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Chair

The Honourable Rob Merrifield

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•(1140)

[English]

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

We have with us by video conference from Toronto, Mr. Grinspun. Can you hear me, sir?

Mr. Ricardo Grinspun (Associate Professor, Department of Economics, York University, Fellow and former Director, Centre for Research on Latin America and the Caribbean, As an Individual): Yes, good morning, I can hear you.

The Chair: Very good.

We also have from California, Rosemary Joyce. Rosemary, can you hear me?

Ms. Rosemary Joyce (Professor of Anthropology, University of California, Berkeley, As an Individual): Yes, I can, thank you.

The Chair: Very good.

We have enough of our members here to proceed. We just had a vote in the House, so the remaining committee members will be coming in as we proceed.

We have a bit of an abbreviated time so let's get started. We're dealing with Bill C-20.

Mr. Massimo Pacetti (Saint-Léonard—Saint-Michel, Lib.): On a point of order, Mr. Chair, do you want to go over the agenda? I'm not sure how it's changed.

The Chair: What I will attempt to do is to give the witnesses the respect they deserve and listen to their testimony. We can do the first round of questioning and then move on to clause by clause. I have been assured that we should be able to accommodate the time we have.

Mr. Massimo Pacetti: Okay.

The Chair: We are doing clause by clause after the testimony and questioning on 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.

We have with us Mr. Grinspun, associate professor in the department of economics at York University, and fellow and former director of the Centre for Research on Latin America and the Caribbean.

We'll yield the floor to you first, sir, and look forward to your testimony.

Mr. Ricardo Grinspun: Thank you very much.

I appreciate the opportunity to participate in this session. I will speak about the topic from the perspective of someone who studies the political economy of trade and investment.

I'll start with the question of whether the expansion of trade and foreign investment, and more broadly economic integration, can bring about sustained improvements in human development in a developing country that has two-thirds of its population living in poverty.

If I had to summarize in two points what I know about this topic, I would say the following. First, trade and investment arrangements are important policy tools that can contribute to sustained, broad-based processes of economic growth and expanding prosperity. Second, those broad benefits will be obtained only if trade and investment are not seen as goals in themselves, but as part of a larger institutional policy framework, a national development plan that places at the centre the needs of the poorest and most disempowered sectors of the population, as well as ecological sustainability.

I will argue that the Canada-Honduras FTA, although certainly providing benefits for a few specific business interests, does not meet this broader test. I will explain briefly why, and would be glad to expand later on. I will also argue, time permitting, that the FTA is not a good idea for Canadians.

Trade and investment create economic benefits, but who ends up with those benefits? In Honduras the answer seems clear. It is now the country with the most unequal distribution of income in Latin America, and 43% of the labour force is working full time without receiving even the minimum wage. A study by the Centre for Economic and Policy Research in Washington found that in the two years after the 2009 coup, over 100% of all real income gains went to the wealthiest 10% of Hondurans, and the per capita income of the other 90% went down, despite the economic growth.

Why do we trust that the benefits from the FTA will be distributed any differently, or that it will help nudge the country into a more humane model of development? What measures are included in the agreement to make sure that's the case? The answer is none.

For starters, the FTA is designed to limit the policy space available to policy-makers who wish to expand services, improve infrastructure, and promote well-being if doing so may affect business interests. No doubt the most powerful contribution of the FTA to a policy strait jacket is the investor-state lawsuit mechanism. You've heard about the lawsuit in a World Bank tribunal against El Salvador originally launched by Vancouver-based Pacific Rim Mining under the terms of the CAFTA-DR. Although Pacific Rim was Canadian, it moved its subsidiary from the Cayman Islands to Nevada, which it used to sue El Salvador under CAFTA-DR, demonstrating one of the troubling aspects of investor-state jurisdiction shopping. The legal process is now continued by the purchaser of this company, the Australian-Canadian company OceanaGold. Since jurisdiction shopping didn't work, it continued litigation based on an outdated El Salvador investment code, now revoked, which allowed companies recourse to an international tribunal. Although Pacific Rim never fulfilled the requirements to obtain a mining permit under Salvadorian law, it has continued for over a decade to try to get at the El Dorado gold deposit, ignoring the democratic expression of El Salvador's people who have repeatedly asserted that they're not interested in more open-pit mining, particularly cyanide-laden gold mining.

Perhaps during the discussion we can touch on the also-revealing case of the Infinito Gold lawsuit against Costa Rica under the terms of the 1999 Canada-Costa Rica FIPA, the bilateral investment treaty.

• (1145)

I'll move to my next point.

The FTA does not enhance the fiscal capacity of the state to capture rents from foreign investors. Actually, its purpose is the opposite; to lower the cost of foreign investors. By eliminating barriers to the movement of capital and eliminating performance requirements on investors, it diminishes bargaining power vis-a-vis foreign investors and the ability to tax them. That fiscal capacity is crucial if there is going to be investment in education, health, social services, and the like. It is revealing that social spending as a share of GDP decreased from a high of 13.3% in 2009 to 10.9% in 2012, whereas in the prior period, 2006 to 2009, it had increased.

Free trade arrangements such as for the export processing zones already demonstrate such fiscal effect. In the case of Gildan and other companies located in those zones, we've heard how they're exempt from paying any taxes to the Honduran government and that the beneficial economic effects through wage income are small, as there are two legal minimum wages in the country and the companies are required to pay the lower one. For Gildan, often workers are paid by production not by hour, which makes a mockery of minimum wages altogether.

