

Chapter 3


Economy and Trade

Big Question

What are the effects of the global economy on Canada and its trading partners?

Learning Goals

- describe economic effects of interactions among Canada and other countries
- analyze and construct maps
- explain why Canada participates in international agreements or organizations

In this photo from 2007, a farmer harvests fair trade coffee beans in Uganda. 



Hi, I'm Elena.

I live with my parents in Newmarket, Ontario. They moved here from Colombia before I was born.

My mom and dad own a café. They sell coffee, chocolate, tea, and spices. Every product they sell has a label with the words *fair trade*. *Fair trade* means that the people who grew or made the products received fair payment for their hard work and were treated fairly.

My uncle owns a fair trade cacao plantation in Colombia. My parents buy chocolate from his company. Our café also has fair trade products from Honduras, Mexico, Costa Rica, and Uganda.

Why do Canadians trade with other countries? I wonder how much of this trade is fair.



Our Faith

The Bible says ...

“When you make a sale to your neighbour or buy from your neighbour, you shall not cheat one another.”

Leviticus 25:14 (NRSV)

Why Do Canadians Trade with Other Countries?

If you hear people talk about trading with other countries, they may use words such as *goods*, *services*, *profit*, *invest*, *import*, and *export*. The following story may help you understand these concepts.

Understanding Trade



This is Mark. He wanted to buy a BMX bike, but he did not have any money. His parents agreed to loan him \$100 to buy a used lawnmower to start his own business. Mark spent the summer mowing lawns. He charged \$10 for each lawn. By the end of August, Mark had made enough money to pay back his parents and buy a bike. He even had \$50 left over. He gave half of it to his parents as a thank you.

Mark bought a bike. The bike is a good or product. Mark's parents loaned him money to buy a used lawnmower. They got that money back, plus another \$25. They invested in Mark's business. **Invest** means to give another person, bank, or company money in the hope of making money. Mark's neighbours gave him money to cut their lawns. They traded money for a service. After paying his parents back, Mark had money left over—a profit.

Canada **exports** (sells and sends to another country) metal to China. Bike manufacturers in China use the metal to build bikes. The bike store in Mark's neighbourhood **imports** (buys and brings from another country) bikes from China and sells them to Canadians.

Economy

The **economy** is the making, selling, and buying of goods and services.

A **good** is a product you can use or consume, such as a car, video game, or chocolate bar. A **service** is a task performed by one person for another. Doctors, dentists, and waiters provide services for people.

Thinking about Interrelationships

When you think about the global economy, consider the impact countries, corporations, groups, and individuals have on one another. For example, countries may sometimes make special arrangements or agreements to trade with one another. As you read this chapter, think about how Canada builds relationships with other countries and how those relationships build peace.

The Global Economy

Canada is part of the global economy. Canadian companies trade goods with foreign countries for a couple of reasons:

- It is not possible to grow the goods in Canada (for example, coffee or bananas).
- It is usually less expensive to import goods from a foreign country than it is to make the same goods in Canada. Importing inexpensive goods allows companies to earn bigger profits. They buy goods at low prices and then sell them to Canadians at higher prices.

Did You Know?

In Canada, over half a million jobs are related to the automobile industry.

When Canada exports goods, such as cars, it means that companies are paying Canadians to make those goods for export. When Canada imports goods, workers in other countries are being paid to make the goods.

This photo from 2010 shows a container ship being unloaded at a port in Vancouver, British Columbia. Every month, thousands of containers are loaded to and unloaded from ships such as this one. The containers hold exported goods from Canada or imported goods from countries around the world.



In 2012, Canadian farmers grew more than 27 million tonnes of wheat. Annually, Canada exports approximately 17 million tonnes of wheat and wheat flour to other countries, such as Mexico, Japan, Colombia, and the United States.





Fair trade goods are usually more expensive than non-fair trade goods. This means that the companies selling fair trade goods often have to sell their goods for more than other companies do. Why do you think Elena's parents choose to buy and sell fair trade goods? How might doing so affect their profits?

Regulating the Global Economy

The World Trade Organization (WTO) supervises trade worldwide. Its focus is to make sure that trade happens around the world easily and effectively. As of June 2014, 160 countries, including Canada, belonged to the WTO. The WTO makes its decisions based on what the majority of its members think. Some people say this is unfair. They believe that smaller countries might go along with what China, the United States, or India wants just to maintain friendly trade relations.



