



Chapter

11

Economic Globalization

Chapter Focus

If you take a bus today, part of your fare will pay for the driver's wages. Another part will go toward the upkeep of the bus. Still another will go toward taxes that the bus company pays to the government. Taxes are used to provide services such as public education to your community. Paying bus fare is an example of the role you play in the *local* economy. You also play a role in the *global* economy. Whenever you buy something made outside Canada, your purchase ensures that more of this item will be produced by someone in some part of the world.

Today, goods are produced and transported around the world. This has an impact on the local environment where the goods are produced and on the global environment when the goods are transported. Events such as natural disasters in one part of the world affect the economies of countries in other parts of the world. However, there are different understandings of economic globalization, ranging from favourable to unfavourable. A person's understanding is influenced by factors such as socio-economic status, world view, experiences, identity, culture, country of birth, age, gender, and education. What factors may be influencing your understanding of economic globalization?

Socio-economic status refers to an individual's position within a community based on social and economic factors.

Key Terms

- Bretton Woods Agreement
- World Bank
- IMF
- exchange rate
- HIPC
- trade liberalization
- free trade
- trading bloc
- tariff
- FTA
- Group of Eight (G8)
- FTAA
- anti-globalization
- WTO
- GATT

Chapter Issue

Why are there different understandings of economic globalization? To explore this Chapter Issue, you will examine some of the events that created the foundations of economic globalization. Your exploration will help you to develop a response to the Main Issue for Part 3: *Does globalization contribute to sustainable prosperity for all people?*

Figure 11-1 Activists protesting the sale of lumber from rain forests. How might people who live in these forests feel when foreign companies cut down all the trees? How might the owners of Home Depot feel about harvesting this inexpensive source of lumber? How might environmentalists feel about the fact that the world's rain forests are decreasing at an alarming rate? How do these questions help you to consider why there are different understandings of economic globalization?



Conduct an Interview

Conducting interviews is a skill you already use every day. When you want to get to know people better, you ask them specific questions. People love to talk about themselves, so if you master this skill, you will always be able to “break the ice” with others.

Conducting an interview with someone other than a friend will help you to obtain important information on any issue you may be investigating. This skill will also help you to respond to the Chapter Issue: **Why are there different understandings of economic globalization?**

Your Task: Conduct interviews to find out the opinions of your classmates on the successes and failures of the North American Free Trade Agreement (NAFTA) from 1994 until the present. (Pages 188–190 in this chapter explore this agreement between Canada, the United States, and Mexico.) Working in a group, share your interview findings and come to a consensus. Write a short summary statement on what your group discovers.

The Inquiry Model: Before you begin, review the six phases of the Inquiry Model on the inside front cover of this textbook. Refer to them regularly as you conduct your research.

Step 1

Create the Interview Questions

As a class, come up with eight to ten interview questions about NAFTA based on the information on pages 188–190. Figure 11-2 outlines various types of questions.

Step 2

Conduct Interviews

Assign one question to every three students. Record your question in your notebook, leaving space for the interview responses.

- Take the role of interviewer. Interview three students individually. Ask each student to respond to the same interview question recorded in your notebook. Listen carefully to the response and record it in your notebook.
- Take the role of interviewee. In three separate interviews, respond to the interviewer’s question. Make sure that the students who interview you are not the same students you interviewed.



SKILL PATH

TYPES OF QUESTIONS

Open-ended questions ...	encourage people to share their thoughts and feelings on a subject. This type of question allows interviewees to tell their own story without much prompting from the interviewer. For example, “What are your thoughts about the benefits of NAFTA for Canada?”
Closed questions ...	limit discussion because they prompt a “yes” or “no” response. However, this type of question may be appropriate at certain points in an interview. For example, if you want to discover how people developed their understanding of globalization, you might ask, “Has anyone in your family lost a job because of a plant shutdown or relocation?”
Wrap-up questions ...	ensure that you have all the information you need. Ask interviewees a wrap-up question toward the end of the interview to clarify information they gave you during the discussion. This type of question also helps you to tie up any loose ends. For example, “Is there anything else I should have asked you?”

Figure 11-2 How can your point of view affect your answers to questions about the success or failure of NAFTA?

Step 3

Share Your Findings

When all interviews have been completed, work in a group with the two other students who asked the same interview question that you did.

- Read aloud and compare the interview responses.

Step 4

Come to a Consensus

Working in your group, come to an agreement about the responses. (To help you work well as a team, refer to the Skill Path in Chapter 4, on pages 55–56.)

- On what did the interviewees agree? On what did they disagree?
- Do any of your group members have anything to add to “flesh out” the best possible response to your interview question?
- Write a group summary statement to express what your interviews revealed.

What do these articles suggest about the role of the International Monetary Fund? Specifically, identify two ways that the IMF plays a role in the economies of less developed countries. ▼

Question for Inquiry

- What events set the stage for contemporary globalization?

Congo qualifies for \$2.9 billion debt relief, say lenders

By Christian Tsoumou

BRAZZAVILLE—The International Monetary Fund (IMF) says the Republic of Congo, one of the world’s most indebted countries, qualifies for debt relief worth about \$2.9 billion. The World Bank and IMF said in a joint statement last week that Congo’s qualification under the Heavily Indebted Poor Countries Initiative, launched in 1996, should help the central African nation fight poverty better.

BusinessDay (South Africa), March 13, 2006

IMF recommends privatization of basic services

The International Monetary Fund’s managing director, Rodrigo de Rato, recommended that Honduras privatize basic services in order to decrease foreign debt, local press quoted legislator Doris Gutiérrez as saying.

