



News in Review

February 2000

Contents

World Trade: The Subsidy War

Globalization is a political and economic concept that has been much extolled in the last decade. It is also a trading phenomenon that has had very real effects on the way Canadians live. This story, which revisits the troubled some would say disastrous Seattle World Trade talks, explores the advantages, disadvantages, and above all the conflicts created by the growing globalized economic system in which Canada has become a very active player.

[Index](#)

[Introduction](#)

[The Economic Reality of Farming](#)

[What is the WTO?](#)

[Offence and Defence](#)

[Discussion, Research, and Essay Questions](#)

Using both the print and non-print material from various issues of **News in Review**, teachers and students can create comprehensive, thematic modules that are excellent for research purposes, independent assignments, and small group study. We recommend the stories indicated below for the universal issues they represent and for the archival and historic material they contain.

Free Trade: Canada, the U.S., and Mexico, April 1991

Canada, the United States, and Mexico: A New Trade Deal, September 1992

Asian Economies: Toothless Tigers? February 1998

The Changing World Economy, October 1998

NAFTA: Going Continental, February 1994

International Trade: Selling Canada, March 1996

Other Related Videos Available from CBC Non-Broadcast Sales

Does Your Resource Collection Include These CBC Videos?

Watershed

Free Trade: 10 Years Later

Broken Harvest





News in Review

February 2000

Introduction

World Trade: The Subsidy War

At first glance it seemed strange and incongruous. Farmers, students, labour unions, fishers, students, environmentalists, self-styled anarchists, and church organizations were all marching in protest together through the streets of Seattle. All came for one reason: to declare their opposition to policies and actions of the World Trade Organization (WTO) at its third Ministerial Conference. But why would an estimated 50 000 people come from all over the world just to protest a meeting of trade ministers, politicians, and civil servants? Why would international trade be such a volatile and controversial issue?

With the increased globalization of the world's economy, many feel that the sovereignty of individual nations is at stake. North American farmers believe that the generous, and in their view unfair, subsidies European farmers receive for their grain are artificially driving down the price of grain on the global markets, and they want the WTO to address their concerns. Subsidies are government grants to food producers that allow them to cover some of their costs and to therefore be able to sell their products to the public at lower prices. From the North American farmer's experience, such subsidies upset the delicate balance of international commodities markets by reducing competitiveness and access to markets by those farmers not subsidized. On the other hand, farmers in Europe are upset that the WTO sided with the United States in a dispute over hormone-treated beef. And labour unions are angered that many jobs are being lost when companies move operations to less developed nations where

wages and labour standards are much lower. Fishers in many nations are angered that international overfishing has depleted much of the fish stocks, thereby jeopardizing their livelihoods. And then there are the environmentalists who believe that free trade too often occurs at the expense of environmental protection measures. Even church groups protested in Seattle, outraged over practices such as child labour in some Third World countries and human rights violations in developing nations. They too wanted the WTO to act decisively and to implement protection measures to stop these practices.

Each of the groups had a different reason for protesting in Seattle, but all perceived that they had a common enemy: the WTO. Are the criticisms levelled against the WTO valid? Officials from the organization insist that the demonstrators were misinformed. And advocates of the WTO policies insist that freer global trade, rather than being detrimental to farm producers, the environment, human rights, and the North American labour force in general, will ensure continued economic growth. They argue that: increased wealth globally leads to higher environmental and labour standards throughout the world; on the home front freer trade will make goods and services cheaper; increased competition will give consumers greater choice when they shop. In short, they believe that freer trade will raise income levels throughout that world, making it a better and more prosperous place.

Particularly vocal social activists and critics, on the other hand, suggest that the sovereignty of individual nations will be jeopardized and that some of our most cherished social programs may also be on the chopping block, that the environment will be irrevocably harmed, and that large multinational corporations will exploit workers in less developed countries.

Like many disputes in communities, this disagreement in the global village is complex and multidimensional. Farm subsidies are representative of other contentious trade issues that include concerns over hormone-treated beef, genetically modified crops, aerospace subsidies, and inexpensive luxury items like champagne flooding North American markets. As the tear gas and rhetoric of Seattle subside, the weighty issues continue to be debated intensely. Essential to the debate are the questions of state intervention in the free market economy, the extent to which nations are prepared to accept constraints on domestic economic policies for the perceived benefits of free trade, and the effect of economic globalization on their citizens' lives.

