



The morning NAFTA

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Labour's Voice on Economic Integration

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Global Plague

We're sorry, really!

Canada is the first NAFTA country to pay off a foreign investor (Virginia-based Ethyl Corp.) and *apologize* for legislation protecting health. Three more US corporations are lining up demanding over \$200 million because of NAFTA's Chapter 11, the investment chapter.

Cease and desist

Canada has become an international trade criminal at the World Trade Organization. Meeting behind closed doors, WTO trade dispute panels have ruled that Canada is illegal on magazine rules, illegal on dairy marketing, illegal on aerospace research and development support, and illegal on a billion dollar export-supporting Canada Account.

Bullying with \$4 billion

Canada's major trading partner, the US, has threatened a \$4 billion trade war against Canada's steel, lumber, plastics and other industries in retaliation for Canada's magazine policy, exposing NAFTA's so called "cultural exemption" as a fake.

Time-bomb Ticking

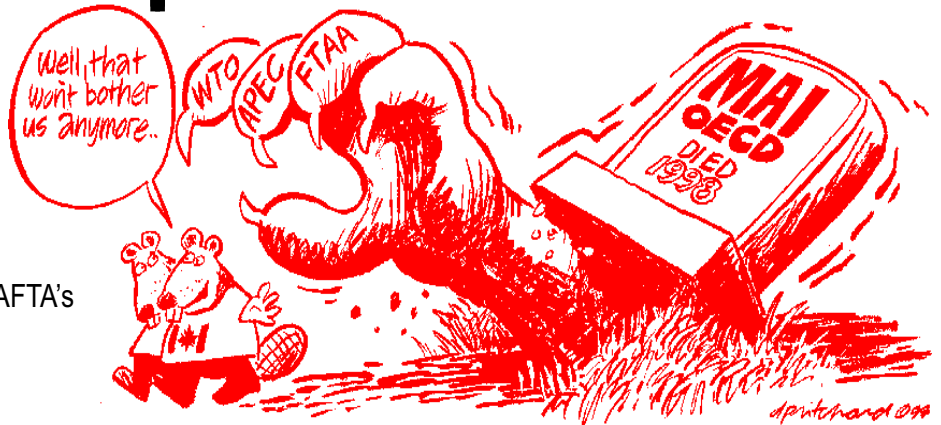
Canadian water exports are a political time-bomb if NAFTA's "national treatment" kicks in.

Sucking up to Suharto

The "Pepper spray" scandal at Vancouver's 1997 APEC Summit links police repression of student protestors to Canada's futile attempts to protect trade with Indonesian dictator Suharto a few months before he was overthrown by his own people.

Boycott busybody

Local communities in the US tried to ban procurement from companies dealing with repressive Myanmar (formerly Burma). They were ruled unconstitutional because of the federal government's commitments under the WTO.



Catastrophically low commodity prices have demolished Canadian regional economies, farm incomes, the forestry sector, petroleum industry, and fishery communities. In the post-Asia crisis era, low prices for Canada's resource exports is keeping the looney at its lowest levels in years. Relief is *not* just around the corner. The World Bank expects that real commodity prices in the year 2010 will be below 1997 levels due to more rapid increase in supply than in demand.

Canadians' disposable income in 1996 was lower than in 1981. The richest 10 percent of Canadian families make 314 times the bottom 10 percent.

The Trade Department won't admit it publicly, but Canada hasn't been doing too well in the global economy. Canada's share of total global foreign investment dropped from 11 percent in 1980 to 4 percent in 1997. A 1997 Industry Canada discussion paper bluntly stated: "Canada has lost its position as one of the world's most important host economies."

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Faced with shrinking global market share and heavy dependence on the US market, Canada initiated an aggressive program to expand trade and investment ties with *emerging markets* of Latin America and Asia in 1992. Five flashy Team Canada sales missions, personally led by the Prime Minister have become the hallmark of Canadian trade policy.

Dictatorship regimes, such as China and Indonesia, have become sought-after trading and investment partners in order to lessen dependence on the US market.