There is also a long history linking Gildan factories and suppliers to verbal, physical, and sexual abuse of workers, forced pregnancy tests, labour rights violations, blacklisting of troubling workers and, most recently, allegations of tacit approval or collusion by management, with threats of violence and other forms of intimidation and harassment against union leaders. Needless to say, such threats need to be taken seriously in Honduras. Make no mistake. Labour-intensive investment, such as in textiles and garments, is very important for Honduras and should be encouraged. However, there's

nothing in the FTA that addresses the serious developmental shortcomings of this sector.

A key ingredient for sharing the benefits of trade and development is the political will to bring it about. The current political regime in Honduras lacks that will. There is much to suggest that an underlying motivation for the military coup in 2009 was discontent among elite sectors who saw their economic interests threatened by reforms brought about by President Manuel Zelaya. Before the coup, the discussion about changes to the mining code that would give greater voice to affected communities and to environmental concerns, thus creating potential restrictions on investment, was certainly an area of concern.

After the coup, Canada's partnering with the government of Porfirio Lobos to change the mining code so as to achieve a change in the opposite direction stands out as a sad chapter in Canada's relations with the Latin American region. Lobos was elected while his predecessor Manuel Zelaya was in house arrest at the Brazilian embassy and the elections were ruled as highly irregular by credible international observers.

By entrenching investor rights in an international instrument, the FTA amplifies the harm on those human rights that are not entrenched, such as respect for basic labour rights, access to clean water and a clean environment, to prior and informed consent among affected communities and, more generally, the ability to make democratic choices.

The experience with the San Martin mining operation by Goldcorp in Honduras between 2000 and 2009 provides some light. Although Goldcorp claims high praise for the way it has closed this mine, a report from Oxfam paints a different picture, asserting that the mining project caused excessive social conflict, criminalization, and persecution of environmentalists, and that affected communities were not consulted on decisions before or during the operation of the project or during the closing phase.

•(1150)

One of the issues highlighted is health impacts, such as a 2007 forensic medicine report that confirmed that at least 62 community members in the neighbourhood of the mine had heavy metals in their blood. The results of this medical report were given to the affected people four years after the exams had taken place, in 2011, when the mine had already closed its operations. Furthermore, it claims that over a five-year period the inhabitants of San José de Palo Ralo drank water from a source contaminated with cyanide.

This brings me to the question of CSR, corporate social responsibility, which in the view of industry and government in Canada really stands for “corporate self-regulation”. There's little doubt that if Canadian investment in Honduras is going to have beneficial impacts, it needs to be driven by CSR principles, ethically conducted, respectful of human rights, and nurturing of the environment. But if CSR is going to be more than a branding and public relations exercise, it requires enforceable standards and regulations, independent monitoring mechanisms, and appropriate filters on investment approval. Any effort to bring this into reality would face an additional barrier in the FTA. If, for example, a future Government of Honduras decided to assess the human rights or environmental record of foreign investors prior to the approval of their projects, that might be interpreted as a contravention of the terms of the FTA.

My time is running out, so I'll summarize.

•(1155)

The Chair: Yes, go ahead quickly.

Mr. Ricardo Grinspun: I have argued that the idea that the FTA will bring jobs and assure prosperity to Honduras is not a substantiated claim. Indeed, the idea that Canadians can help the most needy people in Honduras through this FTA is a public relations message, nothing more. Moreover, an FTA would provide international legitimacy to a political regime and economic model that is oligarchic, oppressive, and unjust. There are other more effective ways in which Canada could contribute to poverty alleviation, human security, and environmental sustainability in that part of the world, which we could discuss.

That leaves the question of the Canadian interest in an FTA. Since I am out of time, I address that in point form. This FTA does not serve any substantial or strategic Canadian interest. Trade and investment flows are small. To understand the minuscule proportions, Canadian merchandise exports to Honduras are less than one in 10,000 of the total to all countries. I hope I got that calculation correct.

Yes, there are business interests in Canada that would benefit from an FTA, but there are strong reasons why further entanglement with such a troubled and conflicted regime may hurt larger Canadian interests over time. For example, if the FTA encourages additional flow of Canadian mining capital to Honduras, it is almost a certainty that Canadians will be pulled into violent and conflictive situations in that country. More probably, Canada's role in the world, supposedly based on adherence to principles of democracy and good governance, will be tarnished by even closer partnering with a regime that so clearly does not adhere to them.

Thank you very much.

The Chair: Thank you very much, and you were right, you were out of time. I let you go on because it's been a long morning for you, and we wanted to hear your presentation.

Rosemary Joyce, Professor of Anthropology, University of California, Berkeley, you are here. I understand that you have spent some time in Honduras. We look forward to your testimony. Please go ahead.

Ms. Rosemary Joyce: Thank you for giving me the opportunity to speak. I'm a professor of anthropology who has been a member of the faculty at Berkeley for 20 years and was a member of the faculty at Harvard for nine years before that.

During that entire time and before, for a total of 37 years, my research has been about Honduras and has involved long periods of residence in Honduras. I lived in Honduras during the period in the late 1970s and early 1980s when its last open military dictatorship turned over power to civilian authorities, wrote the first version of the current constitution, and initiated a long period of building civil society and governmental institutions.

