just observing, you would say that where the jobs are, the security is much better.

• (1130)

**Mr. Randy Hoback:** So again, on the micro side of things in your region, it's better because there is actually opportunity. There's something to look forward to. Of course, with jobs comes respect, and with respect, it means raising a family properly. It means activity in the community, which again makes the bad people, for lack of a better word, go somewhere else.

Is that fair to say?

**Mr. James Bannantine:** Yes. We pay approximately 6% of our revenues in taxes in Honduras. Of that, 2% goes to the municipality, and 2% actually right now goes for security at the national level, to police and to army. I'm sure you can imagine the outside influences and the weight of the outside influences on a tiny country. Honduras is a tiny country with the weight of the Mexican drug trade, the South American to North American business inflows are so huge—

**Mr. Randy Hoback:** You have just explained why Canada needs to be there to help.

**Mr. James Bannantine:** Yes.

**Mr. Randy Hoback:** That's actually better for us back here in Canada, because any dirt we make in drug trafficking there is a dirt we make in drug trafficking here in Canada. It's basically relative.

**Mr. James Bannantine:** Absolutely. It also reduces the desire for people to want to illegally immigrate.

**Mr. Randy Hoback:** That's true.

Mr. Taddeo and Mr. McDonald, you talked about your operations. You just highlighted what the effects can be when you're not part of a trade agreement, when you're actually on the outside looking in.

What was the impact back here in Canada on our farmers when you lost that market? Can you give us a little bit of insight into that?

**Mr. Vincent Taddeo:** One of the things we took a look at was the absolute volume that had affected us. Over the last five to seven years, it has affected us, in that market alone, by over 20 million pounds, and 20 million pounds reflects approximately \$10 million.

**Mr. Randy Hoback:** So not big dollars, but that quick shock would definitely have an impact on your operations right now.

**Mr. Vincent Taddeo:** It did immediately, and you have to find markets elsewhere, so it did have an impact.

**Mr. Randy Hoback:** Of course you're a bigger company so you have to look at realities. I've worked for big companies before. One of the realities you looked at is, if you have the ability to do production in different countries, but one country has an FTA and one doesn't, what do you do? You actually go and produce more in the country with FTA. Is that fair to say?

**Mr. Vincent Taddeo:** You suffer.

**Mr. Randy Hoback:** Exactly. So Korea would probably be a good example, then, as we look forward.

You have an outlet in Jamestown, I understand.

**Mr. Vincent Taddeo:** Yes, we do.

**Mr. Randy Hoback:** The U.S. has an FTA, so where are you going to ship your potatoes? If you have a chance to go to Korea, they are going to go into Jamestown, right?

**Mr. Vincent Taddeo:** Exactly. There's a reality there that you should be aware of. Jamestown is located in the centre north of the United States. Getting the free trade deal with Canada, and us being in Lethbridge, Alberta, you save approximately 7¢ per pound. On french fries that is huge.

Having a Canada free trade deal with Korea: huge boom for us. We already have orders in-house for approximately 40 million pounds if we get a free trade deal.

**Mr. Randy Hoback:** Again, that reflects the domino effect. It comes back into Canada so into Lethbridge, and that's an opportunity —

**Mr. Vincent Taddeo:** It's huge.

**Mr. Randy Hoback:** —where the farmers there have another market for their product to go to.

**Mr. Vincent Taddeo:** It affects everybody, from truckers to processors to plant workers to even the trains we have over on that side and to shipping lines—everybody and their families.

**Mr. Randy Hoback:** Again, let's look at the other scenario from some in the opposition party. The opposition party says we shouldn't do this trade agreement for one reason or another. The reality is that the impact back in Canada on the individual farmer, or the logistics chain, or people supporting that infrastructure in your case would be huge, would it not?

**Mr. Vincent Taddeo:** Very much so. I couldn't agree with you more.

**Mr. Randy Hoback:** What would you recommend as we move forward on trade agreements like Korea and trade agreements like Honduras? I know you talked a little bit about the FTA in countries like that. We have some countries in Central America that at this point in time just aren't willing to do that. I look at it and say, if you do Honduras, it kind of opens the door for other countries down the road. Would you not agree with that?

**Mr. Vincent Taddeo:** Exactly. You're aware of CA4. Basically Canada started discussing this thing back in 2002 when they started doing Costa Rica. At that point in time in 2005, the U.S. strong-armed their Congress. They got it through very quickly, and immediately they went to zero. So we ended up losing a huge amount of our business in that marketplace. We retained some of the customers just so that we could stay there. We're doing it at a loss.

Canada changed tack, and they went from multilateral, trying to get all the four or five countries at a time, to bilateral, one-on-one country. They have been successful with Honduras at least in the written format, and we're very, very pleased with that. We want to congratulate Canada for having achieved that. We want to see more of that. And you are right, because I think once Honduras gets online, then El Salvador will come in, Nicaragua will come in, and I think there will be more.