← These farmers were among thousands of people protesting at the WTO meeting in Bali, Indonesia, in December 2013. According to Yoon Geum Soon of the Korean Women's Peasant Association, the WTO "has failed to improve the lives of farmers."



These workers in Alberta sort potatoes grown locally. The potatoes will be transported to a company that produces potato chips. Canada is considered to be a global leader in potato products, including french fries and chips. Canadian potato products are sold in supermarkets around the world. ↗

Explore and Apply



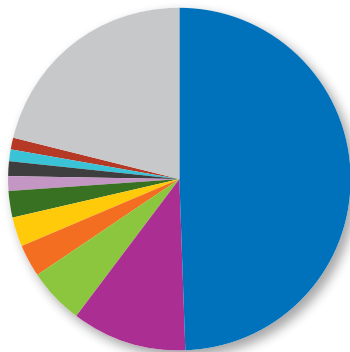
- 1 Find three photos that you think reflect global trade. Discuss your choices with your classmates.
- 2 Your teacher has asked you to explain the global economy to Grade 2 students. Create a rough draft of a nonfiction picture book to help the younger students understand how the global economy works. At the end of this chapter, you will be asked to complete a final draft.

Who Are Canada's Biggest Trading Partners?

Canada trades with many countries worldwide. It has special economic relationships with several countries. The Canadian government has formal agreements with some of these countries to encourage trade. The circle graphs on this page show the top 10 countries that Canadian businesses exported goods to and imported goods from in 2012.

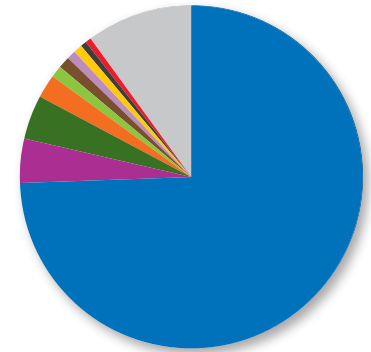
Top 10 Countries That Canada Imported from in 2012

United States: 49.52%
China: 10.8%
Mexico: 5.51%
Japan: 2.93%
Germany: 2.87%
United Kingdom: 2.32%
South Korea: 1.48%
France: 1.24%
Algeria: 1.23%
Italy: 1.14%
rest of the world: 20.96%



Top 10 Countries That Canada Exported to in 2012

United States: 74.5%
China: 4.3%
United Kingdom: 4.1%
Japan: 2.3%
Mexico: 1.2%
Netherlands: 1.0%
South Korea: 0.8%
Germany: 0.8%
France: 0.7%
Brazil: 0.6%
rest of the world: 9.74%



What do you notice when you examine both circle graphs? ↗

Catholic Connection



When people choose to buy fair trade goods, they are thinking about where the goods came from, who made the goods, and how those workers were treated. Pope Benedict XVI said, "Purchasing is always a moral—and not simply economic—act."

Charity in Truth (no. 66)

Canadian Imports

Canadian businesses import billions of dollars' worth of goods every year. These goods include vehicles, machinery, food, clothing, home electronics, plastics, and pharmaceutical drugs.

Canadian Exports

Canadian businesses export billions of dollars' worth of natural resources and products. These exports include lumber, oil, minerals, wheat, and vehicles.

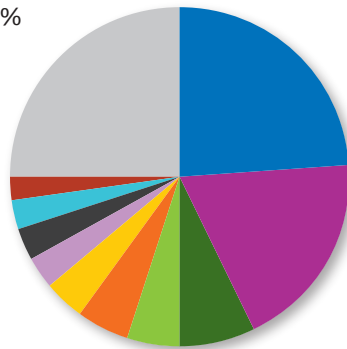
Trade with China

In 2013, China became Canada’s number two trading partner. The United States was number one. Between 2008 and 2012, Canada’s exports to China almost doubled. Some people and organizations think it is unethical, or morally wrong, for Canada to trade with China. They say China violates human rights. Other people believe that by trading with China, Canadians can help to influence China’s responses to human rights issues.