[Introduction](#)

[The Economic Reality of Farming](#)

[What is the WTO?](#)

[Offence and Defence](#)

[Discussion, Research, and Essay Questions](#)

Comprehensive News in Review Study Modules

Using both the print and non-print material from various issues of **News in Review**, teachers and students can create comprehensive, thematic modules that are excellent for research purposes, independent assignments, and small group study. We recommend the stories indicated below for the universal issues they represent and for the archival and historic material they contain.

Free Trade: Canada, the U.S., and Mexico, April 1991

Canada, the United States, and Mexico: A New Trade Deal, September 1992

Asian Economies: Toothless Tigers? February 1998

The Changing World Economy, October 1998

NAFTA: Going Continental, February 1994

International Trade: Selling Canada, March 1996

Other Related Videos Available from CBC Non-Broadcast Sales

Does Your Resource Collection Include These CBC Videos?

Watershed

Free Trade: 10 Years Later

Broken Harvest





News in Review

February 2000

The Economic Reality of Farming

World Trade: The Subsidy War

In Canada, one out of every three people works in a trade-related industry, and 40 per cent of all goods produced here are exported. These figures explain why world trade and the World Trade Organization (WTO) are so important to the economic wealth of this country. In 1999 many of these industries were affected by decisions made by the WTO. Automobile makers, aerospace manufacturers, and magazine publishers have all been affected by WTO rulings that critics say have a negative impact on the Canadian economy and Canadian culture. Of all Canadian industries, however, it is perhaps the farming sector that has been most affected by international trade rulings.

The Language Issue

Before viewing this News in Review report, research and discuss the meaning of subsidy. For what reasons are subsidies provided in any situation? How do you think subsidies could affect farming in Canada?

A Financial Perspective and Case Study

To understand the nuts and bolts of farm subsidies and the impact world trade has on the industry, it is important to know the economic details. While watching the video, listen carefully for the following figures and record them below.

1. The dollar amount of government subsidies paid to Canadian farmers on each tonne of wheat they produce

2. The dollar amount of government subsidies paid to American farmers on each tonne of wheat they produce
3. The dollar amount of government subsidies paid to European farmers on each tonne of wheat they produce
4. The percentage drop in the price of wheat since 1974-75
5. The increase in inflation since 1974-75
6. The price of a bushel of durham wheat at 1974-75 prices, adjusted for inflation
7. The actual price of a bushel of durham wheat today
8. The percentage increase in the amount of wheat India grows today over 20 years ago
9. The percentage increase in the amount of wheat Europe grows today over 20 years ago.
10. The amount of wheat China imported from Canada 20 years ago
11. The amount of wheat China imports from Canada today
12. The amount of government relief that Canadian wheat farmers received in 1998
13. The amount of government relief that Canadian dairy farmers received in 1998

Discussion

1. What are some of the major international factors that have affected Canadian wheat farmers?
2. What impact have the Canadian Wheat Board and federal government policies had on farming?
3. What is value-adding? Do you think this is an effective solution for the financially strapped wheat farmers?
4. How do world-wide subsidies affect the production of wheat? The price? Should the Canadian government allow farmers to fail or should they continue to provide subsidies? What are the costs associated with providing subsidies? What are the costs associated with letting the farmers fail?
5. Why is the farming situation in Canada a good case study in terms of world trade and global economics? In order to answer this question, consider the importance of farming as an industry in Canada that has national and international implications.

[Contents](#)

[Introduction](#)

[The Economic Reality of Farming](#)

[What is the WTO?](#)

[Offence and Defence](#)

[Discussion, Research, and Essay Questions](#)

Comprehensive News in Review Study Modules

Using both the print and non-print material from various issues of **News in Review**, teachers and students can create comprehensive, thematic modules that are excellent for research purposes, independent assignments, and small group study. We recommend the stories indicated below for the universal issues they represent and for the archival and historic material they contain.

Free Trade: Canada, the U.S., and Mexico, April 1991

Canada, the United States, and Mexico: A New Trade Deal, September 1992

Asian Economies: Toothless Tigers? February 1998

The Changing World Economy, October 1998

NAFTA: Going Continental, February 1994

International Trade: Selling Canada, March 1996

Other Related Videos Available from CBC Non-Broadcast Sales

Does Your Resource Collection Include These CBC Videos?

Watershed

Free Trade: 10 Years Later

Broken Harvest





News in Review

February 2000

What is the WTO?