External trade has been critical in that process, yet I come before you to argue against the completion of this agreement. Events in Honduras over the past five years have reversed the progress seen in civil society and government in the prior period. The checks and balances that would ensure that the rights of most Hondurans are respected continue to be dismantled. At this point it is difficult to see how intensifying external trade will avoid the pitfalls of worsening the situation of the average Honduran. It will also remove the important leverage on the Honduran government to strengthen the rule of law, combat impunity, protect human rights, and improve the standard of living for all its people.

The breakdown in these conditions has its roots in the increasing concentration of wealth and political power in the hands of a very few families throughout the 1990s and into the 2000s. But the immediate cause of the severe deterioration was the coup of 2009 and its aftermath.

The National Congress of Honduras convened against its own procedures, retroactively authorized the forceful removal from office of President José Manuel Zelaya Rosales. It then, with no authority in law or the constitution, appointed its own leader as the leader of a de facto regime, which defied international pressure and remained in office through the remainder of 2009.

The de facto regime soon embarked on policies that including using the army and police in actions against citizens exercising their right to protest. Numerous suspensions of the right to assembly and protest were put in place, all of them out of compliance with the requirements of Honduran law and its constitution. Protestors were shot, beaten, and some died in open conflict with the military or police.

Concurrently, a still ongoing wave of assassinations began, targeting members of the press—not one of whose murders has been solved—opposition activists, and minorities who opposed the de facto regime.

The de facto regime was still in power when a national election was held in November 2009. That election saw no recognized international monitors. First-hand reports by international NGOs concerned about peace and indeed reports in the Honduran press showed that citizens protesting the election were subjected to attack by the police. For example, in San Pedro Sula, the second-largest city in the country and the centre of commerce, voter turnout reported declined from the previous election. The opposition had called for a boycott of the election and there is evidence that many who turned out at polling places defaced ballots as a form of protest.

Initial reports of vote counts were later revised sharply downward and the procedures of the Supreme Electoral Tribunal give no confidence in those results whether in their original or revised form.

The candidate thus designated as elected by the Honduran authorities, Porfirio Lobo Sosa, entered office under a cloud of illegitimacy, although he was recognized by a number of international governments concerned to move on from the coup. He spent his entire presidency initiating a series of steps to try to erase the stigma of the coup. He did not, however, remove from their places all the individuals who had been appointed during the de facto regime and some of them remain in power today. And more significant for the present proceeding, the Lobo Sosa government continued a process initiated under the de facto regime in which Honduran governmental institutions were used in the service of the wealthy, removing protections of the environment, of human rights, and citizen participation in decision-making.

While appointing individuals to posts charged with protecting human rights, Lobo Sosa never provided those offices with sufficient resources to do their jobs.

Lobo Sosa greatly strengthened the now militarized police administration, while engaging in an ineffective process purporting to cleanse corrupt police. He deployed the armed forces against peasants protesting land expropriation and supported legislation that established a new policing drawn from the military, which is used now against civilians, something not seen since the end of the military dictatorship.

His minister of security, who continues in office under the current president, presides over investigative police who ignore most crimes, who bungle those investigations they undertake, and who are routinely implicated in violent crimes. Most recently the same individual repudiated the independent institution recognized by the UN as the source of reliable murder statistics for the country in an attempt to institute a new definition of murder that would lower the reported crime rate.

● (1200)

Lobo Sosa's successor as president, Juan Orlando Hernández, who is from the same political party, was the head of congress during the Lobo Sosa administration. His congress took steps that weakened the separation of powers already imbalanced in Honduras and, in particular, undercut the Supreme Court, which in Honduras is

appointed for terms and thus already highly vulnerable to political influence. Hernández and Lobo Sosa collaborated in passing legislation, repeatedly deemed unconstitutional, that would allow construction of model cities in places where Honduran laws would not apply to Honduran residents allowed to live there, to provide labour for international corporations.

In his first months in office, Hernández instituted a reorganization of government that has demoted to a lower position many of the key civilian offices and eliminated others, including the ministerial level office under the Lobo Sosa administration for human rights. Meanwhile he's aggressively pursued the same legislative agenda that he initiated as head of congress.

While the election in the fall of 2013 did see international observers, it was also flawed. Independent analyses showed that the vote-count process included many questionable results, with more than 100% of registered voters recorded in some districts, and these were overwhelmingly credited to Juan Orlando Hernández. Even so, Hernández entered office with a minority of votes in an election that was split between four parties, two of them newly created in protest of the status quo.

Starting the very day of the coup in 2009 and continuing today, the most salient governmental issues have been the steps taken to enrich a small wealthy elite at the expense of the majority of the Honduran population, leading to the highest level of inequality in Latin America.

While international press credited the coup to fear that President Zelaya intended to remain in office, the actual triggers of elite opposition to his policies were economic actions, including the raising of the minimum wage, which marginally eroded the income enjoyed by Honduran companies marketing their goods internationally.

The economic interests behind the coup are self-evident in the legislative agenda that was pursued the very same day as the coup, that consisted of passing laws authorizing a variety of government contracts beneficial to the elites. During the de facto regime, other laws were passed dismantling environmental protections, changing the way that contracts were issued, and generally opening up economic development from government oversight.