Undaunted

Just whisper "trade obligations" to policy-makers on the hill. Watch the big chill freeze new initiatives on environmental regulation, corporate accountability, culture or water policy. Undaunted by trade scandals occupying Canadian headlines, Ottawa's free traders seem determined to push ahead on *more* liberalization with new agendas on agriculture, services and investment in the "millennium round" to be launched at a WTO Summit in Seattle in November. Canada is also chairing negotiations for a NAFTA-like hemispheric free trade agreement — the Free Trade Area of the Americas, or FTAA — involving 34 countries from the Arctic to the Antarctic.

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No more NAFTA's
 No more MAI's
 No more WTO's

And now for something completely different

Meeting in Costa Rica in March, trade unions, farmers organizations, networks of NGOs and social movements from all over the Americas reconfirmed our commitment to fight for a **fair trade** deal for the western hemisphere. Calling ourselves the *Hemispheric Social Alliance*, trade unions affiliated to ORIT (the Inter-american Regional Workers Organization), representatives of the International Trade Secretariats and social groups from the NAFTA countries, Central America, and the Mercosur and Andean Regions, agreed that a NAFTA or MAI-type agreement in the Americas would spell disaster.

Just look at the impacts of NAFTA-style free trade on trade unions, jobs, and living standards in North America. Southern countries, also, are suffering from corporate restructuring, massive unemployment, growing poverty, inequality and exclusion from the political process. An FTAA modeled on NAFTA and the MAI will only lock in these anti-democratic policies, further reduce the role of elected governments and hand over more power to large multinationals. This is not a formula for development.

The Costa Rica meeting was a bridge between the *Peoples' Summit of the Americas* held in Santiago, Chile in April, 1998 and the next FTAA trade ministers meeting in Toronto in November, 1999.

Recognizing that it is not enough only "to oppose, to resist, and to criticize," the Peoples' Summit produced *Alternatives for the Americas*, a "working document" of innovative ways to conceive of trade and development. The *Hemispheric Social Alliance* endorsed *Alternatives for the Americas* as our platform for changing the integration model. "Put democracy and development at the core of the trade agreement," says ORIT President Dick Martin, "then we'll have something to talk about."

(Alternatives for the Americas is available from Common Frontiers, 416-443-9244, or <http://www.web.net.comfront>)

Lined up at the Canadian trough for a payout, so far, are these companies

Ethyl Corp. of Virginia — received \$19 million when Canada tried to ban the use of MMT, a harmful manganese-based gasoline additive.

S. D. Myers of Ohio — is claiming \$20 million, because a federal law banned the export of Canadian toxic polychlorinated biphenyl (PCB) waste.

Pope & Talbot of Oregon — is demanding \$30 million due to a softwood lumber quota implemented in four of Canada's ten provinces.

Sun Belt Water Inc. of California — is seeking \$220 million because the B.C. government stopped the export of billions of gallons of fresh water to the US.

*Why do they think the Canadian treasury will hand them millions?
All because...*

Canada Blinked

... How many more pay-outs?

Parliament banned the import and interprovincial trade of a noxious gas additive, called MMT. Canada's law-makers said they were not sure about its effects on human health. U.S.-based Ethyl Corp., the sole producer of MMT, sued the feds for \$350 million claiming that the feds "expropriated" Ethyl's Canadian earnings by not allowing them to sell MMT. They also said that, by signing NAFTA, the feds had agreed not to "discriminate" against any North American company.

Rather than risk losing, the federal government backed down even *before* the case could be heard by a secret NAFTA arbitration panel. The feds paid Ethyl \$20 million in an out-of-court settlement in July 1998. The government apologized to the company and publicly announced that MMT was not a proven danger to human health. In other words, a Virginia company overturned a Canadian health regulation. Canada blinked and now there are at least three more companies clamoring for Canadian taxpayers dollars.

