Mad cows and red sugar: the politics of trade

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Alberta beef and Cuban sugar… Two very different commodities in exactly the same predicament: locked out of lucrative export markets by third-country bullying. Bullying based not on science and supply, but on protectionism and politics.

In the case of Canada's ranchers, we know the story. During the height of the summer barbecue season, the Americans kept their border closed to Canadian beef because Japan said unless the US could guarantee beef of Canadian origin will not enter US export supply, Japan would stop buying American beef. Convenient for the US beef industry. Devastating for the Canadian beef industry.

In the case of Cuba's sugar cane farmers, different lyrics, same tune. In 1992, Cuba supplied over 50% of Canada's cane sugar imports, a market share then valued at $115 million. That same year, a US law barred foreign subsidiaries of U.S.-based companies from trading with Cuba.

In 1993, American Senator Jesse Helms, powerful Chair of the Senate Foreign Relations Committee, began calling for legislation that would make foreign firms trading with Cuba accountable to the US courts (what subsequently became known as the Helms-Burton Act, creating "a private right of action in US courts that allows US nationals… to sue… foreign investors who use or profit in any way" from trade with Cuba"). That same year, Cuba's share of the Canadian sugar market plummeted <u>from 50% to 15%</u> and never recovered.

The effect was summed up well by Cuban Ambassador Carlos deCossio in an address to students at Queens University a few years ago: "Just imagine this: If I am a Canadian manufacturer wanting to sell chocolate bars to the United States, I must guarantee to the Americans that not ONE GRAM of sugar used in the manufacture of my chocolate bars came from Cuba. This is of course impossible - once sugar goes through the Canadian refinery process it is indistinguishable."

In 2002, with 6.9% of the market, Cuba exported a mere $20 million worth of sugar to Canada. A far cry from the $155 million they would have sold had their 1992 market share been maintained.

Again, different lyrics, same tune: Canadian ranchers get shut out of the US market by the Japanese, who claim they won't buy American beef unless the US can guarantee none is of Canadian origin. Cuban sugar farmers get shut out of the Canadian market by the Americans, who claim they won't buy Canadian products containing sugar unless Canada can guarantee none is of Cuban origin.

In the case of Cuban sugar, the Canadian government should have told the Americans to simply get over themselves (invoking FTA/NAFTA, which should protect Canadian firms from spurious trade barriers). Instead, it became the industry's problem to deal with. Canadian refiners found new suppliers (much easier to switch than fight) and Cuba's share of the Canadian sugar market disappeared overnight.

Similarly, in the case of Canadian beef, the American government should have told the Japanese to fish or cut bait — citing NAFTA commitments to reopen the Canada-US border once science cleared Canadian herds of BSE. (And if Japan <u>did</u> ban US beef, it would only be temporary — higher retail prices in Japan would soon generate consumer pressure to remove the ban.) Instead, the Americans kept the border closed and Canada's share of the US beef market disappeared overnight.

In both cases, trade between two sovereign nations has been interfered with by the unreasoned dictates of a third country. In both cases, the politics of one country have resulted in trade penalties and economic harm to farmers in another country.

In both cases, the “country in the middle” (Canada in the case of Cuban sugar, the US in the case of Canadian beef) should have stood down the bully and defended fair and equitable trading practices.

In both cases, public policy took a different direction; the “country in the middle” responded to the economic interests of domestic export sectors (in Canada, food manufacturers, in the US, meat processors) and perceived export interests (not wanting to anger foreign buyers) over the interests of a foreign country’s farmers — who are after all someone else’s political problem.

In both cases, the bully won.

Jean Chrétien is earning respect for Canada lately in his role as elder statesman on the international stage. Canada’s call for a new set of rules governing the conduct of nations (e.g. under what circumstances can one nation interfere in the sovereign affairs of another) is bang on.

But interference in the sovereign affairs of nations comes in many guises, not the least of which is the politics of trade. Two cases in point: Canadian beef and Cuban sugar. In both cases, NAFTA should have sorted this out. But as we have seen, NAFTA protections are only as good as the political will to invoke them.

As usual, while everyone is bellyachin’ and arguing and whining and complaining, farmers are losing ground.

Get the picture?

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NEXT MONTH: Update on the Farmers Resolution to Exempt Water from the NAFTA and why THIS IS THE YEAR to come with me to Cuba!

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