In sum, beginning with the break in the rule of law in June 2009, Honduras has seen a remarkable reversal of its previous 20 years of progress in governmental and civil institutions, and this continues. The process is one that is transparently designed to increase power of the wealthy elite. It disadvantages the majority of the Honduran people. Some of the changes, such as restrictions in rights and militarization of civilian policing, having been given the mirror of justification based on the presence in Honduras of active drug cartels, has been a smokescreen for other actions, such as legislation allowing congress to investigate and remove from office any government official, creates impunity and concentrates power in the hands of the congress.

In this environment it's difficult to see any way a free trade agreement would avoid being co-opted as a tool of the concentration of wealth and the continued decline of the status of the majority of the Honduran people. We're hoping this agreement would allow the Government of Canada to bring to bear pressure on Honduras to restore civilian rights, to reign in police and military over-reach, and to protect the common good.

Thank you.

• (1205)

The Chair: Thank you very much.

We'll now turn to our question and answer.

Madam Liu, the floor is yours.

Ms. Laurin Liu (Rivière-des-Mille-Îles, NDP): Thank you to our witnesses for coming in and for your patience this morning. Unfortunately, our committee time has been cut short by votes in the House, but we appreciate your testimony.

I want to start off by saying that we've had many witnesses come before committee speaking to us about human rights. Among them was Ms. Bertha Oliva from COFADEH, who was quoted by Mr. O'Toole in the last committee meeting thus:

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 governments of the world and the Government of Canada to monitor the situation more regularly....

However, when pressed further on whether or not she supported engaging Honduras in trade, she said:

No. What I am saying is that businesses cannot be placed above development and the production 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.

I wanted to put those on the record because I think it's unfortunate that some of our Conservative colleagues are trying to make our witnesses say things they are not in fact saying.

The Chair: We have other witnesses here though.

Ms. Laurin Liu: Staying on the question on the topic of human rights, Bertha Oliva of COFADEH, also said:

But what we are talking about...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.

I'd like to pose a question for Ms. Joyce. I was wondering if you could clarify for the members of this committee the difference between human rights abuses and the issue of general crime and

narcotics trafficking. I was wondering if you could clarify more precisely the role of the Honduran government in these human rights abuses.

Ms. Rosemary Joyce: Thank you.

To begin with, I would reiterate that under the government of Porfirio Lobo Sosa, in 2011 there was a ministerial level office established for human rights and Ana Pineda was appointed to that office. That ministerial level cabinet position is no longer a cabinet level position under the Hernández government. But even when it existed, it was an ineffective governmental institution.

Ms. Pineda did attempt to bring attention to human rights violations, many of which are carried out by the Honduran police and military. In fact, the President of Honduras, Porfirio Lobo Sosa, went on record publicly with an argument that safety was more important than guarding the rights of people to such things as free assembly, and that's been echoed by Juan Orlando Hernández.

So, essentially, the claim of a threat to public order represented by drug cartels is used to intervene against the Honduran population. The presence of drug cartels in parts of Honduras is undeniable and is obviously responsible for a certain amount of lawlessness, including corruption of government and police. However, human rights abuses that were—

• (1210)

Ms. Laurin Liu: Sorry, because my time is limited, I want to have time for a question for Mr. Grinspun. But if I have time later, I'll go back to you.

Mr. Grinspun, what policy makes basic economic sense for the vast majority of Hondurans at the moment? You spoke about this briefly in your presentation. Do you think that for the vast majority of Hondurans a free trade agreement with Canada is preferable to increased investments in social services and an end to the economic and political domination of the country by 10 ruling families?

Mr. Ricardo Grinspun: Thank you for the question.

As I expressed, I don't think the proposed FTA is going to help to address the tremendous need in Honduras. Actually, what are required are policies to strengthen state initiatives in the social sector, including education, training, promotion of small enterprises, and protecting labour and social rights. Many of these aspects are not part of the FTA. The strengthening of investors' rights by disregarding other rights actually works in the opposite direction.

There is no doubt that Canada could have a much larger presence in the country, not through an FTA, but by developing a series of relationships at the civil society level, by increasing cooperation, and by strengthening the judicial system and the rule of law and democratic development. There are also many other ways that would be profoundly more important to meeting the needs of the needy in Honduras.

Ms. Laurin Liu: Thanks.

I think it's worth noting that funding for public education, health care, and justice have also plummeted since the coup. I think those are issues we need to study carefully as well.

I'll go back to you, Ms. Joyce. I'd like to quote Bertha Oliva again. She said in her testimony: 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.

She added:

We are not making this up. This is actually happening.

So could you talk about who in Honduras is benefiting from the mass displacement and terrorizing of civilians?

Ms. Rosemary Joyce: There are two kinds of interests that are benefiting from the displacement of common workers in Honduras. One of these is large landowners who are developing industries, particularly around African palm oil and minerals.

In the Lenca traditional indigenous territory of Honduras, communities are being forced out of their locations by the development of gold mining and hydro-electric projects. The government has passed legislation that now allows the direct sale of most of the resources of Honduras to international companies, resources that were previously much more protected.

Where peasants have tried to hold the line against these kinds of displacements, the private landowners have mobilized their own militias, and the Honduran police have assisted, as well as the Honduran army, in moving peasants off of what have traditionally been their lands—

•(1215)

The Chair: I'm going to have to cut you off there because of our time. That questioning is over.

We'll go to Mr. O'Toole. The floor is yours.