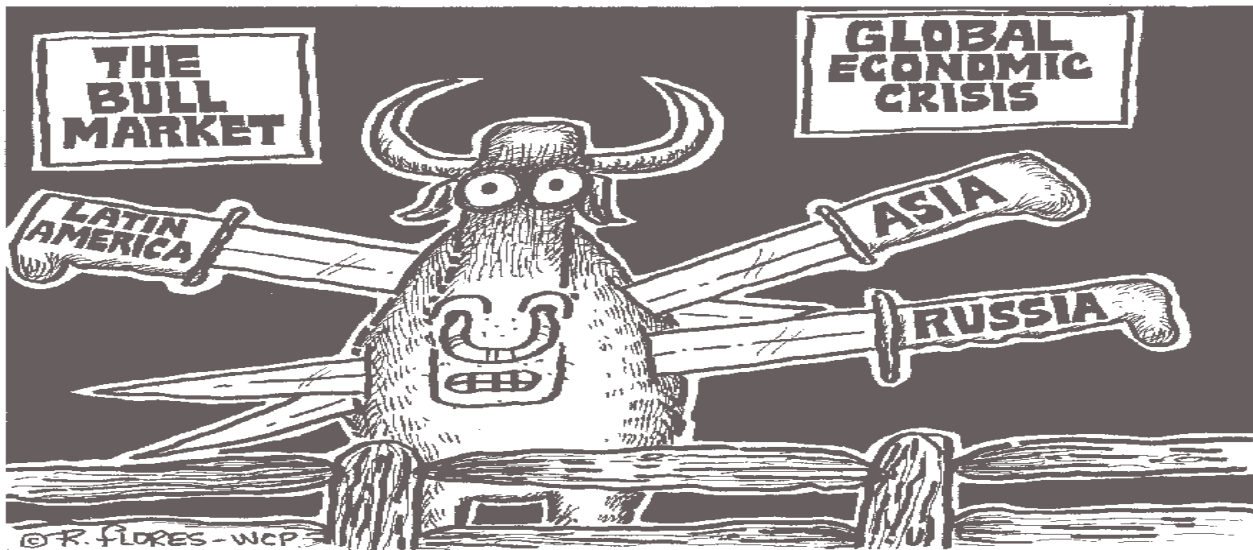
NAFTA's Chapter 11, the Investment Chapter

- gives corporations a form of veto power over national public policy;
- obliges governments to protect foreign companies' profits before they protect their citizens (this is called *national treatment*);
- gives the company (*investor*) the right to sue the government (*state*) in an *investor-state dispute* if national legislation causes any loss of profits (this is called *expropriation*);
- a secret panel of trade experts hears the case and the decision is binding (rather than the case being heard in a Canadian court where a judge can balance corporate property rights with the public interest);
- claims go before an arbitration panel set up under the International Centre for Settlement of Investment Disputes, a Washington-based unit of the World Bank.

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- ◆ **Environment Canada Budget for Program Enforcement and Compliance - \$16.9 million**
- ◆ **Federal Government payout to Ethyl Corp. - \$19.5 million**

For more information, see Intervenor, vol. 23, No. 3, July-Sept/98 published by the Canadian Environmental Law Association.



Chapter 11, continued

JUST THE BEGINNING

A Canadian funeral company, Loewen Group Inc. is using another part of NAFTA's chapter 11 to recoup heavy losses due to a civil case in Mississippi. The firm almost went bankrupt when a state court awarded an adversary half a billion dollars in a minor contract squabble. Loewen wants the US federal government to be accountable for the actions of the state of Mississippi.

The Mexican government is also facing four investor-state challenges.

CAN'T TINKER

Concerned about the potential deluge of public payouts to companies that don't like Canadian laws, Minister Marchi says he wants his NAFTA colleagues to attach a note to Chapter 11 to redefine exactly what "expropriation" means. The Mexican government is, so far, not interested in talking.

CLC's President Bob White recently wrote Trade Minister Sergio Marchi saying not to bother with a stop-gap measure. "Chapter 11 should be re-opened to remedy fundamental defects. In both the

US and Mexico, labour, environmental and other public interest organizations have voiced their concerns over MAI and NAFTA provisions which give new rights to corporations and which potentially limit legitimate government activity in the public interest."

WATCH OUT, MORE COMING

Can a local government set selective purchasing laws such as "buy local", "boycott repressive regimes", or "recycled-content requirements"? Not according to a US federal judge who overturned a Massachusetts law forbidding the state to purchase from companies involved in Myanmar. Local communities wanted to make a statement about that country's dismal human rights record and repressive military regime, formerly known as *SLORC*.