Business News Americas (Chile) March 2, 2006

READING GUIDE

Throughout this chapter, notice how lists with bullets (•) make it easy to understand several key points. Think about how you could use these kinds of lists in your own work.

As you know from Chapter 1, economic globalization is the process of economies throughout the world growing more and more connected. In this section, you will have a chance to explore several key events that led to the development of economic globalization as we know it today. These events include

- the Bretton Woods Agreement, 1944
- the creation of the World Bank, 1944
- the development of the International Monetary Fund, 1944

- the end of the Cold War, 1989
- the impact of technology and communications

As you read about these events, ask yourself how they might have contributed to different understandings of economic globalization. Which event seems to have had the greatest impact on the development of economic globalization?

Bretton Woods Agreement

The countries that fought against Germany, Italy, and Japan in the Second World War were known as the Allies. Toward the end of the war, these countries became concerned about how they would rebuild their economies after the war. Representatives from 44 Allied countries, including Canada, met in the United States at Bretton Woods, New Hampshire, to discuss this problem. In 1944, they signed the **Bretton Woods Agreement**, establishing a system of rules and institutions for the global economy that is still with us today. The World Bank, the International Monetary Fund, and the General Agreement on Tariffs and Trade (which later became the World Trade Organization) were all major elements of the Agreement. They are still in operation and have even greater power than the founders of Bretton Woods probably imagined.

World Bank

The Allies hoped that the **World Bank** would be able to help rebuild countries devastated by the war. It provided billions of dollars in financial aid to Western European countries following the war.

Today, the World Bank continues to provide loans to member countries in financial difficulty. In order to get these loans, the World Bank requires that countries meet certain political and economic conditions. These include reducing government debt and corruption. These countries are also required to promote Western-style free market policies. Not all countries agree with these policies. Some experts wonder if such policies are practical for all countries.

Figure 11-3 A family among the ruins of a bombed neighbourhood in Liverpool, England, 1941. The economic costs of the Second World War were staggering. Why might countries have been able to rebuild their economies more quickly if they entered into economic agreements with other countries?



FastFacts

The Bretton Woods Agreement also included plans for an International Trade Organization to promote free trade. However, industries in Europe, the United States, and other countries blocked its creation. After reading the section on free trade on pages 186–190, think about why post-war industries would be opposed to free trade.

Bretton Woods Agreement an agreement signed by the Allied countries in 1944 that established a number of financial institutions and a system of rules and regulations to promote international trade in the global economy

World Bank a financial institution, with headquarters in the United States, that provides loans to member countries in financial difficulty

IMF International Monetary Fund

exchange rate the price at which one country's currency can be purchased with another country's currency

Capitalism refers to an economic system that is based on free markets, private ownership of business and industry, and the profit motive.

Communism refers to an economic and social system in which the government plans and controls the economy.

READING GUIDE

Photographs capture a moment or an experience in time. Examine photographs to determine their purpose, elements of time (decade, season, time of day), place, mood, and the economic status of people pictured in the scene.



International Monetary Fund

The International Monetary Fund (IMF) was created to work together with the World Bank to bring stability to international monetary affairs and to help expand world trade. The World Bank is in charge of long-term financial assistance for countries in need. The IMF is in charge of monitoring **exchange rates** and providing short-term financial assistance. Both the World Bank and the IMF are agencies of the United Nations.

The End of the Cold War

Another major event that pushed forward economic globalization was the end of the Cold War in 1989. The Cold War began in 1946, after the end of the Second World War. For more than 40 years, the world was divided between the communist countries, led by the Soviet Union, and the Western capitalist democracies, led by the United States. The Cold War was mostly an economic struggle between capitalist and communist countries.

By the end of the Cold War, globalization was already well established. People were using computers, watching international events on their television sets, and doing business around the world. With the collapse of the Soviet Union, most of the communist countries such as Russia, Poland, and other Eastern European countries began the transition away from communism. From the 1990s on, the forces of globalization and capitalism merged to expand the forces of economic globalization.

The Impact of Technology and Communications on Economic Globalization

As you have seen, the Bretton Woods Agreement and the end of the Cold War were driving forces behind economic globalization. However, there were other factors promoting the development of globalization itself. The most important of these, as you found out in Chapter 3, was the impact of advanced technology and communications. Throughout the Cold War, technological developments were changing the world. Television, computers, the Internet, cellphones, and satellites made borders seem irrelevant. The Internet, in particular, was a powerful globalizing force.

◀ **Figure 11-4** An Internet café in Khartoum, Sudan. “The Internet revolution will bring together people with knowledge and information in virtual companies. It will have as much impact on society as the Industrial Revolution. It will promote globalization at an incredible pace. But instead of happening over a hundred years, like the Industrial Revolution, it will happen over seven years.” (John Chambers, president, Cisco Systems, 1998). How has the Internet changed the world since 1998? Do you think Chambers’s prediction was correct? Explain.

Understandings of Economic Globalization

Now that you have explored the events that led to the development of economic globalization, take a few minutes to think about *why* economic globalization occurred. Do you think that it was inevitable because of advances in technology and communications? In other words, would economic globalization have developed even without the Bretton Woods Agreement?

Factors Influencing You

Your answers to these questions will depend on a number of factors, including those indicated on page 178. One factor that will affect your point of view will be the opinions you hear from friends and family. If the people you live with support closer links between Canada and other countries, you might favour economic globalization. On the other hand, you might have friends concerned about free trade and other issues such as the debt level of less developed countries. In that case, you might be critical of economic globalization. Other factors such as your age, your socio-economic status, the political beliefs of your family members, your gender, and your ethnicity can all have an impact on how you answer these questions.