Review the list of exports. What categories would you use to sort these items? ↪

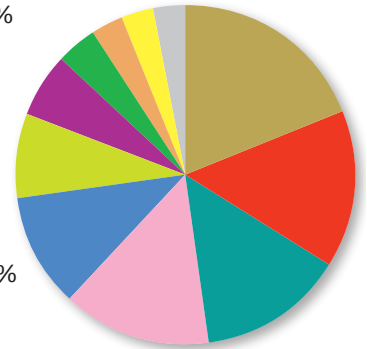
Canada’s Imports from China in 2012

- electrical machinery: 24%
- machinery: 19%
- apparel: 7%
- furniture and bedding: 5%
- toys, games, and sports equipment: 5%
- iron or steel: 4%
- plastics: 3%
- footwear: 3%
- motor vehicles: 3%
- leather: 2%
- other: 25%



Canada’s Exports to China in 2012

- ores, slag, and ash: 15%
- wood pulp and scrap paper: 14%
- oilseeds and seeds: 14%
- energy: 11%
- wood: 8%
- fats, oils, and waxes: 6%
- machinery: 4%
- organic chemicals: 3%
- nickel: 3%
- fish and seafood: 3%
- other: 19%



↪ Canada imported goods worth \$50.7 billion from China in 2012. Almost half of those goods were electronic products, such as smartphones and laptops.

Explore and Apply

- 1 Discuss why Canada’s two largest trading partners are important to Canada.
- 2 Make connections between this chapter and Chapter 1 on human rights. For example, How are human rights connected to ethical trade?



Spotlight on NAFTA

Did You Know?

As part of NAFTA, goods traded between Canada, Mexico, and the United States are required to have labels printed in the official languages of the country where they will be sold. For example, Canadian and American goods exported to Mexico must have labels in Spanish.

One important economic relationship for Canada is the North American Free Trade Agreement (NAFTA). It was signed on December 17, 1992, by Canadian Prime Minister Brian Mulroney, United States President George H.W. Bush, and Mexican President Carlos Salinas. The agreement came into effect on January 1, 1994.

NAFTA's goals include the following:

- eliminate barriers to trade between the three countries
- make it easier to invest in each other's countries
- ease rules about travelling from country to country, especially when transporting goods by truck
- protect, improve, and enforce basic workers' rights, such as employee safety, fair wages, and acceptable working hours



This automobile manufacturing plant is in Alliston, Ontario. In 2011, 75 percent of the automobiles produced in Canada were exported to the United States.



Since NAFTA, many factories have been built in Mexico along the border with the United States. Some of these factories, such as one in this photo, are known as *maquiladoras*. Maquiladoras import materials cheaply to produce goods, such as clothing and furniture. Many maquiladora workers earn as little as 50 cents per hour.

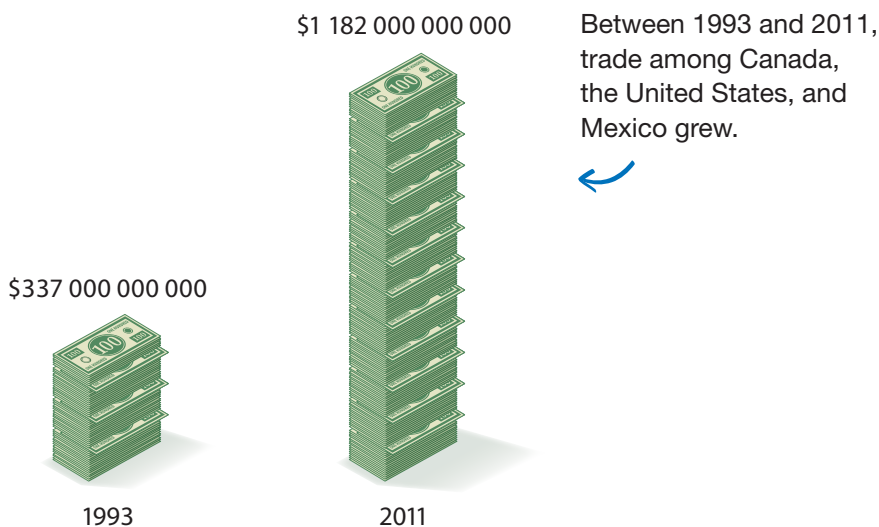


NAFTA and Canada

Was NAFTA a good decision for Canada? It depends on whom you ask. Some people think it has greatly benefited Canada. For example, Canadian companies currently export more agriculture and food products to Mexico than they buy from Mexico.

Some people say NAFTA is responsible for Canadian jobs moving to Mexico, especially in manufacturing. Others say these jobs would have moved out of the country without NAFTA—to China, where it is cheaper to produce goods. Statistics show that jobs have been created in Canada since NAFTA came into effect. Critics of the agreement say that more than half of the jobs created are not full time or well paid.