The EU, backed by Japan and the Association of Southeast Asian Nations, used the WTO system to attack the statute because *their companies* also invest in Myanmar and would be effected if such a ban were to be allowed. Another score for the corporations. Another loss for local power and good governance.

ONCE UPON A TIME...

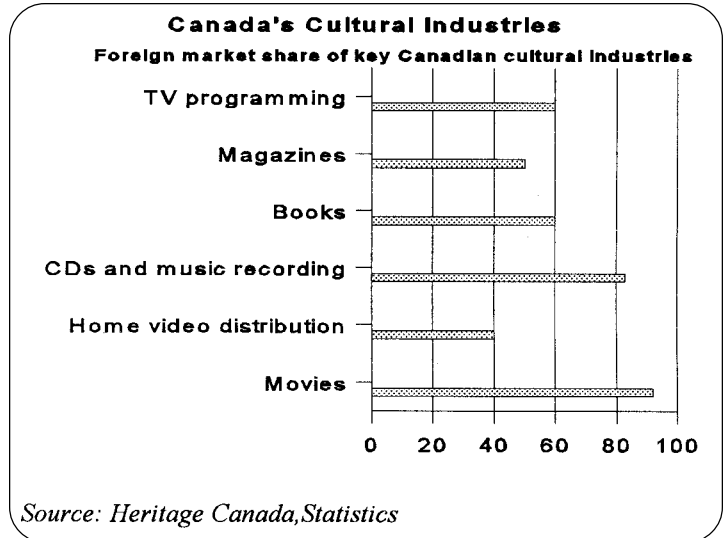
JUST THE FACTS.....

In 1998 Canada spent **\$4.1 billion** on “cultural products” from the US. Canada sold **\$1.3 billion** worth of “cultural products” to the US.

Magazine advertising is an important factor in the survival of the Canadian magazine industry. Canadian magazine advertising is estimated at \$400 million a year.

USE IT AND YOU’LL LOSE IT

- ☞ For 30 years, Canada has used tariffs (customs duties), postal subsidies and (lately) excise taxes to help build up its magazine industry in the shadow of American giants such as Newsweek and Sports Illustrated.
- ☞ The 1988 Canada-US Free Trade Agreement allowed Canada to keep the postal subsidy and the tariff under a “cultural exemption”.
- ☞ Canadian negotiators claimed they kept the “cultural exemption” in the 1994 North American Free Trade Agreement (NAFTA). *But* NAFTA gave the US the right to *retaliate* if Canada *uses* the cultural exemption to protect its *cultural industries*. Washington can determine how much damage the Canadian actions cause US companies and retaliate with measures that would result in the same degree of economic damage to Canada.



A TRUE CANADIAN STORY

Sports Illustrated started crossing the Canadian border through cyber-space in 1997.

They sold space to Canadian advertisers in their US magazine and distributed their *split-run* in Canada. Canada levied a special excise tax on the distribution of split run magazines because there was little Canadian content.

US Trade officials furiously denounced Canada at the World Trade Organization (WTO). The WTO told Canada both the *tariff* and the *excise tax* were *illegal* under *WTO rules*.

Canada's Heritage Minister designed Bill C-55, a new law making it illegal for a foreign magazine publisher to sell advertising in its Canadian edition to any company in this country. Any publisher who breaks the law will face fines of up to \$250,000. Because the new law was about advertising (a service), not about magazines (a product), the minister claimed it would be both NAFTA-proof and WTO-proof. That is what *she* thought!

The US Trade Secretary threatened retaliation with a \$4 billion trade war on industries that have nothing to do with magazines such as steel, plastics, wood and clothing industries. These were cleverly selected

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because they are located in the electoral ridings of both the Canadian Trade and Heritage ministers.

Meanwhile, back at the Parliament, Time Warner and Hearst International, two US mega companies, were, reportedly, producing speech material for the opposition Reform Party.

Hollywood giants, like the Walt Disney Co., Time Warner Inc. and Microsoft Corp. are pushing to "draw a line in the Canadian sand" to stop cultural independence from spreading. After all, they do

depend on the US *entertainment industry* to dominate what others call "culture" around the world.

On advice from the Trade Department, Bill C-55 was amended so that it can only be triggered by a Cabinet decision. In the meantime, policy-makers are hoping to sign a "peace treaty" with the US.