World Trade: The Subsidy War

Most people are generally aware of international organizations like the United Nations and NATO and their overall purposes. Financial and economic organizations like the World Bank, the International Monetary Fund (IMF), and the World Trade Organization (WTO) have been less well known. Following the WTO's conference and the ensuing riots in Seattle, however, the World Trade Organization received much more publicity as viewers watched the conflict on television. But the mandate, membership, and operations of this organization may still not be well understood. As you read the following information, think about why it is important to understand the organizational aspects of the WTO in order to better understand this news story.

Monitor and Arbitrator

The World Trade Organization is an international institution with more than 130 member countries that collectively account for over 90 percent of world trade. The organization is responsible for ensuring that trade flows as freely as possible by administering trade agreements, settling trade disputes, reviewing the national trade policies of member countries, and assisting developing countries through technical assistance and training programs. The WTO was founded in 1995 as a successor to the General Agreement on Tariffs and Trade (GATT), an organization established following the Second World War.

The Ministerial Conference

The WTO meets with its top level decision-making body, the Ministerial Conference, at least once every two years. Each country, including Canada, sends delegates to the conference. The two Canadians most involved with the WTO are Sergio Marchi, Canada's trade ambassador to the WTO, and Minister for International Trade Pierre Pettigrew. As an MP from York West, Marchi occupied the post of trade minister for two years. His current position as an international diplomat, however, is through appointment rather than as an elected official. Minister of International Trade Pierre Pettigrew is currently an elected member of Parliament and appointed to his cabinet position by the Prime Minister. Some critics of the current government's trade policies question the expertise these two bring to the job, especially Marchi. As former Tory trade minister John Crosbie points out with reference to the position of the trade ambassador, "You require someone who has spent a lifetime at trade negotiations. Of all the diplomatic posts, this is the most technical. Many critics were not impressed with Marchi's performance while he was the trade minister and they feel that Jean Chrétien's appointment of him to the post of trade ambassador was a mistake. They feel that in a country where 40 per cent of everything made in Canada is exported and one in three jobs is trade-related, the job of trade ambassador should be reserved for civil servants who are specialists in the field, as opposed to politicians. One such civil servant is Rob Wright, a career trade specialist and deputy minister at the Department of Foreign Affairs and International Trade.

The meeting held in Seattle was the third time the WTO's Ministerial Conference had met since the organization's inception. At these conferences decisions are made by the entire membership through consensus. Although it is possible under WTO rules to use a majority vote to finalize decisions, so far this method has never been used. The Seattle talks were meant to open a new round of negotiations to further lower tariffs and other barriers to free trade. It is generally agreed that the talks failed to meet these objectives mainly because the positions of the different member countries were too divergent. One of the key issues that was meant to be addressed at the conference was the elimination of European agricultural subsidies. During the crucial debate on this issue, no decision was reached one way or another.

The Secretariat

The WTO has a staff, called the Secretariat, of around 500 employees, who are based in Geneva. The Secretariat does not have any decision-making power within the WTO but rather

provides technical support for the various councils and committees and technical assistance to developing nations. They help plan the Ministerial Conferences, analyze world trade, and act as the public relations arm of the WTO. They also provide legal support to countries involved in the dispute settlements.

The Dispute Settlement Body

One of the most controversial and important tasks of the WTO is to rule on trade disputes between two or more nations. These rulings are made by the Dispute Settlement Body (DSB), a group made up of representative from each of the member countries. The group will make its decision, once again through consensus, after listening to the findings of a panel of experts. The WTO will only rule on whether one of the international trade agreements has been broken or infringed upon. If no treaty is in place as is the case with farm subsidies the DSB cannot make a ruling. If the DSB agrees that an agreement has been contravened, the member country will have to conform or pay a suitable penalty, most usually trade sanctions.

Discussion and Activity

1. Explain in your own words what the World Trade Organization is. Suggest how your awareness or perception of this international organization may have increased or changed.
2. Who is representing Canada at the WTO? Suggest what pressures these two people might experience in acting on Canada's behalf at the WTO.
3. Given that most international organizations like the UN work on a democratic majority-vote basis on major issues, do you think that consensus is an effective way to reach decisions at the Ministerial Conference of the WTO? What might be the benefits of this method in dealing with the complex issues of international trade? What might the drawbacks be?
4. The WTO is not a government body, although high-ranking government officials from many nations attend its conferences, meetings, and working sessions. Suggest how you think the WTO could operate effectively without becoming another, international, level of government.
5. The Web site of the WTO found at www.wto.org gives a detailed analysis of the steps involved in resolving a trade dispute between two nations. Research these steps and share your findings with the class.