All these factors are pertinent to the Chapter Issue: *Why are there different understandings of economic globalization?* Your own point of view is simply one way to look at an issue. If you do not consider other points of view, you might not be able to form a balanced understanding of the issue being discussed. Let's now explore the opinions of people who support economic globalization and those who oppose it.

A Closer Look at the World Bank and the IMF

As you learned earlier in the chapter, the World Bank and the IMF were set up to stabilize international monetary affairs and to help expand world trade. While the IMF and the World Bank provide aid to less developed countries, this is not their main function. They are not charitable organizations. Like other financial institutions, they charge interest on their loans and expect the loans to be paid back in full. As well, in order for countries to qualify for loans, the World Bank requires them to adopt free market policies—like those that exist in Canada, the United States, and other Western countries. Consider how you might feel if you applied for a bank loan and were told you would not qualify unless you met a long list of conditions. Supporters of the World Bank and the IMF argue that, in the long run, less developed countries will benefit from free market policies. But critics believe that the World Bank and the IMF should not interfere with local economies in this way.

The information on pages 184 and 185 looks at the pros and cons of the World Bank and the IMF controlling so much of the global economy.



Figure 11-5 The exchange rate of the Canadian dollar is usually expressed in terms of US dollars. For example, in 1948, when the Bretton Woods Agreement was created, the exchange rate for a Canadian dollar was US\$0.99. On January 6, 2007, it was US\$0.85. How does the exchange rate affect what a person can afford to buy?

To stabilize international monetary affairs, the World Bank and the IMF

- funded Europe's recovery after the Second World War
- helped to prevent war-torn countries from becoming bankrupt
- helped to regulate the price of goods and services
- laid the foundation for post-war economic expansion



Figure 11-6 Bénin, Tanzania, Mozambique, Uganda—four HIPC

Fast Facts

In 2000, Canada announced it would halt debt repayments from 11 of the poorest countries in Africa and Latin America. By late 2004, Canada had contributed \$312 million to the HIPC and other World Bank programs. What might this suggest about our country's understanding of economic globalization?

Note: Selling public assets to the private sector involves selling property owned by the government, such as lands or buildings, to private businesses.

- 1 In order to get debt relief, HIPCs have to agree to a number of conditions such as cutting government spending. Explain whether or not you think it is right for the World Bank to impose these conditions. (Consider if these conditions are suitable to their economies.)
- 2 Research what role La Francophonie plays in reducing debt for heavily indebted poor countries.

Heavily Indebted Poor Countries

While you read about less developed countries that are carrying a lot of debt, think about the Main Issue for Part 3: **Does globalization contribute to sustainable prosperity for all people?**

Over time, the World Bank has become more than just a bank offering loans to member countries. It has taken on the role of trying to provide special financial help to poor countries, especially the poor countries already heavily in debt. The countries are called Heavily Indebted Poor Countries (HIPCs). In 2005, it was estimated that there were 38 HIPCs.

They owe debts, mostly to the rich, industrialized countries, that they have little or no hope of repaying. But, as long as they have unpaid debts, the HIPCs find it hard to borrow any more money to fund development projects.

To help get them out of this bind, the HIPC Debt Initiative was created. In exchange for debt relief, the poor countries must agree to a number of reforms in their countries. These include cuts in government spending, selling

public assets to the private sector, and following the principles of free market capitalism. The government also has to develop a comprehensive plan to reduce the level of poverty among the people. If, after three years, a nation can show that it's getting its financial house in order, some debt relief will be granted. . . .

By 2002, HIPC relief had brought a 27 per cent reduction in average annual debt payments to the 22 countries that have begun to benefit:

- In Bénin, 54 per cent of the money saved through debt relief has been spent on health, including rural primary health care and HIV programs.
- In Tanzania, debt relief enabled the government to abolish primary school fees in 2002, leading to a 66 per cent increase in attendance.
- After Mozambique was granted debt relief, it was able to offer all children free immunization to protect them from diseases.
- In Uganda, debt relief led to 2.2 million people gaining access to clean water.

HIPC Heavily Indebted Poor Country

Source: *Canada & the World Backgrounder*, March 2005 Supplement, Vol. 70, pp. 22–33.

Who Runs the World Bank and the IMF?

Another concern expressed about the World Bank and the IMF is that they are controlled by the United States and other more developed countries. For example, in 2004 the United States held 16.4 per cent of the total votes in the World Bank. Since any major decisions require an 85 per cent majority, the United States can block any changes that other countries request of the Bank.

Money for the IMF is provided by its member countries. Each country pays a certain amount based on the size of its economy. The United States and the European Union (an economic and political association of European countries) provide most of the money. This money is available for lending to member countries. Funds to meet the annual expenses of running the IMF come from interest payments made by the countries that borrow money.



Follow the links on the *Living in a Globalizing World* website to find out more about the IMF and debt relief. Do you think less developed countries should have to repay loans? Is there a difference between giving money to help people in need and lending money to countries? Explain.

Does the IMF Help Countries?

What Critics Say

- The IMF sometimes provides loans that support military dictators friendly to American and European corporations.
- The IMF often requires governments asking for loans to reduce debt by increasing taxes and cutting social programs, thus hurting people in need.
- The IMF does not actively promote democracy, human rights, and labour rights.
- The IMF is controlled by the United States and other more developed countries. These countries' main goal is to protect the interests of their corporations rather than those of less developed countries that need the money.