• (1135)

**Mr. Randy Hoback:** I agree with you on that.

Mr. Urias, you talked about the pork sector. Now—

**The Chair:** You'll have to be very quick.

**Mr. Randy Hoback:** Then maybe I'll stop there. My question would probably open another five minutes.

**The Chair:** You have about five seconds, so I think that's a very good idea.

Mr. Pacetti, the floor is yours.

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

Thank you to the witnesses for coming. I have quick questions for each of you.

Mr. Bannantine, I'm looking at a copy of your brief. Thank you, because we sometimes don't get anything. What is the direct benefit for the...with this free trade agreement? Whether there's a free trade agreement or not, for your company it doesn't really matter. The mine is there. You're still going to exploit the mine. What is the benefit?

**Mr. James Bannantine:** I was referring to mining in general. There are a lot of new mines that could be built in Honduras. There are Canadian companies exploring. It could be us or it could be somebody else building a new mine. You're right, it doesn't affect our operating decisions much. We expand our mine and we invest in our mine. Our typical capital expenditure for this mine is about \$10 million a year.

**Mr. Massimo Pacetti:** But there's no direct benefit from the free trade agreement; is that what you're saying?

**Mr. James Bannantine:** No, there is. Our existing investment is protected.

**Mr. Massimo Pacetti:** The investment is protected. That would be one.

Is the repatriation of some of the profits protected?

**Mr. James Bannantine:** Yes, it is.

**Mr. Massimo Pacetti:** Anything else? Labour movement, or...?

**Mr. James Bannantine:** No. The national treatment of services is protected. We're not going to buy engineering services in Honduras, because the engineering firms for mining aren't mining engineering firms—

**Mr. Massimo Pacetti:** Labour mobility, then.

**Mr. James Bannantine:** Yes.

**Mr. Massimo Pacetti:** Okay. Thank you.

Mr. Taddeo, just quickly, you spoke about one of the free trade agreements signed and about the 15% duty. I think it was Korea, you were saying, 15%?

**Mr. Vincent Taddeo:** No, the 15% duty is in Central America.

**Mr. Massimo Pacetti:** In Central America.

**Mr. Vincent Taddeo:** Korea is actually 18%, so we're at a major disadvantage.

**Mr. Massimo Pacetti:** Is there a percentage where there's a break-even point, where you're even paying 2% or 3%? Does that matter? I know the answer is you basically want zero duty.

**Mr. Vincent Taddeo:** Obviously.

**Mr. Massimo Pacetti:** Are there are places, like in Central America, where the duty factor is not a major item?

**Mr. Vincent Taddeo:** In Central America, actually the duty is the major factor. But you are right, you don't necessarily need to have 100% off. You're perfectly correct; what a lot of the countries do is diminish duties over a four- or five-year period.

Thank goodness Canada has negotiated on our products—for example, Korea, when it gets implemented, will go to zero duty immediately.

**Mr. Massimo Pacetti:** Oh, it's immediately.

**Mr. Vincent Taddeo:** Yes, it's immediate.

**Mr. Massimo Pacetti:** Then you can turn around and up your production?



**Mr. Vincent Taddeo:** Oh, yes, without a doubt. It will have a direct impact on our employment, on our farmers, on our truckers—the whole chain.

**Mr. Massimo Pacetti:** Okay. Great.

Mr. Urias, conversely, in your situation you're saying that with the free trade agreement with Honduras your duties are going to go down. Right now the United States is predominantly there, but you're still able to penetrate the market.

**Mr. César Urias:** That's correct, yes.

**Mr. Massimo Pacetti:** What is the duty difference going to make if you're still able to penetrate...? Obviously, your sales are going to go up, but is that really one of the barriers for your entering Honduras? Right now, as I understand, there's a lack of supply of pork in the worldwide market. Are your sales really going to improve or increase in Honduras?

**Mr. César Urias:** First of all, as I mentioned, in 2006 we almost completely lost the market. Since then we've been trying hard to gain something back; however, our market share is pretty minimal. If we manage to get preferential access, we'll be able to take some market share from the U.S. We estimate it's going to happen between 10% and 12%.

**Mr. Massimo Pacetti:** Is that because of the Honduras free trade agreement, or is it because of market supply and demand?

**Mr. César Urias:** No, that would be a direct input from the FTA, definitely. You're right, there is a restraint on the supply of pork worldwide, but that hasn't actually stopped Canada from being able to serve many markets. We're present in the major markets out there. I guess that's in major part because we still have good pricing. We can serve not always, not all the time, because again, it is a commodity, and the name of the commodity is always pricing. Pricing fluctuates constantly. But we've been able to actually stay in Honduras even though local importers have to pay the 15% duty on Canadian product.

• (1140)

**Mr. Massimo Pacetti:** Okay. Thank you.

Thank you, Mr. Chair.

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

Mr. O'Toole, the floor is yours.