[Contents](#)

[Introduction](#)

[The Economic Reality of Farming](#)
[What is the WTO?](#)
[Offence and Defence](#)
[Discussion, Research, and Essay Questions](#)

Comprehensive News in Review Study Modules

Using both the print and non-print material from various issues of **News in Review**, teachers and students can create comprehensive, thematic modules that are excellent for research purposes, independent assignments, and small group study. We recommend the stories indicated below for the universal issues they represent and for the archival and historic material they contain.

Free Trade: Canada, the U.S., and Mexico, April 1991
Canada, the United States, and Mexico: A New Trade Deal, September 1992
Asian Economies: Toothless Tigers? February 1998
The Changing World Economy, October 1998
NAFTA: Going Continental, February 1994
International Trade: Selling Canada, March 1996

Other Related Videos Available from CBC Non-Broadcast Sales

Does Your Resource Collection Include These CBC Videos?

Watershed
Free Trade: 10 Years Later
Broken Harvest





News in Review

February 2000

Offence and Defence

World Trade: The Subsidy War

The WTO has its share of detractors, many of whom took to the streets in Seattle. The placards carried by the protestors spoke volumes, summing up their particular issue with statements such as Free Trade = Dead Sea Turtles and WTO Breeds Greed. Although a variety of different groups were represented on the streets of Seattle, each coming for different reasons, the main criticisms launched against the WTO were fairly consistent. As you read each of the following criticisms and the summaries of the WTO's response to them, which are found on their Web site at www.wto.org, decide for yourself whether you feel the criticisms are justified or not.

Criticism: The WTO dictates the government policies of their member countries.

Many critics argue that the WTO, an unelected body, holds too much power over the government policies of independent nations. For example, U.S. companies competing against their Canadian counterparts might complain to the WTO that the Canadian health-care system is actually an unfair subsidy to Canadian companies because in the United States, where there is no universal health care, companies have to purchase expensive health insurance for their employees. In Canada, companies do not have a similar expense and therefore can pass on those savings to their consumers. If, in this hypothetical situation, the WTO were to agree with the complainant,

Canadian policy on nationalized health care could be jeopardized. Some people don't think a situation like this is all that far-fetched. In an editorial in the London Free Press, Judy Rebick wrote, "The federal government is poised to surrender enormous political and economic power at the WTO talks. Both health care and education are threatened."

Response

The WTO counters the criticism of having too much power by arguing that it is a member-driven organization. This means that all agreements that govern the WTO are the result of negotiations among member governments and are ratified by each member's national legislative body. In addition, since the decisions made by the WTO are generally made by consensus they are negotiated and therefore democratic. The only situation where the WTO could have a direct impact on an individual country's domestic policies is when a dispute against the country has been brought to the WTO by another country, as in the hypothetical situation noted above. In this case, a ruling is made by the Dispute Settlement Body (DSB), a group made up of representatives from all the member countries, after listening to the findings of a panel of experts. The WTO will only rule on whether one of the international trade agreements has been broken or infringed upon. If the DSB agrees that an agreement has been contravened, the member country will have to conform or pay a suitable penalty, most usually trade sanctions.

Discussion

1. Brainstorm with your classmates and create a list of Canadian governmental policies that, according to above criticism, could be jeopardized through greater globalization. How might these policies be jeopardized?

2. With reference to the WTO's response, to what extent do you believe that decisions made by the WTO are the result of a democratic process and power sharing?

Criticism: The WTO blindly favours free trade at any cost; the organization is undemocratic and weaker countries are powerless against the larger member countries.

The criticism and perception of the WTO being undemocratic, especially during the confrontation in Seattle, may come in part from the fact that environmental and other public interest groups were not allowed to observe WTO discussions, even when trade secrets were not being discussed. This is inconsistent with the procedures of other international institutions such as the United Nations who allow audience viewing. Critics suggest that

environmental control measures are sacrificed to what they perceive as short-term benefits of free trade. They also believe that because the majority of large corporations have their head offices in First World countries, these economically stronger and more developed countries can dictate trade and working conditions especially when they establish manufacturing plants in less developed nations.