What Supporters Say

- The IMF is simply a funding agency with little power to influence governments.
- The IMF's goal is to advise and provide loans to countries, not to make social changes in the world.
- The IMF helps countries build economic stability, which is critical for countries trying to build a strong democracy.
- Some of the IMF's most important decisions, for example, determining interest payments on loans, require a 70 or 85 per cent majority. A group of less developed countries could reject these decisions because, as a group, they hold about 37 per cent of the voting power.

Figure 11-7 Think about the arguments made by each group. Which points make the most sense to you? Which of these positions do you tend to support? How do these positions demonstrate why there are different understandings of economic globalization?

Explore the Issues

- 1 Reflect and Develop.** With a partner or on your own, reflect on all the arguments for and against the roles of the World Bank and the IMF in the global economy. Then develop a set of interview questions that you would like to ask the president of the World Bank or the IMF if you had the opportunity. If you wish, you may focus on one issue, such as the role of these organizations in helping all people get a high school education. Make sure you include the three types of questions that are outlined in this chapter's Skill Path.
- 2 Relate It to the Issue.** Create a Venn diagram to show the connections between the major events explored in this section and the historical development of economic globalization.
 - a)** Think about how these events relate to the Chapter Issue.
 - b)** How might someone who is pro-globalization view these events? Someone who is anti-globalization?
 - c)** Which of these two understandings do you identify with most closely? Explain.

SKILL PATH

Free Trade

How do these articles show two different understandings of free trade? Should countries be able to challenge NAFTA rulings? How do you think people in the Canadian lumber industry feel about the comments made in the second article?

Question for Inquiry

- What are some understandings of trade liberalization?

Canadians revel in lumber trade finding

OTTAWA — Canadian officials and leaders of the lumber industry hailed a NAFTA ruling Friday that they believe goes a long way toward settling the long-standing dispute between the North American neighbors over punitive [punishing] tariffs placed on Canadian lumber. Canada's International Trade Minister David Emerson said a panel of the North American Free Trade Agreement affirmed an earlier finding that Canadian softwood lumber was not subsidized.

Associated Press, March 18, 2006

US vows to fight “huge” softwood win

By Peter O'Neil

The US government and lumber industry made clear yesterday that neither plan to accept a “huge” Canadian legal victory in the softwood lumber trade dispute... The US industry alleges that the fees charged by provincial governments to firms logging on Crown lands amount to a hidden subsidy [financial help given to an industry by the government] that allows Canadian firms to undercut [set their prices lower than] their US counterparts, who log mostly on private land.

The Gazette (Montreal), March 18, 2006

trade liberalization the process of reducing barriers to trade

free trade trade between countries with relatively few restrictions



READING GUIDE

When you come across a pronunciation, say it out loud several times. This helps get it into your memory.

Trade liberalization is the process of reducing barriers to trade. Free trade is not a new idea. In 1944, the planners at Bretton Woods wanted a more open system for international trade. People around the world had been seeking out new markets for their surplus goods much earlier, of course. For example, salmon was the staple food of coastal First Nations such as the Heiltsuk [HYL-tsuk], Nuxalk [noo-HAHLK], and Kwakwaka'wakw [kwah-KWAH-kee-wahk] in British Columbia. The yearly catch was so plentiful that the people preserved some fish to trade with neighbouring nations for other goods. They obtained volcanic glass, furs, and other goods from the Carrier Nation across the Coast Mountains.

Throughout history, First Nations have continued to trade, even to the present day. For example, Little Miss Chief Gourmet Products, based in Okanagan, British Columbia, exports smoked salmon to Spain and the United States. The company was started in 1996 by Ellen Melcosky, a member of Esketemc [ESS-kee-et-em] First Nation. The company is working toward selling its product in France, Italy, Poland, and countries in Asia.

In this section, you will have a chance to examine how trade agreements between two or more groups of countries increase economic globalization by increasing trade. In the past 20 years, most of the world's economies have become more and more integrated. Of the 193 countries in the world, 190 have signed at least one regional trade agreement.

Individual countries within **trading blocs** give special status to their trading partners. Often this involves some form of free trade. Within a free trade area, member countries reduce or eliminate **tariffs** and other barriers to trade among themselves.

trading bloc a group of countries working together to give one another better trading terms

tariff a tax on imported goods or services meant to reduce competition with domestic goods or services

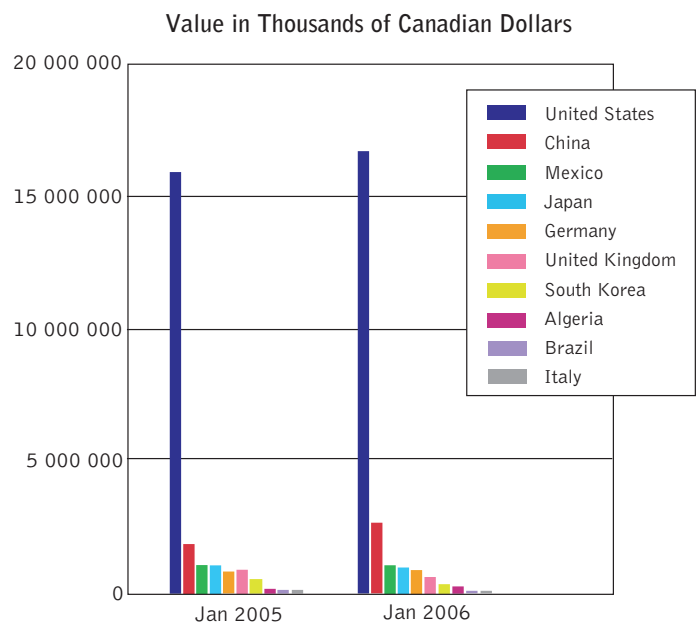
FastFacts

A tariff is also called a customs duty. Canadians who travel to other countries for seven days or more can bring back up to \$750 worth of goods without paying these duties. Do you think the value of goods you bring back from a trip should be limited? Explain.