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

I'd like to thank all the witnesses for taking the time from their schedules to come here to speak about not only the importance of this agreement but more broadly, I think, you touched on the importance of new markets. I think we have a tremendous example here today with the companies that are appearing. We have investors, from some of our world-class mining industry, and we also have our agricultural sectors represented, on the produce side, the crop side, and the food processing side. Really we have almost the triple-threat of Canada before us.

I have a couple of specific questions, and the first is for you, Mr. Bannantine. You spoke at length about your investments in the San Andres mine. You did paint a stark picture of the choice Hondurans have in getting a job in one of the sectors—we've heard from Gildan and others, Canadian employers on the ground there—or being

drawn into the strife and terrible circumstances of narco-trafficking and the violence associated with it.

You also talked about the \$10 million you spend annually in the country on services and engineering. In my consultations with NGOs specific to the extractive sector, Engineers Without Borders talked about the importance from a CSR perspective of building those local supplier and local procurement networks with the hope that at first they service your investment and your operation in the country, but it fosters an actual economy beyond simply your investment.

Have you seen the growth of that local procurement and that local supply network in the years you've lived there, both as an army officer on the ground through to your investments with Aura? Have you seen that grow?

**Mr. James Bannantine:** Yes, we have. If you look at our CSR policy, and our CSR annual report that is online, and look at the highlights of what we're doing and what our policies and procedures are, local procurement is an initiative that we always incentivize. Where we are succeeding, you can't go from zero to 100 kilometres an hour overnight, so we have to train people, depending on the economies and different speeds.

We recently had a village contractor win the lining job of a new gold leach pad. The lining job is 10 hectares of a big leaching pad that has to be lined with a rubber mat. It's a lot of manual labour, but this little, tiny village contractor won that contract by organizing the local villagers. He got an engineer from Venezuela to come and help with the technical side. It was a big victory for us on local contracts. In our procurement policy, there are points awarded for local contracts. Extra points are awarded for local contractors. It's huge.

Everybody is in it for the jobs. They put up with what they have to put up with, in terms of working with noise and stuff around their villages, for the jobs.

**Mr. Erin O'Toole:** So you've seen the multiplying effect. You're employing 700 in your operation directly, but your investments have that multiplying effect in actually growing additional jobs in the surrounding economy.

**Mr. James Bannantine:** Those 700 jobs basically support 5,000 people. We have the statistics to show that.

**Mr. Erin O'Toole:** In a country with very few opportunities at the pay level you mentioned.

**Mr. James Bannantine:** The indices on violence and insecurity and all the other...including domestic violence, are much lower in our area. It's because of the jobs.

• (1145)

**Mr. Erin O'Toole:** You're echoing the leading human rights person from an association for missing and murdered people on the ground in Honduras. She was clear that engagement is important. Isolation is not going to help the life of an average Honduran. So I appreciate your going into the local procurement a little more.

Mr. Taddeo, thank you very much. It's refreshing to hear about a Canadian company that already exports to 50 countries and is hungry to do more. You've come to the committee that is hungry to give you more countries to sell your goods in.

I find the attitude that you reflect here to be refreshing. We need more Canadian companies to look beyond just our southern border and really look at the opportunities that Latin America, Central America, Europe, and Asia present. You talked about the CA4 and the negotiations we did have with Central America that ended up being just a bilateral. There's a whole range of reasons, and we've heard from the department on that.

Can you reflect on the impact of the loss of markets, not just in dollars, but also with regard to potential pressures on employment here in Canada because Canada has been slower in Central America and South America? You talked a bit about the EU FTA with Honduras beating us to the punch, and the U.S., giving 15% advantage to your competitors. How does that equate to lost opportunity or pressure on the jobs that you create in New Brunswick, Ontario, and Alberta?

**Mr. Vincent Taddeo:** That's a very good point. As you know, right now we're in Ontario, New Brunswick, Prince Edward Island, and Alberta, and we depend on growth. We depend on open borders to grow our system, to increase our weight. Our management, Mr. Robert Irving, has suggested that we are now doing \$1.3 billion, and our vision is to be at \$2 billion by 2020.

Having said that, my mandate is to grow every year. Either we grow or we die—or maybe I won't have a job, one or the other; I'm not sure which.

Nonetheless, having said that, we've experienced major troubles in the 2005-10 period because of the loss of all of the majors. The drivers in our industry are those QSRs, the quick service industries, Burger King, Wendy's, the KFCs. These are the companies that expand at a huge pace. When you lose all of these guys, immediately you lose the marketplace. It's not only the marketplace; you end up losing the food service as well as the retail side.

If I were to put it in perspective, the numbers in Central America alone have been huge. It's had a huge impact on our labour, our growth, on shipping. I can name half a dozen things right now.

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

Before we go to our second round here, the population of Honduras is about eight million, is that right?