Response

One of its underlying principles, according to the WTO, is the belief that in a perfect economy trade flows as smoothly, predictably, and freely as possible. This in turn leads to a more prosperous, peaceful, and accountable economic world. However, although the WTO favours free trade, it must comply with the wishes of its members. The WTO is made up of member countries, and the activities of the organization are limited to what the member countries are willing to negotiate. If member countries are unwilling to negotiate low trade barriers, then the WTO cannot force countries to do so. Since the representatives from each of the member countries are appointed by the elected governments of their respective countries, and all decisions are made by consensus, the WTO argues that they are very democratic. In fact, since consensus requires every participant to accept the decision, the WTO argues, it is even more democratic than majority rule since majority rule only requires 50 per cent plus one. Since consensus is required, the weaker countries have an equal voice to powerful nations. Many of the recent rulings by the WTO, such as the ruling on the ban of imported shrimp (See Criticism on the next page for details.) by the U.S. toward countries such as Thailand, Malaysia, India, and Pakistan, have favoured smaller, developing nations over larger, developed nations. The WTO also claims that even small countries enjoy the benefits that all WTO countries grant each other and that as resource-poor countries membership allows them to avoid costly bilateral trade agreements with each trading partner.

Discussion

1. What are the implications of the word free in free trade? What do you think it is intended to mean? In its purest form, do you believe that it is an effective economic model? What might the benefits of free trade be? What might its shortcomings be?
2. What evidence might there be to suggest that the WTO actually strengthens the position of weaker countries in the world market? In what ways would such an international organization give stronger nations an even greater voice in the global economy?
3. Suggest why you think the WTO is or is not justified in

disallowing spectators from watching proceedings.

Criticism: The WTO is more concerned about commercial interests than sustainable development and environmental protection.

One of the more controversial rulings by the WTO was its recent decision that the United States acted illegally in barring imported shrimp caught by fishing fleets whose nets are not equipped with a turtle-excluder device. Every year over 150 000 sea turtles, an endangered species, die in shrimp nets. The use of turtle-excluder devices is mandated by the U.S. Endangered Species Act. According to U.S. Trade Representative Charlene Barshefsky The case only concerns import restrictions under the shrimp-turtle law. It does not concern the Endangered Species Act. Moreover, the WTO panel reports do not change U.S. law; only Congress can do that.

Response

According to the WTO, it takes environmental protection very seriously. The preamble of the Marrakesh Agreement Establishing the World Trade Organization states as one of its objectives the optimal use of the world's resources, sustainable development and environmental protection. This is backed by umbrella clauses such as Article 20 of the General Agreement on Tariffs and Trade, which gives powers to countries to take actions necessary to protect human, animal or plant life or health, and to conserve exhaustible natural resources. The World Wildlife Fund, however, believes that the WTO doesn't really value the environment to the extent that it claims. The WTO pays repeated lip service to the importance of making trade rules and environmental policies mutually supportive, said a fund statement. The shrimp-turtle ruling is the starkest sign to date that the WTO action on its own is not equal to this task.

Underlying the concerns of many environmentalists about the WTO is the belief that economic globalization results in environmental degradation. Critics argue, however, that many of the major environmental concerns facing the world today are not the result of capitalism and free trade. For example, they point out that many of the largest mining and nuclear disasters have occurred in Eastern Europe and Russia under communist governments; that the destruction of the Amazon rainforests is part of the Brazilian government's strategy for internal development; and that major air pollution comes from the forest fires set each year in Southeast Asia by peasants hungry for new land. Moreover, they assert that countries that are the most developed have the cleanest environments. Critics argue that

increasing the economic health of the developing world through free trade will not hinder environmental protection but will ultimately help the cause.

Discussion

1. In any difference of opinion, there is usually a fundamental philosophical difference between the parties in dispute. How does the environmental issue as it relates to the WTO suggest this? To what extent should environmental protection be part of the WTO's mandate? To what extent do you believe it is already part of the WTO's process?

2. Can environmental activists from developed nations expect governments from around the world to maintain the same high environmental standards? Explain your position with reference to the arguments summarized above.

3. What evidence exists, in your opinion, to support the claim that there is a correlation between economic globalization and environmental destruction? Is there a correlation between the wealth of a country and the strictness of its environmental protection laws? Justify your answer.

4. How does the issue of cause and effect relate to this criticism and response?

Criticism: The WTO is more concerned about commercial interests than human health and safety.

The issue of protecting human health has also been at the centre of another recent controversial ruling by the WTO. In order to increase the size of their cattle and produce more meat, many U.S. and Canadian beef producers give their animals growth hormones. The European Union (EU), citing the health of consumers as their key concern, has banned all hormone-treated beef from entering Europe. The U.S. filed a complaint with the WTO, and the DSB agreed that there was insignificant scientific evidence proving that hormone-treated beef posed a health risk. As a compensatory measure, the WTO arbitrators imposed \$116.8-million in damages against the EU for the U.S. The WTO arbitrators found that Canada suffered an \$11-million loss as a result of the ban and could also introduce sanctions in order to recoup their losses. The EU, in turn, retaliated by releasing new scientific studies claiming that hormones could cause cancer.