Figure 11-8 A load of softwood lumber in Vancouver headed for the United States. Each year, Canadian exporters ship about \$10 billion worth of softwood lumber to the United States, mainly for construction and home renovation. More than half of this lumber comes from British Columbia. What might be some understandings of free trade in that province?

Figure 11-9 The top 10 importers to Canada, 2005–2006. Check your own belongings. What products do you or your friends own that were imported from one of these 10 countries? What power do you have as a consumer to influence Canada's trading relationships? Canada exports even more products and services than it imports.





READING GUIDE

As you read about a difficult idea, try to visualize it. For example, as tariffs go down, trade goes up, and vice versa. So you might want to picture tariffs on one end of a teeter-totter, and trade on the other.

FTA Free Trade Agreement



Follow the link on the *Living in a Globalizing World* website to search “Canadian Trade by Industry” at Industry Canada’s website. Use the graph program to create a vertical bar graph showing the top 25 products imported to Alberta. What trend do you see? Do you use these imports, either directly or indirectly? Think of another question you could ask about these data.

Freer Trade in Canada

It is easy for countries such as Canada and the United States to build a very strong trade relationship. They are linked together by geography and a similar history. While Canada has a larger land area than the United States, it is about 10 times smaller in population. The two countries share a long border. Over time, they have become each other’s most important trading partner. In 1989 Canada entered into a Free Trade Agreement (FTA) with the United States. This meant that a number of goods between our two countries could be exchanged without tariffs.

Mexico is also linked to the United States by geography. Like Canada, it has become dependent on the US market for about 85 per cent of its manufactured goods. Shortly after the FTA took effect, the move toward freer trade practices in Canada continued. Business people, banking representatives, and provincial premiers were calling for increased access to other markets. They wanted Canada to have the right to sell goods and services more freely in other countries. These demands resulted in the North American Free Trade Agreement in 1994. This agreement involved free trade between Canada, the United States, and Mexico.

Arguments For and Against NAFTA

At the time NAFTA was being debated, the value of Canada’s annual trade with Mexico was only \$3 billion. The value of annual trade with the United States was \$180 billion. Supporters of NAFTA argued that, if Canada did not participate in this agreement, the United States would end up doing more business with Mexico than with Canada. Supporters also saw the deal as a way to compete with other areas of the world. Countries on other continents, such as Europe and Asia, had made similar agreements among themselves.

People who were opposed to NAFTA worried about the fact that many Mexican and American workers did not belong to labour unions (organizations to protect workers’ interests). As a result, they earned much less than Canadian workers and had fewer labour laws to protect them. These critics were concerned that, if NAFTA were ratified (passed into law), factories in Canada would close and relocate to Mexico. There, owners could pay their workers much less and would not have to worry about unions or laws regarding workers’ safety or protection of the environment. Opponents of NAFTA were also afraid that the agreement could make it difficult for the Canadian government to pass laws designed to protect Canadian culture.

Free trade is a complex topic. For example, even though we have a free trade agreement, there are still a lot of restrictions and regulations are still in place. Nonetheless, trade has been made easier, overall. Figure 11-10 outlines two understandings of the impact of freer trade on Canada.

Free Trade

What Supporters Say

- Since NAFTA became law, the Canadian economy has grown by an average of 3.6 per cent annually.
- Canada and Mexico have increased their exports to the United States. More than half of all goods made in Canada go to the United States.
- Canada's exports account for over 40 per cent of gross domestic product (the total value of goods and services produced in a year). This is higher than for any other Group of Eight (G8) country. About one in four jobs in Canada is tied to international trade.
- About 87 per cent of all the goods Canada exports go to our NAFTA partners.
- Close to 2.3 million jobs have been created in Canada since 1994—a 17.5 per cent increase over pre-NAFTA employment levels.

What Critics Say

- Between 1989 and 1993 (when the FTA was in effect), 452 major manufacturing plants closed in Ontario. Nearly half were foreign- (mainly US) owned, and 65 per cent of these closures were permanent.
- A 1996 study of 500 union-organizing drives showed that 62 per cent of employers threatened to close or move their plants rather than negotiate with a union.
- Canada lost 255 000 jobs, or 12.8 per cent of its workforce, from 1988 to 1996. This was three times the loss in the United States during the same period.
- From 1989 to 2001, family incomes of the wealthiest 20 per cent of Canadians increased by 16.5 per cent; family incomes of the poorest 20 per cent decreased by 7 per cent.
- The rate of poverty rose between 1989 and 2001, except for Canadians over 65.

Sources for Data: International Trade Canada; Council of Canadians; Canadian Centre for Policy Alternatives



▶ **Figure 11-10** One way to decide which understanding of free trade is “correct” is to check the source information. Was it published by a respected organization? Is it based on sound studies or opinion? Follow the [links](#) on the *Living in a Globalizing World* website to visit the organizations in the source line. Has important information been left out or misrepresented? Another way to decide which understanding is “correct” is to do more research. Can you find other sources that support the information provided here?