Mr. Erin O'Toole (Durham, CPC): Thank you, Mr. Chair. Thank you to both of our witnesses for appearing, and apologies for our tardiness given our requirement to vote.

I'll start with Dr. Joyce. I appreciate your joining us. I look at your bio here and see that your professional expertise is in pre-Hispanic inhabitants of Central America and art and ceramics.

I take it your testimony here is based more from your time in the country and not from your professional field of study.

Ms. Rosemary Joyce: I'm not certain what professional biography you found, but I'm an anthropologist. I study the long-term history of Honduras through the practice of archeology, but I'm also a recognized expert in the modern politics of Honduras, particularly with respect to participation in cultural heritage policy in the country. My publications since the coup include ones about the political, social, and economic context of the coup.

Mr. Erin O'Toole: You talked about your early time in the country. The bio we used was from Berkeley actually.

But at the start of your testimony you talked about your early years in the country and you said that external trade was critical to improvement in the country at that time, but then with intervening

coup and other governance issues, trade became less important for the country or was not helpful to the average Honduran.

You ended with a quote that I thought was rather unusual. You urged us to hold back this agreement because doing so would allow Canada to apply pressure on Honduras. Given the fact that Honduras has trade agreements with the United States and European Union—so Canada's not really a trailblazer here in trade with Honduras—how exactly would Canada apply pressure in your opinion?

Ms. Rosemary Joyce: Every trade agreement that Honduras negotiates with international parties under current conditions tends to make it seem as if those current conditions are acceptable.

I wanted to correct one thing that you said. I didn't say that trade became less important; I said that the profits of trade went increasingly to a small, wealthy elite, as evidenced by the erosion in the standard of living since 2009 and in the increasing measure of inequality.

External trade has been important over the last 30 years in Honduras, but over the last five years it has been captured by a small segment of society. So what Canada and other governments could and need to do is to put pressure on Honduras to create incentives for the implementation of laws that increase the minimum wage, that protect unionization rights, and protect people from exploitation. What we're seeing is quite the opposite.

Mr. Erin O'Toole: Are you aware that Canada has been among the top five or six donors of foreign aid to Honduras prior to this FTA?

Ms. Rosemary Joyce: I'm actually quite well aware that Canada has a very strong international aid profile in Honduras. Canada has been very visible in Honduras, including in the 1970s and 1980s when I first began working in the country. But providing international aid, as both my own country and Canada have done, doesn't actually justify the kind of agreements that will allow continued exploitation of the workforce of Honduras. One good doesn't outweigh one bad.

Mr. Erin O'Toole: Are you suggesting that the two are mutually exclusive, that you cannot engage in capacity-building or institution-building and trade at the same time? I was shocked that you glossed over the narco-trafficking challenges the country has. We've heard a few witnesses say that the average Honduran would be much better served by a job with, as our first witness mentioned, Gildan than by a job within narco-trafficking.

Would you not agree with that?

Ms. Rosemary Joyce: I think that's a false choice, and I'm not going to be forced into answering a false choice.

There are two things to say. One is that jobs that Honduras has put in place that do not pay the minimum wage, which Honduras itself has estimated barely covers people's basic need for food and necessities, that come at the expense of the protection of workers in the long run and of the right to unionize, are not good jobs, even if people who are living in such dire poverty feel they are forced to take those jobs for their own good.

• (1220)

Mr. Erin O'Toole: I'll try to quickly get a question to Mr. Grinspun.

Ms. Rosemary Joyce: The aspect of the drug cartels that I chose to emphasize is the Honduran government's use of them as an excuse for inaction of various kinds and for oppression of its people.

Mr. Erin O'Toole: Mr. Grinspun, in your testimony you talked about how you feel that the FTA is not the best way to advance human rights, and labour, and environmental standards in the country.

It's the same sort of issue I asked of Dr. Joyce. I'm assuming that as a Canadian academic, you're aware of Canada making Honduras as a priority country for our foreign aid.

Can we not engage and build capacity, as we've been trying to do with the justice system in Honduras to help with their high crime rate, most of which is due to narco-trafficking...? Can we not do both at the same time, engage and help drive economic benefit for the population alongside advancing and engaging on human rights, justice, and those sorts of things?

Mr. Ricardo Grinspun: Thank you for the question.

There's a premise in your question that I do not accept, which is that the way to engage at the level of trade and investment is through the particular FTA that is being proposed. I disagree with that.

Brazil rejected the idea of a free trade area of the Americas, the kind of agreement that is being proposed here with Honduras, because of structural problems in the agreement, some of which I mentioned in my talk, such as investor-state lawsuit mechanisms that are highly detrimental for development. Brazil is doing fantastically in terms of trade engagement, and Canada and Brazil have a very strong relationship that is not embodied in an agreement.

I think trade and investment engagement are very important. This specific agreement in front of us has very problematic features if our intention is to help the poorest of the poor in Honduras.

The Chair: Thank you very much.

Mr. Pacetti, the floor is yours.

Mr. Massimo Pacetti: Thank you Mr. Chair.

Thank you to the witnesses for the very interesting points that were brought up.

I have a quick question for you, Ms. Joyce.

I understand there is a free trade agreement between the U.S. and Honduras. Being an American, what's your opinion of that free trade agreement?