Response

The WTO warns against citing safety regulations when actually they are protectionism in disguise. In order to prevent this from happening the WTO looks at two key factors. The first criterion is that all safety concerns must be based upon scientific evidence

or on internationally recognized standards. The second criterion is that standards have to be used consistently, must not be arbitrary, and must not discriminate. A country cannot be strict on other producers if they are lenient on their own. It is difficult to assess when a ban on imports is protectionist and when it is not.

Discussion

1. Given that in scientific terms there is no internationally accepted and definitive judgment that hormone-treated beef causes health problems, do you think the European governments are justified in banning the import of hormone-treated beef? Why or why not? Although the European ban on hormone-treated beef is a response to public fears about food safety in light of scientific studies, it may also be partly motivated by a desire to keep American beef out of Europe, thereby protecting inefficient European farmers. How could the real motive be determined?

2. Genetics in Food: Changing Mother Nature, in the November 1999 issue of News in Review, examines the issue of genetically modified food. Using this story for supplementary and background information, discuss whether you think genetically modified food is a significant health risk to consumers and therefore should be an issue that the WTO deals with. Since the WTO will soon have to face a hearing about this issue, use the Internet to research the countries involved in the dispute and the arguments supporting their position.

3. In an article titled At Daggers Drawn in the May 5, 1999, issue of The Economist, the author commented, The new trade disputes are rather more complicated. They are about more than economics: typically they are about social issues too. They are usually about domestic regulations that have international effects rather than about border controls: Europe has banned all hormone-treated beef, not just America's. In a global economy and a planetary environment based on interdependence, how can the WTO avoid getting involved in issues other than economic ones? Why is this a conundrum?

Criticism: The WTO destroys jobs, thereby widening the gap between rich and poor and creating or exacerbating social problems.

One of the effects of global free trade is the transfer of jobs by companies from countries with higher wages to those with lower wages and less stringent labour laws in order to reduce costs and increase profits. This causes many labour-intensive jobs requiring minimum skills to leave countries such as Canada and move to less developed nations. The WTO argues that free trade creates other, better jobs because workers in export sectors in less developed nations generally receive higher wages and

greater job security. Consequently an eventual rebalancing of rich and poor countries occurs, and this in turn strengthens the global economy, which is to the benefit of developed nations who can then export more goods. In the wake of free trade, however, there is usually, at the very least, according to critics, a short-term market correction; producers and their employees who were previously protected through tariffs levied on imports must face new competition from producers in other countries. Some companies survive and become stronger, larger, and more competitive. Others fail.

Auto manufacturers in Ontario may soon be feeling the effects of a market correction caused by the interim ruling of the WTO that the Canada-U.S. Automotive Products Agreement (the Auto Pact) discriminates against automobile producers in Japan and Europe. The Auto Pact, first signed in 1965, allows the Big Three U.S. manufacturers (Ford, Daimler-Chrysler and General Motors) to import cars from Canadian partners duty-free in return for building cars in Canada. At the same time, the U.S. levies a 6.7 per cent tariff on automobiles that are produced elsewhere and imported into North America. In order to avoid paying tariffs, many of the Japanese and European car manufacturers have set up automobile manufacturing plants in Ontario. Many credit the Auto Pact with creating a strong intertwined economy between Ontario and Michigan, which resulted in \$52-billion in two-way trade last year.

According to Buzz Hargrove, head of the Canadian Auto Workers (CAW), the death of the Auto Pact would eat away at Canada's automotive industry, which makes up 12 per cent of Canada's manufacturing sector, and jeopardize its 500 000 related jobs. Others disagree. Canada produced almost 2.6 million vehicles in 1997 worth \$52.7-billion. Although the Auto Pact requires the Big Three to produce as many cars and trucks in Canada as they sell, they are currently doubling that quota each year and have been doing so since the early 1980s. U.S. producers are finding that producing cars in Canada is often more cost-efficient than producing automobiles in the United States, and in 1997 exported \$11.7-billion in vehicles and parts to the United States from Canada. As Mary Janigan pointed out in her article in the August 9, 1999, Maclean's magazine, The Auto Pact may have brought U.S. automakers to southern Ontario but it is the region's highly competitive advantages that have kept them here. Their workforce is highly skilled. Publicly funded health care obviates the need for costly private insurance, and the low Canadian dollar creates a huge cross-border cost advantage.