Trade in 1993 and 2011



Explore and Apply

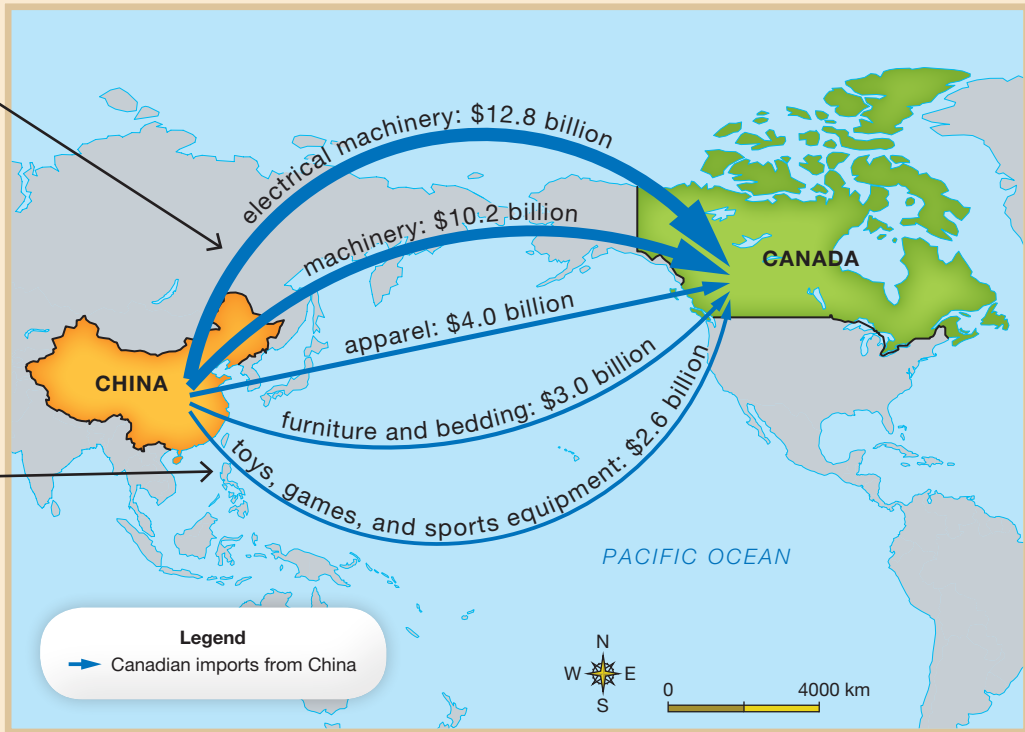
- 1 Think about what maquiladora workers earn. What effect do you think their hourly wage has on Canadian factory workers?
- 2 In role as a person affected by NAFTA (for example, a politician from Canada or Mexico, a Canadian or American factory worker, or a Canadian company owner), discuss NAFTA and its consequences for trade in these countries.



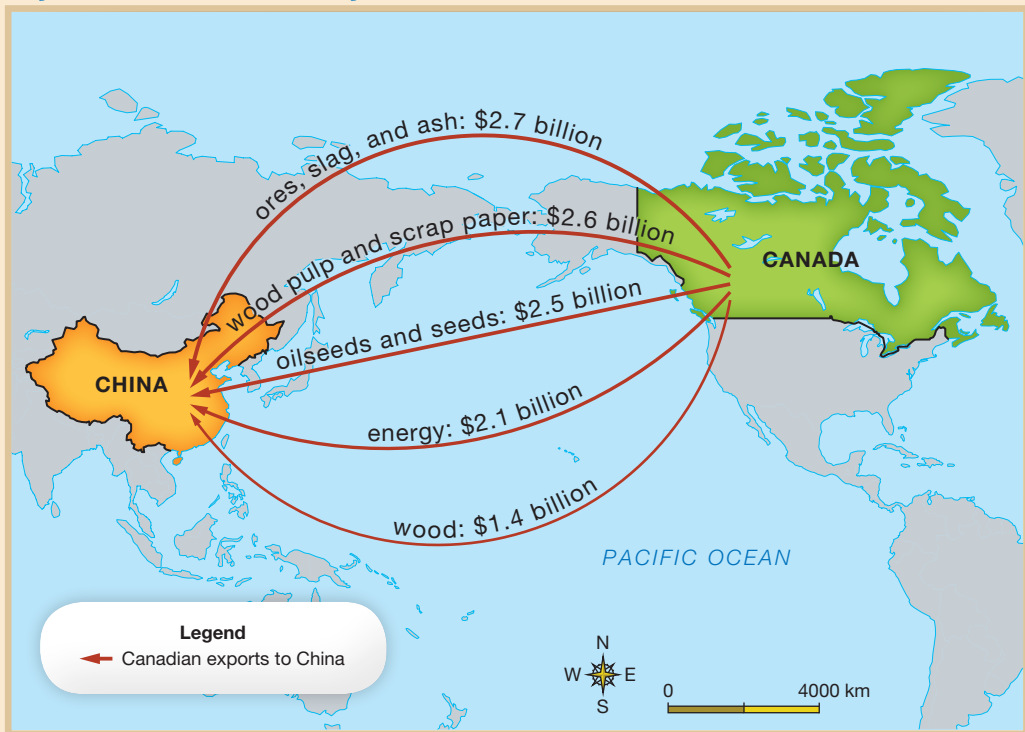
Top Five Canadian Imports from China in 2012