**Mr. James Bannantine:** Yes, it's eight million to ten million.

**The Chair:** I have a sideline question before we get into a second round. I think Mr. Morin is up next.

You're talking about first advantage and opportunity for the potato industry. Can you tell me what first advantage on the CETA would

be for your industry? I know it's a bit of a sideline to this agreement, but you alluded to some of the other agreements. We will likely get there way ahead of the United States on this one.

**Mr. Vincent Taddeo:** Yes. The reality is that if Canada completes any agreement prior to either Europe and/or the United States, it gives us tremendous advantages. Number one, you get established. You get your brand in the marketplace and you grow your brand accordingly. Once the brand is established, it's very difficult to move it.

**The Chair:** Okay. That's a broad answer to a bit of a broad question.

Monsieur Morin, the floor is yours.

• (1150)

[*Translation*]

**Mr. Marc-André Morin (Laurentides—Labelle, NDP):** Mr. Bannantine, under the terms of the new provisions on mining activities in Honduras, 3% of the royalties will go directly to the security forces.

Do you not see that as a huge amount?

[*English*]

**Mr. James Bannantine:** You have to look at it from the perspective of the Hondurans. I would say that if you look at it purely economically, logistically a big part of the infrastructure of the country is wrapped up in security. Can you get a truck across the road? Can you get a truck to go down the road? Can you get the people on the bus to their work? Security is almost like an investment in rail, or road, or basic public services. Sitting here, it's hard to envision that, but the security is so bad that it costs that much. It's 2%, yes.

[*Translation*]

**Mr. Marc-André Morin:** At the beginning of your presentation, you mentioned the new legislation in Honduras. You said that it was quite good, but more changes should be made.

What exactly were you referring to?

[*English*]

**Mr. James Bannantine:** There's a couple of things in the Honduran legislation. The mandate of our team and of our company is Latin America. We're mining in the Americas, so we all speak Spanish and Portuguese. In Honduras, that 6% that I referenced is the highest tax rate in Latin America on the revenues of the mining companies, probably because the Honduran need, including security, is the greatest.

The other general area that can use improvement in the law is the sanctity of a concession. Once you take the risk and drill under an exploration permit, you need to protect the right to build a mine where you found the minerals you're looking for. That's the other element we're working on.

[Translation]

**Mr. Marc-André Morin:** Mr. Urias, let us take a look at the world market for pork.

I understand that we are talking about trade, but often trade issues and moral issues, such as democracy, enter into the equation. For example, Canada is the biggest supplier of pork to Russia. Correct me if I am wrong, but that is the largest export market there is for pork producers. The volume is huge.

For reasons of democracy and human rights, the sanctions to be imposed on Russia will threaten that market significantly. Should we not be asking ourselves the same questions for other states where we have no doubt, where we are certain, that the place is in chaos and that human rights are held in contempt?

[English]

**Mr. César Urias:** It is clear that the world is always changing and the markets have to always adapt to the circumstances out there in terms of the political, economic, and financial restraints imposed on them.

You're right when you say that Russia is a big market for us. It's probably our third-largest market in volume and in value, but right now China is achieving that level of importance for us. The U.S. is also there.

Precisely because we don't want to depend on just one market and one country, and because we search for options for our producers, for our exporters, and for industry in general, we seek to support this FTA.

When it comes to democracy, this is a question that is probably outside of my reach and that of my organization, but we always support the idea of democratic development out there.

• (1155)

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

We'll move to Mr. Cannan.

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

Thanks to our witnesses.

Mr. Bannantine, in your opening comments and during your previous answers, you said to refer to your website. I went to your website and took a look at your CSR link. One comment is that you strive to “continuously improve corporate responsibility practices”.

Some of the committee members had a chance with ParlAmericas to go to Peru about a month ago and tour a mine. Maybe you can share your experience as to how Canada ranks on corporate social responsibility on the world stage compared to China, the U.S., and other mining operations?

**Mr. James Bannantine:** CSR obviously generally encompasses environmental, human rights, labour, and community, including

procurement-type things. But Canada is clearly a leader, and we are flag-bearers in the places where we operate. We have to get local permits, but that's not our standard. Our standard is an absolute standard and it's really driven by the Equator Principles. Those are the best international metric for the standards we operate under. They were developed by the World Bank's IFC.

**Hon. Ron Cannan:** With regard to the need to share those with the local individuals and the community, is that something you have a dialogue with the government on, to try to get those types of policies so that you'd have a level playing field with your competitors as well?

**Mr. James Bannantine:** We do. If you look at the countries we operate in—Honduras, Brazil, and Mexico—Honduras is the least developed by far of those countries. So we are, in some ways, transferring CSR technology into Honduras.

I can't say that for Mexico or Brazil. They're very evolved and more advanced. In Peru, you would see a much more advanced CSR sector than you'd see in Honduras. I agree with Erin or whoever it was who said that the best way to improve things is by engagement, not by isolation. There's no doubt about that. We want to improve the lives of those people.