The employees working in the automobile industry in Canada are highly skilled and this acts as a protection from jobs in this industry migrating to countries with a less skilled yet cheaper labour force. However, in other manufacturing sectors, particularly in the garment and electronics industries, this is not the case. When the North American Free Trade Agreement (NAFTA) was first introduced many of these jobs were lost when the companies relocated their factories to Mexico in order to take advantage of cheap labour costs. According to Reyna Montero, a Mexican sweatshop worker turned labour activist, North Americans tend to think jobs are lost in their countries to Central and South America because of free trade. But the jobs that have been created there are not good jobs. Montero maintains that workers in Mexican factories, the majority of whom are women, must deal with forced overtime, sexual harassment, poor ventilation, and contaminated water.

In 1997, the International Confederation of Free Trade Unions (ICFTU), prepared a report on the state of worker rights around the world. In it, the ICFTU reported that 264 union activists were murdered in 1996. The key statistical tool for assessing the state of industrial relations in Latin America is still the body count, the report declared. In Colombia, 98 worker leaders had been killed and 24 in Brazil. Many activists are also angered by the WTO's record on employee health and safety rights. Bill Jordan, the General Secretary of the ICFTU called on the WTO to implement rules on labour standards around the world.

Response

The WTO considers this accusation simplistic, pointing out that the relationship between trade and employment is complex. The WTO can only assess if the practices of a particular country contravene the trade treaties that each country within the WTO has signed. It claims that countries that lower their trade barriers are the biggest beneficiaries because, in the WTO's view, freer and more stable trade increases economic growth and prosperity, thus reducing poverty. The WTO does not avoid dealing with the issue of increased competitiveness but suggests that some countries are better at making the adjustments than others because of more effective adjustment policies.

Discussion

1. Two different issues have been discussed in this subsection. The first deals with the effects the loss of the Auto Pact might have on Canada and the second deals with labour and human rights conditions in third world countries. What do think these two issues have to do with international trade? Are they themselves related in any way?

2. What is the reasoning of critics who accuse the WTO of increasing the gap between the rich and the poor? Why, for the WTO, might this be a damned if you do, damned if you don't situation?
3. The WTO attributes the widening gap between the pay of skilled and unskilled workers to skill-based technological change. What do you think this means? Would you agree with this assessment? Why or why not?
4. Observers have suggested that the protestors at the Seattle conference of the WTO were at times inconsistent. On the one hand, protestors were angered that the WTO ruled against the American ban on imported shrimp caught by environmentally unfriendly boats, stating that an international non-elected body, the WTO, was dictating U.S. environmental policy. On the other hand, the same critics were protesting against child labour practices in Third World countries and demanding that the WTO take measures to enforce changes in that area. Do you believe there is a contradiction or inconsistency in the critics' position? Explain your answer.
5. Suggest why or why not regulating working conditions and human rights in member countries is part of the WTO's mandate. Is it accurate to say that the working and human rights conditions in a developing country, no matter how abhorrent they may appear when compared with conditions in developed countries, are the responsibility of the developing country's government and any intervention by the WTO would undermine the sovereignty of that nation?

A Summative Debate

As a class, debate informally the validity of each of the positions outlined below. Suggest how these two divergent positions reflect the essence of this subsidy war news story.

1. In an editorial in the December 22, 1999, issue of *Newsday*, John Sweeney, president of the AFL-CIO (the federation of independent North American trade unions), writes, "People are saying something is wrong with a world trading system accountable to no one save the corporations that create and control it. And they can't understand why organizations like the WTO, the International Monetary Fund, and the World Bank have thousands of rules protecting copyrights and patents and corporate rights, but no rules protecting workers' and human rights and the global environment."
2. Many developing countries disagree with Sweeney's position. They believe that they cannot compete with the environmental or labour standards currently in place in developed countries and argue that progressive standards imposed on them would just create another way for wealthy nations to limit developing

nations ability to compete. To Thailand s Minister of Commerce, Supachai Panitchpakdi, U.S. President Clinton s call for the WTO to establish a working group on labour to develop standards for wages, working conditions and other labour issues was merely protectionism wrapped in progressivism.