The moral of this story is: "Don't put your nation's culture into a free trade agreement with the mighty US government."

Will NAFTA DRINK CANADA DRY ?

If a NAFTA country exports water, even just a little, then water becomes a commodity and is treated like any other product. Once the water export tap is turned on, NAFTA makes it illegal to turn it off. One US company, SunBelt Water Inc. of California, is already suing the Canadian government for \$220 million arguing that they have lost business from a moratorium on the sale of water from British Columbia. NAFTA has made exporting water a political time bomb. **Water Watch**, a common front to protect Canada's water.

Water Watch Targets

- ◆ **No water exports**
- ◆ **No privatization of Municipal Water Services**
- ◆ **Promote water conservation, protection of water quality and healthy aquatic ecosystems**

For years, the Canadian government has promised to protect our water. Now Water Watch wants to see some action. For example:

- ◆ federal legislation banning large scale water exports;
- ◆ ensuring that trade and investment agreements, such as NAFTA and the proposed MAI, do not threaten Canada's water.

Governments are facing enormous pressure to privatize water and water services. The first step in most privatized water utilities is to get rid of unionized workers, downsize and raise rates.

Water Watch insists that governments maintain common ownership of water as a sustainable public resource.

For more information, contact:
The Canadian Union of Public Employees (613-237-1590), the Canadian Environmental Law Association (416-960-2284) or the Council of Canadians (613-233-2773).

Brazil Bashing

Population: 163 million people

GNP: US\$773 billion in 1997, is half of all of Latin America's.

- Half of the nation's wealth is owned by the top 10 percent of the population.
- 32 million people live below the poverty line.
- Over half of all workers are in the "informal sector" with no access to social security or social programs.

In the Global Vortex

Caught in the global vortex is Brazil, second largest economy in the Americas (after the US). On September 11, 1998 alone, \$1.7 billion left the country. Then, capital flight averaged \$400 million a day throughout October. Coffee prices (a major export) are down 44 percent. So are prices of other major exports. Most of the Fortune 500 companies are in Brazil—until recently the "darling of emerging markets". With profits and stock prices of multinational companies and banks in danger, the International Monetary Fund and the US Treasury jumped in to "bail out" the nearly bankrupt Brazilian government.

Panic, Investor Panic

Raising short-term interest rates to a whopping 50 percent didn't stop the bleeding, but it did:

- add a whopping \$5 billion a month in interest payments on the debt;
- empty out factories and shopping malls as credit became scarce.

With the country's coffers ransacked, the IMF and the US Treasury are loaning the money back to Brazil in order to pay the interest on its debt.

From Bad to Worse

Already facing the highest unemployment rates in decades, the IMF demanded: that Brazil design massive austerity measures; lay-offs of federal government employees; higher taxes; and the curbing of transfer payments to state governments. It also forbade Brazil from raising tariffs as a source of revenue and demanded that it speed up its program of privatization of public utilities and state-owned companies.

House of cards

That was the situation *before Christmas*. Shortly after the New Year a renegade state governor (and ex-President of the country), Itamar Franco, announced he was bankrupt. The Central Bank capitulated, the currency devaluated and continued to flee.

Now Brazilian workers have joined their brothers and sisters from South Korea, Thailand, Mexico, Russia, Indonesia and other citizens of "emerging markets". The country is in shock, the value of its currency reduced by almost half. The IMF and international financiers, left to put the pieces back together have tightened the screws demanding a steep recession which will mean a probable decline in GDP of 3.5 to 4 percent. Many are holding their breath to see if the pain will lead to eventual gain.

In a move that seemed so symbolic of Brazil's submission to the global market, President Cardoso named a former aid to international multi-billion dollar financier, George Soros, to head the Brazilian Central Bank. "The fox in charge of the hen-house" cried the opposition. Yes, and the golden egg is more elusive than ever.

Undaunted

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The Parliamentary Standing Committee on Foreign Affairs and International Trade, and Sub-Committee on Trade and Trade Disputes is holding cross-country hearings this spring. This will be an opportunity for civil society organizations, unions, social groups, and businesses to say what they think about globalization and free trade. Groups can also mail in a brief to the Trade Department.

