

# “Free Trade” Alphabet Soup

A major hurdle anyone new to the globalization debate faces is wading through the alphabet soup of international trade agreement acronyms. This guide is offered as a brief introduction to the major treaties Canada is involved in and their implications for this country. Although these treaties are invariably presented to the public as promoting “free trade” they have very little to do with lowering tariffs or removing subsidies to agribusiness giants. A closer examination reveals that their true role is the elevation of corporate rights above national law and the ability of countries to control their own economies. Agreements allowing the free flow of capital are instrumental in promoting the **global corporate race to the bottom** in which nations, held hostage to international financial markets, are forced to compete to see which of them can offer transnational corporations the biggest tax breaks, lowest wages, and laxest environmental enforcement. The treaties also seek to “harmonize” standards, in effect bringing all member states down to the lowest common denominator. It is the meetings of these organizations that have drawn huge protests around the world, often with severe police crackdowns. The planning sessions for these trade summits can be counted on to include corporate representatives with the resulting treaties embodying rights for big business at the expense of the world’s citizens.

Beyond entrenching ever stronger rights for big business, neoliberalism and the trade treaties promote the **commodification and enclosure of the global commons**. This involves seizing cultural and economic resources such as education, healthcare, and access to clean water from the community and placing them under private control for private profit and use by those who can afford it. These trade treaties serve to facilitate the plundering and further impoverishment of developing countries of the impoverished **Global South** by transnational corporations from the wealthy **Global North**. In recent years, due to increasing international criticism, the backers of these unfair, asymmetric trade pacts claim to have reformed their worst provisions but this usually amounts to little more than a public relations exercise. Lately developing world countries have been banding together to resist these exploitive trade agreements. As a result the U.S. has been placing more emphasis on **Bilateral Investment Treaties (BITs)** in which it tries to strong-arm individual countries on a one-on-one basis. There are other organizations and summits Canada is involved in which further push the neoliberal agenda. More information on all of these treaties and organizations can be found in the Globalization section of the “Books” portion of this Handbook.

**Asia Pacific Economic Cooperation (APEC)** This organization of North and South American, Oceanic, and East Asian countries with its secretariat in Singapore was formed in 1989 to promote “free trade” in the region with an agenda of deregulation, privatization, and completely unrestricted foreign investment. At its meetings transnational corporations are considered equal partners with governments. Thousands protested the leaders’ November 1997 **Vancouver** summit, site of the infamous police pepper-spraying of demonstrators.

**Atlantica** This proposed trade zone spanning Atlantic Canada, southern Quebec, and northeastern New England is being championed by the **Atlantic Institute for Market Studies (AIMS)**. Although promoted as enhancing trade between New England and Atlantic Canada, it appears the true focus involves turning Halifax into a super-port for Asian cargo. This would then be transported to the U.S. by huge “truck trains” on a transportation corridor paid for by the public. The plan also calls for increased unregulated energy exports to the U.S. regardless of the damage to the environment and to Atlantic Canada’s own energy security needs. The AIMS agenda explicitly targets minimum wages, public services, and unions as impediments to “business without borders”.

**Bretton Woods institutions** These are the three organizations resulting from a 1944 international meeting in Bretton Woods, New Hampshire. These are the **General Agreement on Tariffs and Trade (GATT)** (now morphed into the **World Trade Organization**), the **International Bank for Reconstruction and Development** (commonly known as the **World Bank**), and the **International Monetary Fund (IMF)**.

**Free Trade Area of the Americas (FTAA)** Known as “NAFTA on steroids”, this is an attempt to extend the “free trade” area to include all of North, Central, and South America except Cuba. This treaty includes the **Chapter 11** provisions of **NAFTA** allowing corporations to sue governments for lost potential profits as well as the **GATS** agreement of the **WTO** allowing corporations to sue governments to force the privatization of public services. In April of 2001, **Quebec City** was the site of the **Summit of the Americas** meeting of Western Hemispheric leaders to advance the FTAA negotiations. It became the location of Canada’s most famous anti-corporate globalization protest when tens of thousands of demonstrators also put in an appearance. The FTAA now appears virtually dead due to the revolt of many South American countries against U.S. imposed neoliberalism.

**Group of 8 (G8)** This group of the world’s dominant industrial and military powers originally began in 1975 with France, Germany, Italy, Japan, the United Kingdom, and the U.S. as members. It was subsequently expanded to the **G7** with the inclusion of Canada and later the G8 with Russia. It also includes representatives from the European Union. Lately one of the key controversies surrounding the annual G8 meetings of its leaders has revolved around their unwillingness to substantially relieve developing world debt or deal with global warming. The G8 governments and their corporate elites are also the driving force behind neoliberal globalization. In June 2002 the G8 heads met in a heavily guarded **Kananaskis**, Alberta hotel while thousands of demonstrators protested their policies in nearby Calgary.