Ms. Rosemary Joyce: I have the same opinion about the U.S. free trade agreement with Honduras, for the same reasons your other

witness has eloquently and with great authority exposed. Honduras at this point in its political history does not have in place the structures that would allow a free trade agreement to work in a way that doesn't disadvantage the majority of the population. There are other ways to engage in trade. There are other ways to encourage those governmental institutions—[*Technical difficulty—Editor*]

Mr. Massimo Pacetti: I think we lost you.

Are there any indicators to see whether the free trade agreement between Honduras and the United States has been beneficial? Were there any indicators? Were there any goals achieved to alleviate poverty or to increase jobs? Was any of that achieved in the free trade agreement with the U.S.?

Ms. Rosemary Joyce: I'm not certain if you're familiar with the Millennium Challenge Corporation, which is a U.S. government initiative. Honduras was a participant in it up through part of the Porfirio Lobo Sosa administration. The Millennium Challenge Corporation produced a number of reports. If you would like to see those reports, they establish quite clearly that Honduras was making great progress under the administration of José Manuel Zelaya Rosales, and that since that administration was removed, progress has been reversed.

• (1225)

Mr. Massimo Pacetti: Thank you.

Mr. Grinspun, I have a quick question. Have you written any papers on these free trade agreements between Honduras or any other free trade agreements?

Mr. Ricardo Grinspun: Yes I have.

Mr. Massimo Pacetti: Can you send us a link or something? Some of your comments were actually quite interesting. I'd like to read a little bit more.

Mr. Ricardo Grinspun: Yes, I will be very glad to do so.

Mr. Massimo Pacetti: Thank you.

My question is, where do we start? I think you referred to it when you were answering somebody else's question. I'm a bit conflicted in how we start engaging with countries like Honduras. Do we just leave it to the Americans, or do we just leave it to the other South American or Central American partners? There doesn't seem to be any progress from what I see. Ms. Joyce perhaps corrected me a little bit, but where do we start?

Canada is a respectable country. We have to start somewhere, and I think trade is one of the areas along with some of the other areas we're involved in. The problem is that we have limited resources, so we need corporate Canada to pick up the slack somewhere. I don't think we can rely on them, but they have to have some responsibility in the countries they do business in.

Mr. Ricardo Grinspun: If we had in front of us a trade and development agreement that placed the same priority on advancing the rights of indigenous peoples in Honduras, community rights, environmental rights, and the right to clean water, that would create mechanisms for aggrieved communities to address their grievances. They would then have the same thing that the agreement does for investors with grievances.

Mr. Massimo Pacetti: So you would start that on the development side. What about the business or economic side?

Mr. Ricardo Grinspun: I think it's a question of...

Mr. Massimo Pacetti: What do you tell Canadian companies that are already there, or Canadian companies that want to invest there?

Mr. Ricardo Grinspun: I think we need to start by thinking what kind of economic development will Honduras have? Currently, foreign investment in Honduras is very important. For example, in the apparel sector, labour-intensive investment is crucial for the country, but the conditions under which this sector operates are highly detrimental for development.

That can be changed. One can develop strategies to bring about development that increases the value-added, that increases human capital and the ability to raise productivity in those activities, that advances technological innovation and the introduction of higher-quality products into the line of production, that brings feedback mechanisms that are not an enclave of the economy, that has feedback into the local economy and sources from it.

There are many ways that we have learned, for example, from the success stories in Southeast Asia and East Asia about how you bring about development processes that are very different from the kind of model implied in the FTA.

The Chair: Very good.

Mr. Hoback, the floor is yours.

Mr. Randy Hoback (Prince Albert, CPC): I thought we were just doing one round. I didn't realize you were doing that.

The Chair: We're still on that first round.

Mr. Randy Hoback: That's no problem.

One of the things we've heard in a lot of the testimony from previous groups is the atrocities and the human rights abuses and the abuse of media that has been going on in the past in Honduras.

One of the questions I have for you is that when you look at Colombia and the changes and improvements that are going on there—and of course the trade agreement is a piece in the puzzle in bringing about a better quality of life for the people in Colombia.... I look at that example and I ask why couldn't we use that here in Honduras? I look at the example and ask if we're going to make things better, what is the best way to do that? How do we move forward? Looking at it the way it is right now, obviously it's not working, because we still have atrocities. We have to figure out a way to work with the Hondurans on how to step forward.

I look at trade as one of the tools to do that. Now that doesn't make it the only tool. There should be other things we should be considering while we're doing a trade agreement, looking at other aspects that will help improve the quality of life for Hondurans over the longer period of time. That's the goal, I think, behind this trade

deal. The goal of the Hondurans is to get a quality of life that will actually be better than what they're experiencing right now.

I look at this and I see a lot of reasons to criticize it. There's no question about it that you can criticize a lot of things and can always say that they should have done this or that better. But the reality is that you can only do so much at a certain point in time and then you build upon that. You draw a line in the sand and say that for now, at this point in time, this is a good agreement that everybody can actually work with. Then you build upon that more and more as you move forward.

If we didn't do this trade agreement, from talking to groups like Gildan and other companies that we've seen there before, where would their employees end up? If they did not work for Gildan or a mining company, making good wages, with a good quality of life, good working conditions, and good health care, what would they do? What is their other option?

The reality for them would otherwise be narco-trafficking, or nothing, or being employed in very poor economic activities with very poor alternatives, with a very poor outlook for the quality of life, not only for themselves, their families, and their communities, but also for the whole infrastructure surrounding them.