Web Link

Group of Eight (G8) an informal group of the eight more developed countries with the strongest economies, whose leaders meet annually to discuss global issues

▶ **Figure 11-11** New cars being transported in Ontario (below, left). A worker at the John Deere plant in Woodstock, Ontario (below, right). In 2005, Japanese car manufacturer Toyota announced plans to build a plant in Woodstock, Ontario, that will employ 1300 people. In 2006, US company John Deere announced it was closing its plant in Woodstock. This forestry equipment plant was one of Woodstock's biggest private employers. John Deere decided it wanted to move all production to its Iowa plants to “reduce cost and improve product delivery times.” How might each of these decisions affect Woodstock residents' understandings of free trade?



The Impact of Trade Agreements on Aboriginal Peoples

FTAA Free Trade Area of the Americas

The Free Trade Area of the Americas (**FTAA**) is a planned agreement to remove or reduce trade barriers in the western hemisphere. It is modelled after NAFTA. (You will be able to investigate the FTAA further in Chapter 12.) As you read about the possible impact of this agreement on Aboriginal peoples, you can get an idea about what what would be the major concerns of Aboriginal peoples about free trade generally.

The 34 countries of North, Central, and South America (excluding Cuba) are currently negotiating the largest free trade agreement in history—the Free Trade Area of the Americas. Indigenous [Aboriginal] peoples need to understand the impact this agreement will have on our rights and access to our lands and resources...

- Under the FTAA, foreign companies would enjoy the same “rights” as local, community-based businesses—including access to any public funding—rights that would apply to everything from resources to services to investment.
- The FTAA makes no room for traditional knowledge or cultural diversity in economic development.
- The FTAA will erase 30 years of hard-fought victories for Indigenous independence and control over our resources.
- The FTAA is a direct assault on the gains we have made as Indigenous peoples to protect our resources and communities and to ensure the survival of our culture.

- *The FTAA is a violation of our national and international rights and it violates the relationship our communities have with the land, water, and environment that sustain us.*

Source: “The Free Trade Area of the Americas and the Threat to Indigenous Peoples,” Council of Canadians, Turning Point, Native People and Newcomers On-line, April 2002 <http://www.turning-point.ca/index.php/article/view/96/1/26>.

- 1 In what ways might Aboriginal peoples feel that free trade and economic globalization have not contributed to their economic prosperity?
- 2 In what ways could the FTAA be amended so that it addresses the unique situation of Aboriginal communities and creates opportunities for them? (Refer to the Skill Path in Chapter 13, on pages 215–216, for ideas on creating a plan of action.)
- 3 What might be some different understandings of free trade among Aboriginal peoples?

Explore the Issues

1 Draw Conclusions.

- a) Make a top 10 list of your favourite foods. Indicate if these items are available from Canadian sources. For example, you can make a hamburger at home or eat one in a Canadian-owned restaurant (as opposed to Burger King, Wendy’s, or any other foreign-owned chain). Bananas and oranges, however, are not grown in Canada.
- b) Make another two lists of all-Canadian foods you would eat—one for summer and one for winter.
- c) Now review your three lists. How many of your favourite foods would you have to sacrifice if you could eat only food from Canadian sources? Would

you be willing to do so if it had a positive impact on Canadian farmers and the Canadian economy in general? Explain.

- 2 **Work with a Partner.** In the Skill Path, you learned that asking good questions is one way to consider different understandings of economic globalization. With a partner, come up with 10 questions about free trade to help you determine your own understanding of this issue. **SKILL PATH**
- 3 **Relate It to the Issue.** Consider the Main Issue for Part 3: **Does economic globalization contribute to sustainable prosperity for all people?** How does exploring various understandings of trade liberalization help you to answer this question?

Contemporary Economic Globalization

Question for Inquiry

- What is the relationship between trade organizations and sustainable prosperity?

How do these articles demonstrate why there are different understandings of economic globalization? What is the main argument in each article?

Thousands march in first anti-globalization protest before WTO summit

HONG KONG—About 4000 anti-globalization activists marched Sunday in the first mass protest against the World Trade Organization's summit in Hong Kong. The demonstrators, who have been coming from around the world ahead of the five-day WTO meeting that opens Tuesday, marched from Hong Kong's downtown Victoria Park to the government's main office.

"Junk WTO," chanted the protesters. "Our world is not for sale."

Canadian Press, December 11, 2005

Anti-globalization protesters march on third day of WTO meeting in Hong Kong

By Helen Luk

WTO chief Pascal Lamy has acknowledged that free trade hurts some, but he has argued that the majority benefit. He has also said that no poor nation has become wealthy without trading.

Canadian Press, December 15, 2005

There are different understandings of the impact of the World Trade Organization and the Group of Eight on the lives of ordinary people around the world. One view is that these organizations, along with the World Bank and IMF, make the world better and richer. For example, the organization Global Envision believes that economic development and the global free market system are "the most reliable and sustainable strategies for global poverty alleviation." Another view, such as the one shown in Figure 11-12, is that these types of organizations simply help make more developed countries richer at the expense of less developed countries. This view is generally held by people in the **anti-globalization** movement. Considering these views will help you to further explore the Chapter Issue: *Why are there different understandings of economic globalization?*

World Trade Organization

The World Trade Organization (WTO) has its roots in the General Agreement on Tariffs and Trade (GATT). GATT was created in 1947 by 23 countries that believed free trade among member countries would encourage peaceful relations. In its final round of negotiations, GATT was transformed into the World Trade Organization on January 1, 1995. Like GATT, the WTO works to improve trade relations among the countries of the world, especially by removing tariffs and other barriers to trade.