Buddy buddy

If you want a *direct line* to the Trade Minister, you have

to be a business executive, preferably one that exports. The Trade Department is working closely with business on a hemispheric Business Forum just before the next FTAA ministers meeting in November in Toronto. The Business Forum's role is to promote business interests in the new trade agreement. The minister also meets regularly with advisors from national business groups such as the Alliance of Manufacturers and Exporters of Canada, the Business Council on National Issues and the Canadian Chamber of Commerce. These groups were invited to speak on a panel to federal

and provincial trade officials in February in Ottawa. While paying lip service to the need for public consultation on trade and investment issues, the old one-sided, biased, pro-business approach is the one that still counts.



NEW ARCHITECTURE IN MERCOSUR

After years of fighting for labour rights in their free trade agreement, the Southern Cone Trade Union Coordination (CSCS) made some headway last December. That is when the Presidents of the four countries making up the Southern Cone Common Market (MERCOSUR) signed a new Social/Labour Declaration. Union representatives had negotiated the terms of the agreement with government representatives of a MERCOSUR Working Group on Labour Relations.

The Declaration resembles the NAFTA side deal by obliging governments to promote a series of labour principles and ensure that their domestic labour laws are enforced. But it differs from NAFTA by building a new tripartite Commission of government, business and trade unions internally into the architecture of the trade agreement. CLC Secretary Treasurer Dick Martin notes, "This Commission gives unions a direct role in monitoring labour rights in the MERCOSUR countries. This doesn't exist in NAFTA".

\$9 Trillion Market

While the talks for the FTAA have stalled due to the US lack of fast track negotiating power, Mercosur and the European Union will begin talks in June to set up a trans-Atlantic super-bloc. The EU-Mercosur free trade zone will be the world's biggest, larger than the proposed FTAA. The new free trade zone will have a total gross national product of US\$9 trillion of which Mercosur's share is US\$1.2 trillion.

NAFTA

Side DEALING:

CANADIAN JURISDICTION TESTED

Labour groups submitted the first two NAFTA side deal cases on labour rights violations in a Canadian jurisdiction to the US NAO in December.

Justice Delayed

The good news was that the Canadian Teamsters were certified to represent employees at the St. Hubert McDonald's restaurant in Montreal in late 1997. The bad news was that its owner announced the closing of the restaurant a few days earlier. When businesses in Quebec shut down to crush an organizing drive, unions have no recourse under Quebec's current labour code. The Teamsters and the Quebec Federation of Labour's complaint under the NAFTA labour side deal denounces this problem as well as unwarranted delays in certification procedures. Since Quebec has since announced changes to its labour code, the case will likely not proceed to a hearing.

THROUGH RAIN AND WIND....BUT NO UNION

Rural postal carriers in Canada are not allowed to join a union because the Canada Post Corporation Act excludes them as employees eligible to bargain collectively. A December submission to the US NAO, led by the Canadian Union of Postal Workers (CUPW), claimed that the Canadian government's refusal to repeal this clause means that it is not enforcing the labour side deal.

The US labour office (NAO) didn't bother to tell the union that it had received information from the Canadian government (the employer). And the NAO refused to review the case. The CLC and CUPW have asked the NAO to reconsider their decision.

Help OR HINDRANCE?

“When a company unilaterally declares a Code of Conduct that doesn't include labour rights and has no monitoring or verification component, it can do more damage than good”.

CLC Executive Vice-President Jean Claude Parrot

Having a Code of Conduct didn't stop shirt-maker Phillip Van Heusen (PVH) from firing, *en masse*, the Guatemalan maquila workers in the only unionized shop in Central America right before Christmas. Being a member of the US Apparel Industry Initiative (AIP), a US task force on sweatshops convened by the White House last year didn't stop PVH either. This was the message brought by Neil Kearney, General Secretary of the International Textile, Garment and Leather Workers Federation (an international sectoral labour organization). Kearney was a speaker at *Commerce with Conscience*, a one day conference of labour groups, NGOs, business and government representatives interested in mechanisms which could end sweatshop conditions in production facilities around the world.