**International Monetary Fund (IMF)** Formally created in 1945 as part of the **Bretton Woods institutions** and headquartered in Washington, D.C. the Fund was originally established to stabilize currency exchange rates but its role altered profoundly during the Reagan years. The Fund is now known as the lender of last resort to heavily indebted countries who are in danger of defaulting on their interest payments to international financial institutions such as the **World Bank**. This involves undermining their sovereignty by imposing **conditionality** on these countries in the form of a **Structural Adjustment Program (SAP)**. Under these one-size-fits-all programs the country is required to cut social spending on education, healthcare, and food subsidies as well as carry out privatizations and open itself to foreign investors and financial speculators. This can generate huge profits for transnational corporations but also results in the economic destabilization of whole regions of the world such as the mid-nineteen nineties Latin American and the 1997 East Asian financial meltdowns. In addition, rather than growing food for their own population, farmers are diverted into growing cash crops for export to pay the debts, leading to further food insecurity for their people. Due to international criticism the IMF now refers to these as **Poverty Reduction and Growth Facility (PRGF)** programs. IMF bailouts of countries undergoing financial meltdown have been for the benefit of Wall Street bond investors rather than the people of the affected countries. The U.S. is the one country that has veto power over major changes to Fund policy. Together with the World Bank the IMF has been responsible for increasing the impoverishment of the planet’s poorest nations. The spiraling debt loads of these countries make them easy prey for transnational corporations eager for quick profits as well as to political pressure from the U.S. to advance its own international objectives.

**Multilateral Agreement on Investment (MAI)** This failed attempt to further entrench global corporate rights was first drafted by the **International Chamber of Commerce** and negotiated at the **Organization for Economic Co-operation and Development (OECD)**. It would have given corporations the right to sue governments that passed laws that might reduce their potential profits as well as challenging government funded social programs. Also governments could not demand domestic content in hiring or any other aspect of the operation when foreign companies exploited publicly owned resources. The MAI would have given corporations the same legal status as nation-states. In 1997 Canadian activists obtained copies of the then secret agreement and the resulting world-wide grass roots uproar led to its collapse in 1998.

**North American Free Trade Agreement (NAFTA)** This came into effect in 1994 by bringing Mexico into 1989’s **Free Trade Agreement (FTA)** between Canada and the U.S. This earlier treaty gave corporations all the legal rights of citizens but without the obligations. The **National Treatment** principle in NAFTA means

that the Canadian government cannot favour its own corporations over those of the U.S. or Mexico in order to keep jobs or profits here. The infamous **Chapter 11** provision allows foreign corporations to sue the Canadian government before secretive trade tribunals for laws that potentially interfere with their profits. This includes environmental laws designed to protect public health. However, as the softwood lumber dispute shows, the U.S. government feels free to ignore decisions that go against it. There is also the **proportionality** clause which obligates Canada to continue exporting the same or higher proportion of its energy and other natural resources to the U.S. even if we start to suffer shortages ourselves. This provision, which the Mexican government refused to sign, makes it virtually impossible to institute meaningful conservation measures even as Canada begins to run out of conventional oil and natural gas reserves. Furthermore, Canada is required to charge the same price for oil and natural gas used in this country as it does on exports to the U.S. NAFTA was promoted as a way to encourage more American investment in Canada to create new businesses but the overwhelming majority of that new investment has gone toward buying up existing Canadian companies rather than setting up new ones. This has resulted in a hollowing out of our economy. To appease critics NAFTA also contains environmental, labour, and cultural “side deals” but with no credible enforcement mechanism these are rendered meaningless window dressing.

**North Atlantic Treaty Organization (NATO)** Headquartered in Brussels, Belgium, NATO was formed in 1949 as a military alliance of the U.S., Canada, the United Kingdom, and other Western European nations against a perceived Soviet threat. After the collapse of the Soviet Union and the end of the cold war, NATO was expanded to include many former East Bloc countries. It is now used as an extension of U.S. military power in various conflict areas such as Bosnia and Afghanistan.

**Organization for Economic Co-operation and Development (OECD)** Formed in 1961 with its secretariat in Paris, the OECD consists of the richest 30 or so developed countries and their global corporations. This was the organization responsible for promoting the failed **Multilateral Agreement on Investment (MAI)**.

**Organization of American States (OAS)** The OAS is an organization made up of North, Central, and South American and Caribbean governments which has become the primary political vehicle for carrying out neoliberal “free market” style integration of the Americas. The June, 2000 annual meeting held in **Windsor**, Ontario was the opportunity for thousands of protestors to challenge neoliberal globalization.