Figure 11-12 An anti-globalization protester in Jakarta, Indonesia. This photograph demonstrates one view of globalization. Why do you think the banner shows poor countries "feeding" rich countries? Are protests a good way for people to express their opinions? Explain.

anti-globalization a term used to describe individuals and groups who protest against global trade agreements, which, they claim, only help more developed countries get richer at the expense of less developed countries

WTO World Trade Organization

GATT General Agreement on Tariffs and Trade

Figure 11-13 Some sample findings on global attitudes from a 2003 survey of 38 000 people in 44 countries. These statistics suggest that there is general support for international trade, international organizations, such as the WTO, and transnational corporations. Why do you think that support for international trade is highest in Africa, one of the poorest regions of the world? In what ways does this information challenge the anti-globalization movement?

The WTO is a voluntary organization of countries. However, it plays a very important role in major world issues because almost all countries in the world are WTO members. It is like a private club—members can join only if they agree to follow the rules of the club. Because almost every country is a member, it is very hard to do business from the outside. For this reason, China—with the world’s largest population—finally decided to join the WTO in 2000. By becoming a member, China agreed to follow the rules and regulations set by the international community. This made China even more attractive to foreign companies for investing and doing business. Since joining the WTO, China’s economy has grown rapidly.

READING GUIDE

When you see numbers in tables, ask yourself what they show. In Figure 11-13, the numbers show the percentage of people surveyed in a variety of countries who have a positive impression of the influence large international organizations have on the world. Comparing the percentages in different columns can reveal patterns. What patterns do you see here?

Peoples Opinions about World Trade Players (per cent saying "good influence")

	People Favouring International Financial Organizations* (%)	People Favouring Transnationals (%)	People Favouring Protesters (%)
United States	60	50	30
Brazil	30	63	31
Mexico	59	64	37
Britain	67	61	39
France	66	50	44
Nigeria	79	75	28
South Africa	66	78	44
China	70	76	n/a
India	50	46	24

*For example, World Bank, IMF, WTO

Source: Pew Research Center, "World Publics Approve Increased International Trade," September 4, 2003, <http://pewglobal.org/commentary/display.php?AnalysisID=68>.

FastFacts

G8 membership: United States, Great Britain, France, Germany, Italy, Japan, Canada, and Russia. The group started in 1975 as the G6. Canada joined in 1976, and Russia joined in 1997. On an outline map of the world, identify and highlight the G8 countries. What regions of the world are completely missing from the G8? How might political leaders from those regions react to this fact?

The G8

The Group of Eight (G8) includes the eight most developed countries with the strongest economies. G8 leaders and representatives from the European Union meet at annual summits to discuss economic and foreign policies. (Foreign policy is the way in which a country decides to interact with other countries.) The first summit was held in 1975 in Rambouillet, France, with six countries participating. This meeting took place because of concerns about the economic problems that faced the world in the 1970s. Since then, the group has grown to eight countries, and the summits now deal with a wide range of global economic, political, and social issues.

The G8 is not a formal organization like the WTO, but it is able to influence official global institutions. For example, G8 countries have nearly 50 per cent of the vote in the World Bank and IMF. They also have a significant impact on the policies of the WTO.

Understandings of the G8

One view of the G8 is that it is simply an elite group of leaders from the richest more developed countries, with no interest in issues important to the rest of the world. People who hold this view point to the fact that countries with fast-growing economies and large populations, such as China and India, are not included in the G8—nor are African or Latin American countries. During its annual summits, the G8's promotion of economic globalization attracts anti-globalization protests.

Another view is that G8 summits are important in dealing with key global issues and aid to less developed countries. For example, in June 2002, the summit in Kananaskis, Alberta, focused on three priorities: fighting terrorism, strengthening global economic growth and sustainable development, and furthering development in Africa. At the July 2005 summit in Scotland, the focus was on doubling aid to Africa and addressing climate change. The G8 leaders pledged to increase aid to Africa by over \$25 billion by the year 2010.

The Anti-globalization Movement

People in the anti-globalization movement argue that the WTO and globalization in general do not contribute to sustainable prosperity for all people. The Council of Canadians is an example of an anti-globalization group. It was formed in 1985 when some Canadians became concerned that Canada's independence and unique way of life were being threatened by economic globalization. Since then, the organization has become a strong voice in the anti-globalization movement. According to the Council of Canadians,

- globalization favours the rights of corporations over the rights of communities.
- free trade agreements such as NAFTA give special rights to big corporations. Corporations can sue governments if laws made to benefit people limit the corporations' ability to make a profit.
- globalization widens the gap between rich people and poor people. The Council of Canadians reports that, following the 10th anniversary of NAFTA, studies showed that Canadians' standard of living was falling, social programs were being reduced or privatized, and more and more people were working part-time, at insecure jobs with few benefits.
- globalization undermines democracy because decisions about which public laws interfere with corporate profits are made in private by trade experts, not by elected officials.
- globalization prevents people from producing food for their livelihoods because giant agricultural businesses push down the price of goods and flood the markets with inexpensive products. This practice forces millions of labourers and family farmers out of business in both more developed countries and less developed countries.



Figure 11-14 G8 leaders at the 2002 summit in Kananaskis, Alberta. What do G8 countries have in common?

Fast Facts

Canada has hosted four summits since joining what was then called the G7 in 1976: in 1981—Ottawa-Montebello; in 1988—Toronto; in 1995—Halifax; and in 2002—Kananaskis. Canada will host another summit in 2010. What possible benefits might Canada and Canadians enjoy when we host a G8 summit?

Web Link

During a summit, one responsibility of the host country is to protect the leaders of the G8 countries. Follow the links on the *Living in a Globalizing World* website to find out the security measures taken for the Kananaskis G8 summit. Do you think that any of these measures violated the right to free speech or public protest outlined in the Charter of Rights and Freedoms? Explain.