The arrows on a flow map indicate the movement of goods or people from one location to another.

The relative thickness of the arrows on a flow map indicate the amount or value of the goods, or the number of people.



Top Five Canadian Exports to China in 2012





Analyzing Maps

When you analyze a map, you might make connections to other maps or other information you know. Ask yourself questions such as the following:

- What do I know that will help me understand the map?
- What patterns does the map reveal?
- What relationships do these patterns suggest?
- How can I verify my thinking?

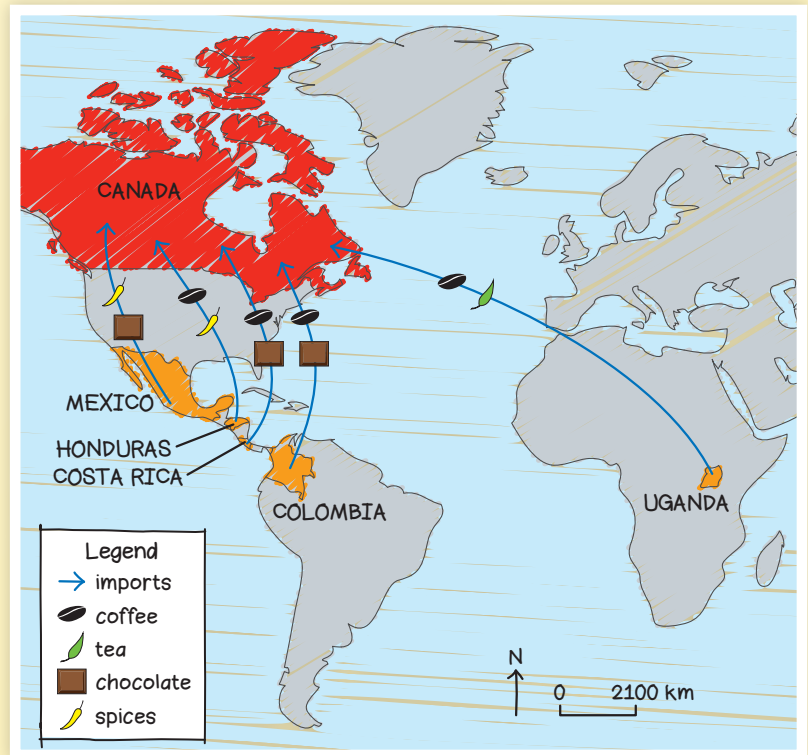
A Map Should Have

- an informative title
- clear and accurate labels
- relevant and helpful symbols connected to an informative legend
- a compass rose
- a scale

Constructing Maps

When you construct a map, you might ask yourself questions such as the following:

- What is the purpose of my map? What am I trying to communicate?
- Do I have enough information to construct my map? If not, what information do I need and where will I get it?
- What do I need to add to my map to get my message across?
- What is the best way to present the information on my map (arrows, colours, symbols, and so on)?



Elena constructed this flow map to show the countries that her family imports fair trade goods from. What questions do you have after analyzing this map?

Explore and Apply

- 1 Use the questions in Analyzing Maps to help you analyze the maps on page 64.
- 2 Choose one of Canada's trading partners. Construct a flow map showing the major imports and exports between Canada and that country.



What Effect Does the Global Economy Have around the World?