The other thing, though it's not directly related to your question, is that people call Central America a nation divided. It's five little countries that should be one, and if you put them all together, there are 50 million people. There are eight million here and ten million there, but there are logistical systems and regulatory systems and everything, so the more you can do to get Central America to be treated as one country, the better it will be for us and other exporters and Canadian companies.

**Hon. Ron Cannan:** I just had a meeting yesterday afternoon with Colombia's ambassador to Canada. You don't have to look very far; we concluded a free trade agreement with them in the last few years, and to see the quality of life, the security... They have a long way to go yet, but they've made huge leaps and bounds in economic growth, hope, prosperity, and opportunities for Colombians. As a matter of fact, I'm a Rotarian, and we have a Colombian student on exchange right now who talks about the excitement in the relationship with Canada.

I have just one other question for each of you. We have a few minutes to just quickly answer. We've heard from our constituents. Canadians have commented that free trade agreements generally benefit just big corporations. Can you share maybe in 30 seconds or 60 seconds how you feel this trade agreement can help the average Canadian?

**Mr. James Bannantine:** I talked a little bit about the mining sector. It's a very strong sector. Honduras, geologically speaking, is a mining target.

So the investment protection provision of this agreement will make a big difference in the required rate of return that you have to make on an investment in Honduras. If there's a lower required rate of return, there are going to be more investments made and more engineering jobs and more administrative jobs and all of the other jobs that are done at headquarter offices here in Canada as well as for our service providers who are engineering and manufacturing firms.

• (1200)

**Mr. César Urias:** I guess I'll just replicate what my colleagues from the potato industry mentioned. Basically the FTA benefits the very base, the very foundation of the producing sector, as well as farmers, distributors, transporters by train, truck, or you name it. It even benefits financial services, insurance, and credit industries. There's a large, vast effect that is replicated in many other industries, not just ours. It's not just a focused effect. It spreads all over.

**Mr. Wayne McDonald:** Not to sound like we're duplicating here, but the downstream economic impact of our organization is huge. We're playing in a global market, and the market is shifting and moving. Our inability to trade in countries without the free trade agreement is really prohibiting that growth that Mr. Taddeo spoke of earlier.

Our desire to continue to grow and to play in the global field is also partially being pulled into it. When you get multinational corporations that are the end-product users of your product, then as they go, they want you to go as a supplier. If you're not competitive and you can't go, then that's another inhibiting factor for downstream and the economic impact that goes with it.

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

Madam Liu.

**Ms. Laurin Liu (Rivière-des-Mille-Îles, NDP):** Thank you, Mr. Chair.

A few weeks ago we heard from Pablo Heidrich, who came into committee as a witness. He's an economist who's specialized in exchanges between North America and Latin America from the North-South Institute. You might have had a chance to look over his testimony.

His testimony was really interesting, because it actually shed light on how small the Honduran economy really was. He compared it to the Ottawa-Gatineau region. He actually said that the economy of Honduras is smaller than the region of Ottawa-Gatineau, which really helped us understand the reality. Obviously the middle class is very small, and there's very strong class inequality. Mr. Heidrich's argument was that the Honduran market was structurally incapable of procuring advantages because there's nobody to actually buy our Canadian products.

You touched on this briefly in your presentations, but Mr. Urias and also Mr. Taddeo, could you comment on what part of the market share you expect to gain from the FTA?

**Mr. Vincent Taddeo:** Yes. I'll address your point directly.

I disagree that we would not have any customers, because we already had the customers in place. We had the Wendy's, the Burger Kings, the KFCs, the McDonald's over there and they exist. There is sufficient consumption over there, so we—

**Ms. Laurin Liu:** What part of the market share would it be, more precisely, or what would be the value of those increased exports?

**Mr. Vincent Taddeo:** Let's say that of the total french fry trade, which is \$29 million over there, the QSRs, the quick service restaurants, represent 55%. Retail represents about 15%, food service the balance. So there is a consumption over there of that product, without a doubt in my mind, but more than that, I think Honduras is only the stepping stone. I think once the other Central American countries see that there is a free trade deal being done with Honduras that has been implemented, then the rest will also accept that kind of thing.

**Ms. Laurin Liu:** The fast food restaurants are already buying your products in Honduras, so I suppose you're worried that—

**Mr. Vincent Taddeo:** No, they are not buying it now. I said we lost it all; because the U.S. came in in 2005, they have a 15% duty improvement over us. We've got a 15% duty, they've got zero duty. So they're not buying from us, but we know the market, and we had the market before.

**Ms. Laurin Liu:** Go ahead, Mr. Urias.

**Mr. César Urias:** I'd say that in the case of the pork meat industry, you're right. When you think about pork chops and loins and high-end items, the market is not there: right. But there are items in this market that we don't sell domestically, and we have to look for an option. We have to look for an export market for these items. That's what Honduras is initially for us, an exit for these types of items that we can make profit on and for which there is actually room for us to sell in the Honduras market.