[Contents](#)

[Introduction](#)

[The Economic Reality of Farming](#)

[What is the WTO?](#)

[Offence and Defence](#)

[Discussion, Research, and Essay Questions](#)

Comprehensive News in Review Study Modules

Using both the print and non-print material from various issues of **News in Review**, teachers and students can create comprehensive, thematic modules that are excellent for research purposes, independent assignments, and small group study. We recommend the stories indicated below for the universal issues they represent and for the archival and historic material they contain.

Free Trade: Canada, the U.S., and Mexico, April 1991

Canada, the United States, and Mexico: A New Trade Deal, September 1992

Asian Economies: Toothless Tigers? February 1998

The Changing World Economy, October 1998

NAFTA: Going Continental, February 1994

International Trade: Selling Canada, March 1996

Other Related Videos Available from CBC Non-Broadcast Sales

Does Your Resource Collection Include These CBC Videos?

Watershed

Free Trade: 10 Years Later

Broken Harvest





News in Review

February 2000

Discussion, Research, and Essay Questions

World Trade: The Subsidy War

1. Throughout the history of Canada the argument for and against free trade with the United States and other trading partners has played a major role. Research Canada's trade history and write a report on your findings. As part of your research use the following News in Review stories: Free Trade: Canada, the U.S., and Mexico, April 1991; Canada, the United States, and Mexico: A New Trade Deal, September 1992; NAFTA: Going Continental, February 1994; International Trade: Selling Canada, March 1996.
2. The protest in Seattle over the WTO meeting had many similar elements to the protest at the APEC Summit in Vancouver in 1998. Using the November 1998 News in Review story The APEC Incident: Protecting Foreign Visitors, list the similarities and difference between the two protests. Research how the Seattle police handled the protestors at the WTO conference. Do you believe the rights of the protestors were violated in either of the two incidents? Why or why not?
3. Each of the groups protesting in Seattle had a different reason for being there. Research one of the particular issues that led protestors to Seattle (sea turtle protection, farm subsidies, child labour standards, the demise of the Auto Pact, etc.). Write a letter to your MP outlining your views on this issue and what you think Canada's role at the WTO should be regarding it.
4. Invite a member from a local environmental group to your school to speak to your class on what he or she feels is the environmental impact of some of the decisions made by the

WTO. Follow this up with a speaker involved in international business who can talk about the opportunities and difficulties of Canadian businesses involved in international trade.

5. In the resource guide for *The Euro: Birth of a Currency*, in the March 1999 issue of *News in Review*, the issue of a common North American currency and its potential impact on Canadian sovereignty is discussed on page 15. Using the currency issue as a basis for discussion, brainstorm ways in which globalization could have an impact on world currencies and the national sovereignty. Do you think a common currency for Canada and the United States would represent a threat to Canadian political or cultural sovereignty?

6. Research the health effects of hormone-treated beef on humans. What evidence is there that the hormone-treated beef causes cancer? Is the evidence conclusive? Do you think that the European community has reason to be concerned about this issue? As an adjunct to this research, study also the *News in Review* story *Keeping Milk Safe: Canada bans BST* in the March 1999 issue.

7. Whenever you have an organization that is as international as the WTO, representatives will reflect many different national cultures and values. At the same time, the members of the organization will represent and reflect a common international point of view. Conduct a comparison study of the WTO with another major international organization, also based in Geneva, the International Olympic Committee (IOC). Use *Olympic Corruption: Cleaning up the IOC* in the March 1999 issue of *News in Review* as a starting point. In what ways are the WTO and the IOC similar or different in terms of their mandates, their economic impact, and the challenges and controversies each has faced?

[Contents](#)

[Introduction](#)

[The Economic Reality of Farming](#)

[What is the WTO?](#)

[Offence and Defence](#)

[Discussion, Research, and Essay Questions](#)

Using both the print and non-print material from various issues of **News in Review**, teachers and students can create comprehensive, thematic modules that are excellent for research purposes, independent assignments, and small group study. We recommend the stories indicated below for the universal issues they represent and for the archival and historic material they contain.

Free Trade: Canada, the U.S., and Mexico, April 1991

Canada, the United States, and Mexico: A New Trade Deal, September 1992

Asian Economies: Toothless Tigers? February 1998

The Changing World Economy, October 1998

NAFTA: Going Continental, February 1994

International Trade: Selling Canada, March 1996

Other Related Videos Available from CBC Non-Broadcast Sales

Does Your Resource Collection Include These CBC Videos?

Watershed

Free Trade: 10 Years Later

Broken Harvest