**Quad** Collective term for the developed countries and regions most aggressively promoting neoliberal globalization. These are the U.S., Canada, Europe and Japan.

**Trade, Investment and Labour Mobility Agreement (TILMA)** Unlike the other treaties in this section, TILMA is at the moment only between provinces within Canada. This deal between Alberta and British Columbia came into effect in 2007. Although promoted as easing labour mobility between provinces, the real motivation involves handing over even more power to investors. Beginning in 2009, corporations will be able to sue under a legally binding process to force harmonization of regulations between the provinces to the lowest common denominator or even eliminate regulations entirely if they restrict investment. This includes municipal laws. Other provinces and even some U.S. states may join, allowing further attacks on medicare and other programs by American corporations.

**Trilateral Commission** This was formed in 1973 when David Rockefeller and Zbigniew Brzezinski (later national security advisor to President Carter) expanded the secretive post World War II **Bilderberg** meetings of North American and Western European political and business leaders to include Japan. The Commission includes heads of the largest banks, media corporations and other companies. Its members also include politicians not currently occupying high office. Former U.S. Presidents Jimmy Carter, George Herbert Walker Bush, and Bill Clinton have all been members. The Commission advocates the **Washington Consensus** approach of neoliberal market freedom for corporations and the control of developing countries through debt. A major challenge of the Trilateral Commission was to reverse the rising tide of participation by citizens of the

democratic nations which began to threaten the established order in the 1960's. Its first report concluded that "Some of the problems of governance in the United States today stem from an excess of democracy".

**World Bank** (officially called the **International Bank for Reconstruction and Development**) Formally created in 1945 as part of the **Bretton Woods institutions** and headquartered in Washington, D.C., the Bank presents itself as helping to finance the developing world in its industrialization programs, but a closer look reveals a darker side. The Bank has been responsible for promoting large-scale environmentally destructive development projects that benefit transnational corporations and contractors and make it easier for foreign interests to exploit a country's resources. The Bank is especially notorious for financing dams that have displaced millions of people around the world. Developing nations wind up with billions of dollars of debt while most of the benefits go to local power elites and foreign contractors. A U.S. Bank official once estimated that for every dollar the United States spends on the Bank American corporations receive \$1.30 in business. When countries can no longer pay even the interest on their loans they may fall victim to intervention by the **International Monetary Fund**.

**World Economic Forum (WEF)** Created by Swiss Billionaire Klaus Schwab the WEF first formally met in 1971. The Forum is an annual meeting, usually in Davos, Switzerland, of the world's most powerful political leaders and the CEOs of the world's thousand largest corporations. It provides a venue for further advancing globalization and neoliberal policies. It is **not** to be confused with the **World Social Forum (WSF)** which began in Porto Alegre, Brazil in 2001. This is an annual meeting of tens of thousands of grass roots social justice activists from numerous **nongovernmental organizations (NGOs)** from around the world dedicated to developing alternatives to neoliberal globalization. The WSF's slogan is "Another world is possible".

**World Trade Organization (WTO)** (formerly the **General Agreement on Tariffs and Trade** or **GATT**) Begun in its present incarnation in 1995 and headquartered in Geneva, Switzerland the WTO is the most powerful trade regulatory body on the planet for the advancement of the rights of transnational corporations. Unlike its predecessor the GATT the WTO is designed to eliminate any non-tariff barriers that were claimed to stand in the way of international trade. Foreign corporations can challenge our laws by requesting their government to bring Canada before secretive tribunals of trade bureaucrats with the power to impose severe retaliatory trade sanctions to enforce their ruling. These rulings can be used to force Canada to change its laws if they're ruled to restrain potential corporate profits. The WTO includes the **Agreement on Trade-Related Intellectual Property Rights (TRIPs)** which extends U.S. style monopoly patent rights to the rest of the world. This allows drug companies to deny developing countries the right to develop cheap generic drugs such as those for AIDS treatment and permits foreign corporations to commit biopiracy by patenting indigenous plant varieties developed by local residents over centuries. The TRIPs section was lobbied for and effectively written by several U.S. giant corporations including Dupont, Pfizer, Monsanto, and General Motors along with Japanese and European companies and industry groups. Another provision is the **General Agreement on Trade in Services (GATS)** which originally covered banking and financial services but has been expanded to define healthcare and education as services. Under GATS, if we open any portion of one of these public services to private Canadian companies, foreign corporations could force the privatization of the whole sector. The biannual November 1999 WTO Ministerial summit was the site of the most famous anti-corporate globalization protest of all when tens of thousands of activists virtually shut it down in the famed "**Battle of Seattle**".

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