Meanwhile, Canada's Department of Foreign Affairs has promised it will announce in early spring, the name of a facilitator to steer a National Task Force composed of business, labour, NGOs and churches to look at these questions. That is when discussions will begin to determine what sectors a Task Force will cover and what kind of Code of Conduct should be designed or adopted.

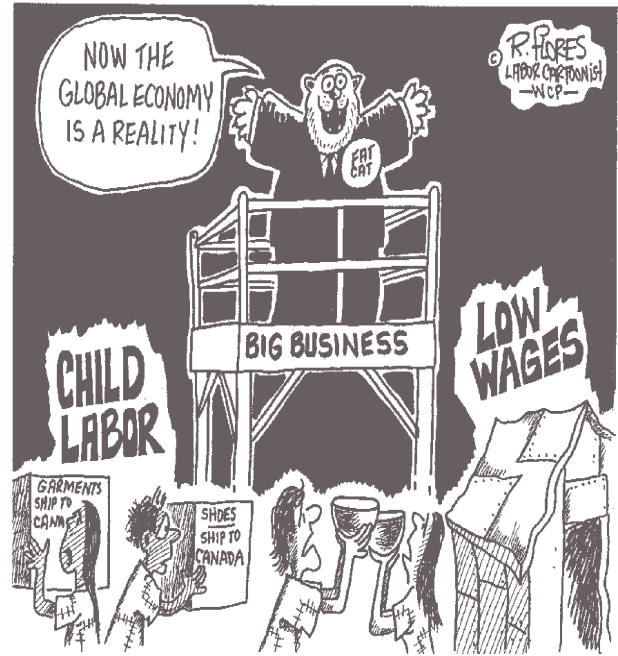
For more information see Maquila Network Update, newsletter of the Maquila Solidarity Network, <http://www.web.net/~msn>

HERE, CAT THIS!

They are called Frankenstein Foods. They are genetically altered and nobody knows their effect on human health. But we do know that biotechnology multinationals are earning lots of profit from them. The corporations don't want to label bioengineered products. And they are getting their own way.

"Disgraceful". That is what environmentalists called Canada's trashing of a biosafety agreement agreed to by 125 other countries in Colombia in February. Canadian officials opposed requirements to label genetically altered food and products because Canada is heavily invested in engineered crops. The US was also against the treaty because, they said, they were protecting the world's food trade. More likely, the US was protecting the profits of giant biotechnology firms such as Monsanto, the company that tried to shove Combined Bovine Growth Hormone into our cows. Now they want to shove engineered food down our throats.

Open up!



Hijacked

Increasing world trade is not, necessarily, a bad idea. But multinational corporations have hijacked the World Trade Organization (WTO) and have generated NAFTA and the MAI.

Fifty-one of the 100 largest economies in the world are multinational companies. They make financial contributions to political parties. Corporate bosses hob nob with prime ministers and presidents. Corporate power pulls national governments' puppet strings, manipulating official trade and social policies to benefit shareholders and boards of directors. They earn huge profits from locating wherever costs are lowest, where labour is cheapest, environmental regulation is dirtiest, and governments are most desperate to attract international investment.

The United Nations Development Program (UNDP) is planning to open the door for corporate patronage. UNDP has approached at least 30 major global corporations and at least eleven agreed to pay \$50,000 each to UNDP for privileges such as special UNDP sanctioned logos for use by corporate sponsors. Many of these new, potential UNDP "partners" are well known for ignoring development, human rights and the environment.

Dow Chemical, is one of the biggest polluters in the United States, the world's largest producer of chlorine--the root source of dioxin--and one of the largest pesticide companies on the planet.

Citibank is the U.S. financial services corporation which played an important role in the Asian financial crisis that threw millions of workers out of work in 1997. Citicorp was also a major lender to developing countries in the 1960s and 1970s, leading up to the Third World debt crisis.

Rio Tinto Pic, a British mining corporation has inspired a global network of trade unions, indigenous peoples, church groups, communities and activists to fight its abuses. The company stands accused of complicity in, or direct violations of, environmental, labor and human rights in Indonesia, Papua New Guinea, Philippines, Namibia, Madagascar, the United States and Australia, just for starters.

What's next? Corporations taking a seat in the General Assembly? How about *Coca Cola* for Secretary General!



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