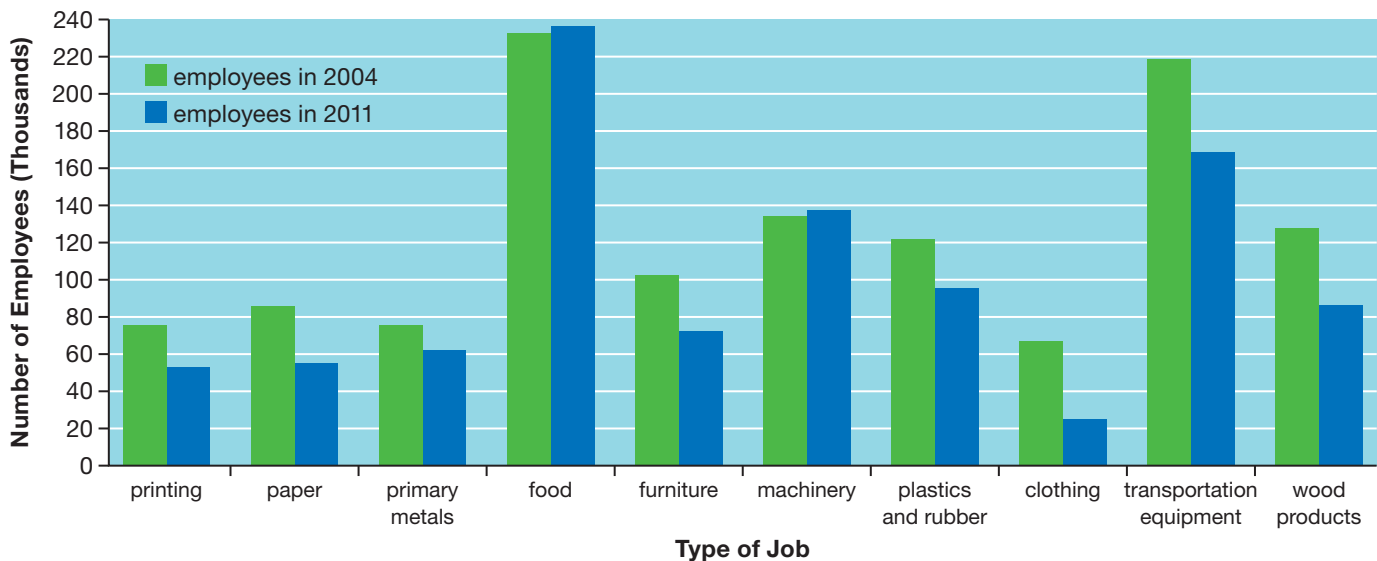
Thinking about Significance

In a global economy, every consumer decision is significant because of issues related to labour and workers' rights. What do you think Canada, Canadian companies, and Canadians should be doing?

The global economy has given Canadians many choices for buying goods. We buy chocolate from Peru, tea from Sri Lanka, clothes made in Bangladesh, and electronic gadgets from China. Goods have never been so inexpensive.

But have you thought about *why* they are so inexpensive? Many goods are made in developing countries, such as India and China. Wages for workers are much lower there than they are in Canada. A factory worker making clothes in Bangladesh is paid around \$38 per month. It is much more expensive for Canadians to buy clothes made in Canada.

Number of Employees in Some Manufacturing Jobs in Canada in 2004 and 2011



What does this bar graph suggest about Canada's role in the global economy?



Some people worry that the Western way of life is replacing traditions, music, and languages in their own countries. Hollywood movies are a good example of the spread of Western media. This poster for the movie *The Hunger Games* appeared in Spain.

Changing Company Practices and Shopping Habits

On April 24, 2013, a clothing factory collapsed in Bangladesh. More than 1100 workers died. Within the building's rubble, Joe Fresh clothing was found.

Many Canadians were outraged that Joe Fresh clothing was being made by workers in dangerous conditions. As a result, some Canadians decided to stop buying Joe Fresh clothing. Soon after the disaster, Loblaw, the owner of Joe Fresh, became the only Canadian company to sign an international agreement ensuring that fire safety and building inspections are done in factories.

TOMS is a shoe company based in the United States. For every pair of shoes sold, the company gives one pair to a child living in poverty. Over 35 million pairs of shoes have been given to children in 60 countries. The founder of TOMS, Blake Mycoskie, is standing in the centre of this photo from 2006, after giving shoes to children in Los Piletones, Argentina.