As I said, in 2004 we probably had 2% of the market, that's what Honduras represented for us, and we could expand probably to 6% to 7% in—

• (1205)

**Ms. Laurin Liu:** Relatively, because the market is so small, is that actually a significant gain if we move from 2% to 6% in a market that's already so insignificant? Honduras is our 104th trading partner. The economic gain that we'll take from this free trade agreement is almost negligible. Even if we do increase market share, is that really significant?

**Mr. César Urias:** I'd say it's significant for the type of items we could sell over there, yes, and pretty much as for the potato industry, we would like to see this effect being expanded all over Central America. We have already an agreement with Colombia, with Panama. CA4 didn't go through, but again, if we continue to develop this work on a bilateral level, we could achieve even more, and not just based on the specific country case that we're analyzing right now, but more on a regional scale.

**Ms. Laurin Liu:** Thanks.

I just want to move on to the issue of human rights. We had PEN International come in to speak to us a few weeks ago, and also Bertha Oliva, who is a Nobel Peace Prize nominee. My colleague Mr. O'Toole quoted her I think in a bad context in which she said that, yes, we do need engagement, but not isolation, although I don't think she was advocating for a free trade agreement that honestly doesn't have any enforceable environmental or labour regulations, so —

**The Chair:** You'd better put a question, because I'm going to cut you off, and I don't want to do that.

**Ms. Laurin Liu:** —what are your comments on that?

**The Chair:** There you go.

**Voices:** Oh, oh!

**Mr. James Bannantine:** From my perspective, I totally agree, and I reiterate that engagement is the best policy. We have the standards, we have the products, the systems, and the processes on CSR. If there's nobody to talk to, if there's no forum to speak to people, if we're not engaged, we can't spread that faith.

**The Chair:** Mr. Shory.

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

Thank you to the witnesses for coming and for sharing your experience with the committee. My colleague is right; when you look at the witnesses, we have investors, we have producers, we have everyone. What else can we ask for? It's a good meeting today.

Let me start with you, Mr. Bannantine. Your corporate responsibility policy contains a reference to community development, to the sharing of benefits with communities in terms of education, health, poverty reduction, and environmental protection. Can you give us some example of how these policies have been put in practice in Honduras? And can you comment on whether a free trade agreement with Honduras would have any impact on these practices?

**Mr. James Bannantine:** At the micro level, there are lots of examples in the areas we operate: health clinics, schools, road maintenance, jobs. There are the taxes we pay to the municipality, that the municipality uses to do those things as well; our direct projects, plus the indirect projects that go through the municipality. Obviously for Hondurans we're one of the best places to live in Honduras.

On the CSR side, there are lots of examples on the ground. A couple of million dollars a year go to the local community. It's all based on community needs assessment and then community implementation of the greatest needs. The needs are quite large. The average education level in our population is the sixth grade. The per capita income is \$1,000. So we're a drop in the bucket, but we still have quite a large impact.

**Mr. Devinder Shory:** In terms of investments with regard to your companies, we were talking about engagement versus isolation. How practically do you think the engagement helps Hondurans on the ground?

**Mr. James Bannantine:** It helps hugely to have.... In recent events that we've had, we've needed the federal government, the federal government's environmental ministry, the federal govern-

ment's mining ministry, and the federal government's attorney general for human rights. We see all of these people on a regular basis, because obviously human rights and security are tied together. We see those ministries.

I don't personally have quandaries here; in my three years on the job, I have not had a personal quandary over whether we have a human rights question in terms of enforcing security at the mine. It's been pretty much law and order around our mine. That's not the case in the country at large, but we haven't personally had any human rights issues around the mine or with our workforce or with our contractors.

• (1210)

**Mr. Devinder Shory:** Thank you.

**Mr. Urias, in a statement released last November, Canada Pork International praised the signing of an FTA with Honduras. I'll quote what they said:**

The Canadian pork industry is very dependent on export markets sales as more than 60 percent of its production is exported outside of Canada and our industry needs to have an improved access to all possible markets to remain competitive.

So with this Canada-Honduras agreement, what do you expect the gains would be to your industry, and is there any room for the market in Honduras to expand for our Canadian pork industry?

**Mr. César Urias:** Definitely. Thank you for the question.

Yes, the FDA has allowed us to expand the number of meat plants that become eligible to export to this market. We used to have a very limited number of plants that were able to do so. With this agreement, it is all the CFIA-inspected plants that can manufacture products and export them to this market. Second of all, it would represent an immediate opportunity for us to dramatically increase our market share, our participation in the market, vis-à-vis mostly the U.S., but also other regional exporters like Costa Rica.

Overall, I think it represents probably 6% to 7% participation of our exports.

**The Chair:** Thank you very much. Your time is gone, Mr. Shory.

We'll go to Mr. O'Toole next, then Mr. Caron, and we'll finish it off with Mr. Tilson.