I'm looking at this and seeing this as a way to help them up. Now you're saying that we do nothing. You're saying, don't do a trade deal; don't do anything else. Just leave it be. But the status quo in my opinion is not acceptable.

How would you move forward? If you're saying don't do this, how else would you move forward? Right now what you're proposing is the status quo, and that ain't working. Give me something that works.

• (1230)

Ms. Rosemary Joyce: Who is the question addressed to?

Mr. Randy Hoback: I'll address it to both of you because I'm looking for ideas on how to make this better. You haven't really said how to make it better; you've just said this is bad.

Ms. Rosemary Joyce: I can answer the question. I think you're misrepresenting my words and certainly the other witness's words. Neither of us is saying to do nothing; we're saying that the current free trade agreement does not include the kinds of guarantees that would produce the kind of development of human capital that guarantees those workers all of the things you just cited. Good working conditions, for example, are not actually—

Mr. Randy Hoback: Excuse me, I've only got so much time—

Ms. Rosemary Joyce: In addition, I have to contest some of what you're saying about the only alternative being employment in narco-trafficking. There are other alternative forms of employment in Honduras, but Canada could also encourage its companies to create those opportunities.

Mr. Randy Hoback: You make a very good point there. There are other alternatives, but all those alternatives involve economic activity and trade. They involve the opportunity to take what they work with, whether in the agricultural or the manufacturing fields or other industries or sectors, and it would involve trade. It would involve shipping these products out of Honduras somewhere so that they'd get hard currency—

Ms. Rosemary Joyce: Yes.

Mr. Randy Hoback: —to spend at home. Correct?

Ms. Rosemary Joyce: Yes. This is why I cited the fact that trade was important in the post-constitutional era in beginning to create the conditions for development.

That was derailed in 2009 and Honduras is not back on the rails to sharing those benefits with its population in general. The concentration of wealth that has happened in the last five years in the hands of a very small proportion of the population has reversed a generation of economic progress. That's what we're asking you to pay attention to.

Mr. Randy Hoback: Again, that's the problem I have. You say it's not progress. I'm not going to argue with you on your point; you're probably correct, but how do you get movement in the right direction? By doing nothing, by not giving them market access into Canada or into the U.S. or Europe, which is already there, we're denying them the ability to compete with other countries that already do have that access into these countries. As they develop their economies—

Mr. Ricardo Grinspun: If I may jump in there?

Mr. Randy Hoback: Just one second. Let me finish up.

As they develop their economies they need market access. They need places to ship to. If they're competing against countries that already have preferential access into countries in Europe and the U.S. and Canada, how do they compete?

Ms. Rosemary Joyce: I think my colleague would like to make a point.

Mr. Randy Hoback: Well, this is my five minutes, ma'am.

Mr. Ricardo Grinspun: May I respond to your question, please?

Mr. Randy Hoback: Yes, please do.

The Chair: Go ahead.

Mr. Ricardo Grinspun: I want to reiterate what has already been said to this committee, that Honduras enjoys wide market access for its export products. It's one of the countries in the Americas with the most market access, according to the data from the Economic Commission for Latin America and the Caribbean.

Market access is not one of the restrictions that is keeping Honduras from advancing its situation. It's an economic model, which has been aggravated since the 2009 coup by the new regime, that is exclusionary. The fact is that 100% of the economic gains in the country have gone, according to the statistic I mentioned, to 10% of the wealthy people in the country.

So we're not dealing here with how to increase trade—

Mr. Randy Hoback: I disagree with you on that, sir.

Mr. Ricardo Grinspun: —but are talking about how the benefits....

You seem to be insisting that the only way we can engage with this country is through this particular trade agreement, which does not address any of those issues.

• (1235)

Mr. Randy Hoback: Again this is an area in which I disagree with you, sir. I said that this is one piece in the puzzle that has to be part of it. It is one of the pieces that allow new types of sectors to emerge that are of higher value, that are higher-paying. The reality is that if they don't have market access for these new sectors into the economies of Canada, the U.S., and Europe, they will never develop in Honduras. That's the problem I see.

Mr. Ricardo Grinspun: They have excellent market access—

Mr. Randy Hoback: —for existing products. I'm talking about new products.

Mr. Ricardo Grinspun: I want to reiterate the point, because it has been presented to the committee: Honduras has excellent market access for the vast majority of its products. The average tariff it faces is less than 5%.

The Chair: Thank you very much.

Now we're going to split our time. We'll go for about three minutes each.

Monsieur Morin, the floor is yours.

[Translation]

Mr. Marc-André Morin (Laurentides—Labelle, NDP): Professor Grinspun, this country has fairly primitive laws and judicial system. A major free zone is located along the Colombian border. Based on what I have read, I suspect that Honduras is not a drug traffic zone but rather a capital traffic zone.

I think the danger for Canada lies in the fact that the structure of the free trade agreement could enable companies involved in drug money transfers to use investor protection mechanisms. Some companies exist for three hours—just enough time to justify a transaction and transfer funds to a tax haven.

What is your opinion on that?

[English]

Mr. Ricardo Grinspun: Thank you.

The FTA reduces the ability of the Honduran state to monitor and regulate foreign investment, which is what is required to address the problem you're mentioning. It needs to be more selective about what kind of investment comes into the country and to be sure that it is actually contributing to the welfare of the people of the country and not to criminalization, securitization, and drug activity.