Faith in Action



Grade 8 students from St. Catherine Catholic School in North York, Ontario, hosted "Scare Them Fair" on October 31, 2013. The event was sponsored by Engineers Without Borders and Cadbury, who provided fair trade coffee and snacks. Students educated visitors about the value and benefits of fair trade practices and partnerships.

Catholic Connection



"If the whole structure and organization of an economic system is such as to compromise human dignity ... then such a system ... is altogether unjust, no matter how much wealth it produces, or how justly and equitably such wealth is distributed."

Pope John XXIII, *Mater et Magistra* (no. 83)



Effects on the Environment

International companies can provide jobs, but they can also increase pollution, deplete natural resources, and contribute to global warming.

Canadian vehicles and homes consume a lot of oil and gas. As well, Canadian families consume a lot of chocolate, sugar, and other foods produced in other countries. Environmentalists want us to think about how that consumption affects our planet.

Oil and Gas

In 2013, Canada's top export was mineral fuels and oil. The oil includes crude oil produced from the tar sands in northern Alberta and Saskatchewan. Many people, including the local Athabasca Chipewyan First Nation and the Mikisew Cree First Nation, are critical of the tar sands projects. They say that the tar sands projects are a threat to the environment and people's health.

Catholic Connection



According to Pope Benedict in *Caritas in Veritate*, "the environment is God's gift to everyone, and in our use of it we have a responsibility towards the poor, towards future generations, and towards humanity as a whole."

This photo shows the Athabasca Tar Sands. What do you notice? Why do you think some Canadians support the tar sands projects?



Almost 2 million children work on cacao plantations in Côte d'Ivoire and Ghana. They use machetes in their work and are sometimes exposed to pesticides. What could chocolate consumers do to change this situation?



Cacao for Chocolate

Côte d'Ivoire in West Africa produces 33 percent of the world's cacao. It is the top cacao producer in the world. Large cacao plantations can cause soil erosion and loss of animal species. These plantations can also contribute to global warming. The fertilizers and pesticides used can damage water sources and pollute the soil.

Sugar

Sugar comes from a plant called sugar cane. Sugar cane crops require a lot of water. Sometimes there is not enough rainfall, so sugar companies dam rivers. Damming may prevent local people from getting the water. As well, sugar mills produce dirty wastewater, which can end up in lakes and rivers. Sugar mills also pollute the air with gases, ash, and soot.

Sugar production displaces local populations, including indigenous peoples. In one state in southern Brazil, the amount of land used for sugar plantations tripled between 2007 and 2012. Some of this land is the traditional territory of the indigenous Guarani-Kaiowá people.



These indigenous people in Brazil are looking at land cleared for sugar production in 2013. How many of the foods you eat contain sugar?



When we consume sugar, we must also think about the environmental impact of producing sugar from sugar cane. This photo from 2010 shows a sugar mill in Mexico where sugar cane is being burned to produce sugar.

Explore and Apply



- 1 After reading this section, do you think differently about the food you eat, the clothes you wear, and the products you use? Why, or why not?
- 2 Evaluate the interrelationships between the environment, pesticides, fertilizers, and pollution. Draw a conclusion. What do you need to change, as a steward of Creation, in order to care for our global environment?

Focus on Patterns and Trends

Patterns and Trends

Patterns are similar features or qualities that repeat themselves in several locations. A pattern may be physical, social, economic, or environmental. Trends are features or qualities that repeat and/or change over time.

As you read the text in this section, ask yourself these questions:

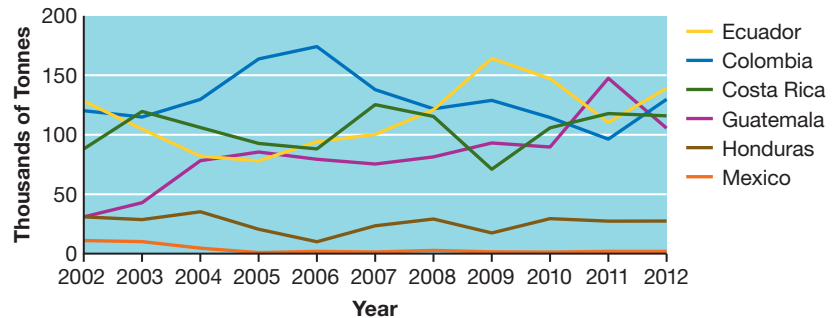
- What are the features of the banana trade in Central America and South America?
- Are these features similar to the features or qualities of other events or issues? If so, how?
- Have these features developed or changed over time? If so, how?