Go ahead, Mr. O'Toole.

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

I think Ms. Liu clarified that we were both sort of quoting Ms. Bertha Oliva who appeared before the panel, so I thought for clarity I'd actually read the transcript.

Her quote before this committee was as follows:

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 [closely]....

She then goes on to talk about rights, human rights, and engagement.

This question is for you, Mr. Bannantine, and then anyone who would like to add their perspective. Certainly we're having the debate about our free trade agreement, both in the House and here at committee. We've talked a lot about engagement. In your experience, have you been able to see, and not just through the jobs, the positive benefits of a country like Canada trading with Honduras but also engaging with Honduras on a broader level?

As part of our government's economic diplomacy, we don't just trade with these nations, we also make sure they're a country of priority on a development basis. So we help build capacity with their justice system, we work with training and improving investigations and prosecutions for the murder rate that we've heard about. We've seen the benefit in Colombia to this approach. Do you feel there is the potential to see a stronger Honduras as a result of Canadian engagement?

**Mr. James Bannantine:** I definitely do. It's an eager audience with open ears, and Canada's very highly respected. I mean, for CSR, Canada is more respected than the United States. It's very balanced. They have a good track record. We work very closely with the embassy. We work very closely with ITC. When we see problems or issues on the ground, we're in a back-and-forth with the government. So the government is engaged as well. It's not just us. The administration is engaged.

There are problems that have to be fixed. Again, you have a very open set of ears to work on problems in the Honduran case. I would just reiterate also that we're into bilateral now; it would be great if it was multilateral, because Central America is a multilateral play. Logistically, politically, regulatorily, economically, the more you can get....

As Mr. Taddeo already mentioned, it's a snowball effect. Knock down Honduras and then get the rest of them, because they fit together so well and it's 50 million people as a whole. For us, it will have a big.... There's a Canadian mining company in Guatemala and there's another one in Nicaragua: we're divided as well.

•(1215)

**Mr. Erin O'Toole:** Are there any other perspectives on trade?

**Mr. Wayne McDonald:** The big issue here is that if you're not in the country doing business, you can't impact it whatsoever. As Canadian companies go, whether or not they're ambassadors of the government intentionally, they're ambassadors in those communities where we trade and where we operate.

So we have a history of being involved in other nations with other partners in business where we impact things on the ground locally.

**Mr. Erin O'Toole:** In your experience, in the 50 countries you're in, have you witnessed the development of those countries over the course of your commercial dealings and trade? Is it actually raising the standard of living in some of those countries?

**Mr. Vincent Taddeo:** Without a doubt it is. Free trade is exactly that. It's a bilateral exchange where they gained, and they start shipping some of their products to us, and we also do the same. So whenever—Mr. Bannantine has suggested it—you create jobs, people tend to move away from the negatives, from the drug trade, from the stealing, from whatever is negative in that society.

Whenever we do this, we see an improvement in the lives of the people on the ground.

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

Monsieur Caron.

**Mr. Guy Caron:** Merci.

I'm an economist. I'm not opposed to free trade on the basis that... and I think it's clear from our position. I heard Mr. Hoback, for example, saying that for some reason the opposition is opposing this agreement. It's clear that we're not in favour of agreements that detract from human rights.

I heard from basically all of you that we need to be in the country, as I think Mr. McDonald just mentioned, to actually make a change. I think at some point the burden of proof needs to be on those making that claim.

Honestly, I would like to actually see, besides the anecdotes we can see in any countries with human rights problems with which we have signed free trade agreements, what type of substantial changes happened in those countries. What type of changes happened in Colombia since we signed it, or since any major industrial country signed it? There might have been a slight change in terms of the standard of living; on the other side, in terms of governance, in terms of corruption, in terms of the respect of human rights, not much has changed since then.

I'd like for us to reflect on this. The federal government has, by all the treaties it has signed, committed to actually promote the rule of law, promote good governance in other countries. How can we actually use trade agreements for that purpose? It's clear that Honduras wants this agreement, which will be beneficial in economic terms. I don't disagree with you. But we're not trying to use the interest they have in this to actually intervene and help them, to give them an incentive to raise the level and the quality of their governance, and to ensure that these human rights will actually have larger value than what they have right now.

I would like you to comment on this. I understand the main argument you've brought, and I can see why you're thinking like this. On the other side, I haven't seen any evidence that any change has occurred in the past.

I would like each of you specifically, perhaps starting with Mr. Bannantine just because we actually discussed this, to say whether you would see that in future the government should take it as its own responsibility to include those elements—promotion of good governance, elimination of corruption, and respect for human rights—within the parameters of the deals we are negotiating with countries where there are such problems.