Is there something you can do to help eliminate global poverty? One option is political action. Another option is to consider your power as an individual consumer. Visit the Make Poverty History website to find out how Canada is helping HIPC's. Follow the link on the *Living in a Globalizing World* website. After considering your own opinion on what Canada is doing, click "Contact Us" and register your opinion. If you feel strongly about this issue, also contact your Member of Parliament. You could also contact a local organization that helps people in less developed countries.

Methods of Protest

Members of the anti-globalization movement use various techniques to voice their concerns. These include public speeches, letters of opposition or support, mass petitions, and Internet forums and blogs. They also try to communicate with a wider audience through banners, posters, and press statements. Some organizations engage in public acts such as marches, parades, sit-ins, or fasts. Sometimes, protesters take part in acts of civil disobedience, including burning flags or breaking down barriers where important meetings are being held.

When protests turn violent, the violence may have been planned. More often, it is not. In many cases, tempers flare if protesters have been outside in the heat or cold for a long time. They might feel that one of their members has been mistreated by police guarding the barricades. Sometimes the police lash out after they have been taunted by a protester, or after a protester has thrown something at an officer. Do these reasons excuse violent behaviour? Although these incidents may not be common, they often receive a great deal of coverage in the media.



Figure 11-15 Protesters in Ottawa tear down a police barricade outside a meeting of finance ministers from 20 more developed countries on November 16, 2001. Why do you think this behaviour is considered newsworthy? What impression do these images create about the anti-globalization movement? Are these impressions valid? Explain.

Explore the Issues

- 1 Draw Conclusions.** Whenever there is a WTO or G8 meeting anywhere in the world, many individuals and organized groups show up to protest. Most protesters are responsible and obey the law. Some, however, are clearly violent and destructive—for example, throwing rocks at police, breaking windows, and burning cars.
 - a) Create a three-column organizer that outlines the different techniques used by protest groups. Record the pros and cons of each technique.
 - b) Do you think these protesters provide an important alternative understanding to the meetings, or are they simply disruptive? Explain.
 - c) Considering that the media tend to give more coverage to violent protests, what might this suggest about bias in the media?
 - d) Do you think people who use violence are more effective in presenting their views than those who protest peacefully? Explain.
- 2 Relate It to the Issue.** Using a Venn diagram, compare and contrast the goals of trade organizations and sustainable prosperity. How does this task help you to think about the Chapter Issue: **Why are there different understandings of economic globalization?**

Chapter Summary and Reflection

Apply and Extend Ideas

- 1 Debt relief for the least developed countries of Africa has become an important global issue. Part of the problem is that these countries are not able to make the loan payments or can only pay back the interest. As a result, the loans are not reduced and interest costs continue to grow. Before you read the following excerpt, check a dictionary to predict what the author means by “illegitimate odious debts.”

In Africa, we demand immediate unconditional cancellation of all the illegitimate odious debts which African countries are being forced to pay back to the World Bank and the IMF. The debts have been paid many times over. And there's a direct link between the issues of AIDS and the need for debt cancellation. Because in many African countries that are heavily affected by HIV/AIDS, more is being spent on repayment of this odious debt than is spent on AIDS drugs that people need to live.

Source: Raised Voices: Testimonies from the Margins
<http://raisedvoices.net/aidsdebt>.

In a small group, reflect on this excerpt and discuss the following points. (Refer to the Skill Path in Chapter 17, on pages 283–284 to help you conduct a thorough discussion.)

- a) Should the governments of more developed countries such as Canada share more of their wealth with people in less developed countries, or should private charities and individual citizens be responsible for doing so?
- b) How might large debts have a negative impact on the environments of less developed countries?
- c) Some people argue that removing “odious debts” does nothing to help African countries become more economically stable. They argue that less developed African countries will simply run up their debts again. Do you think there is any truth to this argument? Do African countries have enough technology and access to global resources so that their debts will not climb again?
- d) As you develop an understanding of economic globalization, why is it important to consider the situation of both more and less developed countries?

Practise Your Skill

- 2 Working with a partner, review this chapter’s Skill Path and identify the characteristics of a powerful interview question. **SKILL PATH**

Then create eight to ten questions to ask students about how they, as individual citizens, consumers, and future employees, will play a role in the global economy throughout their lives.

Interview one student.

Focus on Inquiry

- 3 Review the interview questions you developed in Activity 2, above. **SKILL PATH**
 - a) What types of questions did you use? (See page 179.) Why did you choose these types?
 - b) How effective were your questions in gaining useful information about how fellow students see their future role in the global economy?
 - c) How would you rewrite your questions to gain better information next time?

Reflect on the Chapter Issue

In this chapter, you explored some of the foundations of economic globalization. You also encountered various understandings of economic globalization. You are now ready to respond to the Chapter Issue: *Why are there different understandings of economic globalization?* With your class, create a quotation collage. Each student selects one striking quotation from the interviews you conducted in the Skill Feature. Format them in fairly large type, credit who was speaking, and print them off. Post them on a bulletin board to create your quotation collage entitled “NAFTA Reconsidered.” As a class, discuss why there are such a variety of opinions about NAFTA—just one component of economic globalization. Use your ideas as a basis for a class discussion about the Chapter Issue. How does encountering a variety of understandings about economic globalization help you to develop your own position?

This exploration will help you to begin to develop a personal point of view about the Main Issue for Part 3: *Does globalization contribute to sustainable prosperity for all people?* **SKILL PATH**