A worker ties plastic bags around bunches of bananas to help protect the bananas while they are growing. On many large banana plantations, the bags become drenched in pesticide when the crops are sprayed. When the bags are discarded, they sometimes end up in local waterways. Who is affected by this practice?

Bananas in Canada

There is a pattern in Canadian consumer habits: bananas are number two on the list of popular fruits in Canada. Only apples are more popular. All bananas sold in Canada are imported.

Where Some of Canada's Bananas Came From, 2002–2012



The patterns and trends in this graph show that when imports from some countries go down, imports from other countries go up. How do Canadian consumers affect banana workers?



Banana Plantations

In Central America and South America, most bananas are grown on **plantations**, or very large farms. Five large international corporations own or control most banana plantations. To keep prices low, these corporations often pay workers poorly, employ child labour, and pay little attention to working conditions.

The corporations grow bananas as a **monocrop** year after year. This means that bananas are the only crop grown over many years. Growing the same crop over many years uses up all the nutrients in the soil. The soil never has a chance to replenish itself. To restore the nutrients, most plantations use chemical fertilizers.

Plantations also use strong chemicals to kill pests and diseases. The World Health Organization says that four of the chemicals often used to spray bananas are “extremely hazardous” and dangerous for workers.

A Monocrop at Risk

The popularity of the Cavendish banana has been growing since the 1950s. It resists a deadly fungus called Panama disease that destroyed other banana varieties.

Unfortunately, now a new strain of Panama disease has started to harm Cavendish bananas. The fungus has already destroyed banana crops in Asia and the Middle East. Many people fear that the new strain of Panama disease will spread to Central America and South America. If this happens, hundreds of thousands of people may lose their jobs.

Farmers

Many farmers of bananas and other crops in developing countries do not have enough money to buy seeds, fertilizer, and fuel to farm their own land. They end up working on large farms owned by foreign investors for little pay.

Apply It

- 1 Make connections between the text and the graph. What patterns or trends can you identify?
- 2 If the new strain of Panama disease spreads to banana plantations in Central America and South America, how is this likely to affect banana workers? How would it affect Canadian consumers? Forecast a trend based on this.



This banana plant has been killed by the new strain of Panama disease. How does the environment change when the same crops are grown again and again in the same location?

Pulling It Together

Father Mike Explains ...

Elena says she's going to "think more carefully" about what she buys. Pope Benedict XVI said, "The consumer has a specific social responsibility" and "should be continually educated" regarding his or her choices. All of us need to ask serious questions about imported goods.

See



Observe your buying habits for a week. What do you notice about the products you buy?

.....

Reflect



How do you think the products you buy affect your community? How do you think they affect other communities around the world?

.....

Act



Create a media text (for example, a web page, poster, flyer, or brochure) to persuade others to think more carefully about where the goods they buy come from.

How Does the Global Economy Affect Families and Communities?



My parents' café imports fair trade goods from all over the world. I want to buy fair trade stuff, too. Whether it's a shirt or a bottle of juice, I want to know where it came from and who made it.

Canadians have lots of choices at stores. We import and export billions of dollars' worth of goods every year. I like that the global economy helps developing countries participate in trade, but many of the workers in those countries have unsafe working conditions.

I just hope that in the future everyone can benefit from the global economy and fair trade. I'm going to think more carefully about the things that I buy.

Elena



These students go to a special needs school in El Guabo, Ecuador. The school is funded by fees added to the price of locally grown fair trade bananas.



Summarizing

Complete the final draft of your nonfiction picture book (started on page 59), explaining the global economy to younger students. Publish your book and share it with students in your school.

Making Connections

As a Canadian, how are your choices related to the global economy? Choose at least five items you or your family purchased in the last year (for example, food, clothing, or electronics). Find out where those items came from. Create a flow map or other visual to share your findings. What patterns or trends can you identify?



The Bible says ...

“

When you make a sale to your neighbour or buy from your neighbour, you shall not cheat one another.

”

Leviticus 25:14 (NRSV)

Chapter Inquiry

At the beginning of this chapter, you considered the Big Question: What are the effects of the global economy on Canada and its trading partners? Analyze the maps and graphs in this chapter, as well as other information. What effects can you identify? What other questions do you want to investigate?

As part of your response to the Big Question, construct a map including symbols to show both positive and negative effects.