•(1220)

**Mr. James Bannantine:** Maybe starting at the micro level in economic terms for our company, we employ, as I said, 700 to 800 people, depending on the particular phase of production. Beyond that, there's a whole contracted community that's probably three times that. We enforce on that entire ecosystem of let's say 4,000 people, but they all touch another 10,000 people, anti-corruption. We spend \$80 million in Honduras buying services, paying people, and we enforce our anti-corruption policy through that entire supply chain. We have 700 people on the job, plus the contractors.

The biggest human rights impact in the mining sector is safety. We enforce our safety standards across all 700 of those people and all 3,000 contractors who work for them. We are one of only two mines in Honduras. There should be 20 mines in Honduras. If there were 20 mining companies doing the same thing we were doing, it would spread.

We are basically, in a way, propagating the faith of CSR.

**Mr. Guy Caron:** I don't deny that within the environment of the mine you're operating it might be that way, but we're talking about the whole country. We're talking about the whole system, the whole structure. It goes above and beyond what's happening around your mine. We're negotiating not with the area or the region where you are; we're negotiating with the full country, where there are some major problems.

Shouldn't government actually use the negotiations to try to raise

**Mr. James Bannantine:** I think the free trade agreement will spur more mines because of the investment protection.

**The Chair:** I'm wary of the time, Monsieur Caron, but I don't want to cut off the other witnesses. You gave the question to all of them, and I want to give them the opportunity to answer, if they would like.

Go ahead.

**Mr. Wayne McDonald:** We don't have any specific examples that we can cite here for the benefit of the committee today, but I think there is a hierarchical order whereby, if the Government of Canada is seeking a trade agreement with a global community or a country, for some of the basic issues that are being debated around human rights and social responsibility and such other major issues, there is almost a clearing house of orders. Are they a country we're prepared to do business with or not? If they are, then to use the mining example, one company will come, others will follow, and there will be a natural transgression of business in that country. But to put it on the back of the first company that wants to do business in that country, or one or two companies, is somewhat unwieldy for that individual company.

For example, if we pick a company in the world that we would like to do business with, should we sort out their political and social and economic situation, or should the Government of Canada first say that this is a country we're interested in dealing with?

I'm not sure it's fair to put on the backs of one or two companies the question of whether it is fair to do business in that country or any others.

**The Chair:** That's fair enough.

Does the pork industry want to comment on that?

**Mr. César Urias:** I will, very quickly, just to mention the case you brought up of Colombia.

With Colombia—correct me if I'm wrong—the balance of trade wasn't very close to what we were selling or what we were exporting to that country and what they were sending back. Isn't it a direct representation of the opportunities that the FTA has created for them as well? Colombian companies are also making profits out of an agreement and thus also creating opportunities to create jobs locally.

In the case of Honduras, I haven't read the agreement, per se, but I know that there is a section on labour rights. Our contacts on the ground indicate that they are looking for access for affordable products precisely because that would give them the opportunity to expand their facilities, their operations. Once again, we see that thanks to an FTA we help the cause of creating jobs and also revenue and of improving the social standards of the countries we have agreements with.

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

Mr. Tilson.

**Mr. David Tilson (Dufferin—Caledon, CPC):** Thank you.

I'm not regularly a member of this committee—

•(1225)

**The Chair:** You are welcome.

**Mr. David Tilson:** Thank you very much. It's a pleasure to be here.

This does give me an opportunity to ask you a question, Mr. Bannantine, on your involvement with the San Andres mine. The question has been asked to me not often but a number of times by constituents in my riding. It has to do with the environment; that Canadian companies go to Central America and South America and they may meet the standards of Central American companies, but they don't come close to meeting the standards of Canadian companies.

**Mr. James Bannantine:** You mean in Canada.

**Mr. David Tilson:** Yes, in Canada; they don't come close to meeting the Canadian standards for the environment.

It's a difficult issue to deal with, and I wonder whether you can help me as to how I could respond to this criticism on the issue of Canadian companies going to Central and South America.

**Mr. James Bannantine:** I would just reiterate that under our CSR policy, which we talked about briefly before, our standards are pretty absolute. We're not going into Honduras because we can get away with something there that we couldn't get away with in Canada. Environmentally we're enforcing the World Bank standard for environmental protection. It's the Equator Principles, it's the IFC standard for environmental protection. It's the same thing with community development.

The answer to the constituent is that we're abiding by the same rules we would abide by in Canada, the United States, or Europe.

**Mr. David Tilson:** Okay. I'm simply saying that it's not just one constituent; it's a number of constituents, who come in on a regular basis making these allegations. But you've given me your answer.

**Mr. James Bannantine:** It is not the case for Chinese companies, with all due respect. It is the case for Canadian companies in general. We're all listed on the Toronto Stock Exchange. We would be dead if we didn't enforce the absolute standard.

**Mr. David Tilson:** Thank you, Mr. Chairman.

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

I want to thank the witnesses for coming in. It has been very informative. I appreciate all of your questions as well as your answers, and your testimony as well.

We will now suspend as we move into an in camera session to deal with some business of the committee.

*[Proceedings continue in camera]*

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