Actually, Canada's intervention in Honduras already has quite a negative effect in that regard. The mining law that came out in I believe 2012, which was done with advice from Canada, levies a 2% security tax on the royalties of production for security purposes. In other words, the Canadian mining companies are funding the securitization of the country.

And of course, these are sites that create enormous conflict and tension. Although I don't know more details about the topic you're raising, I think the general context points to the fact that the FTA will in no way or form help address that problem and will actually encourage forms of investment that may be quite problematic.

Just to give another example, we are aware of the—

The Chair: The time is really tight so I won't allow the example you're about to give.

We'll go to Mr. Shory for the last three minutes.

Go ahead.

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

Witnesses, thank you for your views on this issue.

I'm a bit confused. We had witnesses here at the last meeting, I believe, and one of the Canadian companies actually on the ground was also here. They told us that it would be beneficial if this Honduran free trade agreement were ratified. Those companies also appear to have well-developed corporate social responsibility policies. They were able to describe for me some of their activities in Honduras with respect to medical care, poverty, poverty reduction, and other areas they operate in.

Mr. Grinspun, you mentioned security contribution. I'm a little puzzled here because, in my understanding, if security in a country is improved, that is good for the population of the country and that is good for society in the country.

My question is about expanding our presence in Honduras. By the way, this witness also told us that they pay way above the minimum wage in that country and that they have all kinds of facilities to improve the life of Hondurans.

If the culture is changed in a country from narco-trafficking to work culture, is it bad or is it good?

• (1240)

Mr. Ricardo Grinspun: I don't think the FTA will achieve that, sir.

I know that's the message, but I have said that those messages are public relations messages. They serve the interest of those specific business sectors in Canada that will have some benefit from this agreement. I think they contradict the larger interest of Canadians and certainly of Hondurans. In terms of security, we need to understand the role of the Honduran government and the Honduran security forces. The new forces created recently, as mentioned by my colleague from Berkeley, are actually contributing to the level of conflict and violence in the country. When Canadian companies are contributing funds to these forces, they're not contributing to a more secure environment. There is no evidence that it's getting better. It's getting worse.

Mr. Devinder Shory: Do you believe in leaving them in isolation?

The Chair: Thank you very much. We'll leave it at that.

I want to thank you both for joining us by video conference from California and Toronto. It's been a very interesting session. I appreciate it very much.

With that, we will suspend and set up our next panel as we move into our clause by clause.

Thank you very much.

• _____ (Pause) _____

• **The Chair:** I call the meeting back to order.

From the department, we have Cameron MacKay. Thank you for being here. We also have Stacy-Paul Healy and Pierre Bouchard as we go through the bill clause by clause.

Pursuant to Standing Order 75.1, consideration of clause 1, the short title, is postponed. We will be looking at clauses 2 to 53.

We'll ask Mr. Caron to open with a couple of words.

[*Translation*]

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

I am not a regular member of this committee, but I am my party's deputy international trade critic.

Regarding the study and the debates held in the House on the free trade agreement, the NDP's position on trade agreements is clear. We have established three conditions. The country we are doing business with should have a good human rights record, and it should be a strategic partner. The third condition has to do with the agreement's content, once it has been disclosed.

• (1245)

[*English*]

I think it's clear from the witnesses' points of view that Honduras is far off the mark with its human rights record. I recognize the arguments that the government side has brought forth, but which, after having been repeated so often, I think we should raise the burden of evidence for. For example, they have been saying that a trade agreement with a country with a poor human rights record actually improves its human rights or has the potential to do so. Well, I haven't seen any significant evidence of that happening in any deal we've signed before.

There are major problems in Honduras, be they governance or the quality of the judicial process. Those cannot be explained only by narco-traffic. I think it would be a failure to try to explain it that way.

I know my time is limited and I don't want to block the process as we move to clause by clause. For all of these reasons, the NDP side will be voting against each and every clause. Surprise, surprise. You have not made case for CETA or a free trade agreement with South Korea so far.

Mr. Erin O'Toole: For Korea?

Some hon. members: Oh, oh!

Mr. Guy Caron: You haven't made that case, but in this case we won't be debating but voting against each clause.

The Chair: Very good.

Let me put it to the committee. I think we can look at all clauses, 2 to 53.

Shall the clauses carry?

(Clauses 2 to 53 inclusive agreed to on division)

The Chair: Shall schedule 1 carry?

(Schedule 1 agreed to on division)

Mr. Massimo Pacetti: What's the difference between on division and no, basically?

The Chair: The only difference is that it's carried on division but is recorded as not being unanimous.

Is that right?

The Clerk of the Committee (Mr. Paul Cardegna): Yes.

If you were to vote for or against, you'd do the yeas and the nays and we'd note the number of yeas and nays. If you say "on division", it's agreed to on division. That's what we note in the minutes.

Mr. Massimo Pacetti: That's fine.

The Chair: Fair enough.

Shall schedule 2 carry?

(Schedule 2 agreed to on division)

(Clause 1 agreed to on division)

The Chair: Shall the title carry?

Some hon. members: Agreed

An hon. member: On division.

The Chair: Shall the bill carry?

Some hon. members: Agreed

An hon. member: On division.

The Chair: Shall I report the bill to the House?

Some hon. members: Agreed

An hon. member: On division.

The Chair: Very good.

That takes us to the end, and we don't need to reprint the bill.

Thank you very much for being here.

The meeting is adjourned.

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