

With trade war looming

Canada rescinds ban on Brazilian beef

Keith Jones
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The Canadian government rescinded its ban on imports of Brazilian beef on Friday, February 23.

The object of both widespread international criticism and opposition from within Canada's own Food Inspection Agency, the three-week ban was purportedly imposed because of fears that Brazilian beef might be contaminated with bovine spongiform encephalopathy or Mad Cow Disease.

In announcing the lifting of the ban, Canadian officials noted that Brazil had agreed henceforth to certify that any meat it exports to Canada has come only from cattle born in Brazil and after the imposition of a 1996 ban on feeding cattle with beef or sheep parts.

In diplomatic circles, however, it is conceded that the ban left the Canadian government with egg on its face.

From the start, the Brazilian government charged that the Canadian ban had nothing to do with concerns about the safety of Brazilian beef. Rather it was a not so subtle attempt to strike back at Brazil in an ongoing trade dispute over state subsidies to regional jet manufacturers. Brazil's Embraer S.A. is the principal rival of Canadian-based Canadair.

Canada's Liberal government imposed the ban on Brazilian beef at a time when the cabinet was known to be debating the imposition of trade sanctions against Brazil. Last summer, the World Trade Organization (WTO) found that for six years Brazil had subsidized Embraer S.A. in violation of international trade regulations and in November it authorized Canada to impose US\$233.5 million a year in trade sanctions against Brazil in compensation for the losses Canadair has supposedly suffered as a result of the Brazilian government's export subsidy program.

On February 1, the day before Canada barred imports of Brazilian beef, Brazil blocked a Canadian initiative to launch a new WTO panel on aerospace subsidies.

The Canadian Food Inspection Agency (CFIA) official who reputedly recommended to the government that it impose the ban later conceded to reporters that no cases of BSE have been reported in Brazil and that there was only a "theoretical risk" Brazilian cattle might have contracted the disease. CFIA Executive Director Dr. Brian Evans also admitted that he consulted with the Department of Foreign Affairs and International Trade prior to recommending the ban to government.

To Ottawa's embarrassment, two CFIA scientists spoke out against the ban, saying that they believed it had been motivated by political rather than health concerns. According to the two, the CFIA top brass had recommended action be taken against Brazilian beef without even consulting the CFIA scientists responsible for studying beef. Why, asked the scientists, had Ottawa targeted Brazil and "not Australia, Argentina, India or any other country we import beef from? Why is Brazil picked on? It's the trade war."

Under the North American Free Trade Agreement, Canada is responsible for inspecting South American beef for the US and Mexico. The Canadian ban thus compelled both the US and Mexico to impose their own bans, but from the beginning US officials questioned the wisdom and motivation of the Canadian action. Only three days after the imposition of the ban, the US agricultural representative in Brazil said "there doesn't appear to be any problem with Brazilian beef."

Canada imports only small amounts of beef, about \$10 million worth per year. But the Brazilians were determined to thwart the Canadian action, for fear it would undermine international confidence in the Brazilian beef industry. Just as importantly, they have made it known that they intend to continue to provide whatever support they can to Embraer SA. The fourth-

largest manufacturer of nonmilitary jets, the once state-owned Embraer SA is held up by Brazilian big business as one of the country's major industrial success stories.

Canada, for its part, has vigorously promoted the interests of Canadair. In January, Industry Minister Brian Tobin announced Ottawa was ready to give Bombardier up to \$1 billion in low-interest loans to help it wrest a multibillion-dollar contract with Air Wisconsin from Embraer SA.

The Brazilian elite seized on Canada's beef ban to whip up nationalist sentiment, promoting demonstrations and other displays of anti-Canadian sentiment. Brazilian President Fernando Cardoso warned that if the ban was not lifted by March 2 it would lead to a trade "war" with Canada. Not waiting for Cardoso's deadline, much of the Brazilian press began to agitate for a boycott of Canadian-made products, like potash, and Canadian-based services.

Ultimately, the Canadian action was seen in both Ottawa and Washington as potentially having serious repercussions on April's Summit of the Americas in Quebec City. At the summit, US President George W. Bush and Canadian Prime Minister Jean Chretien intend to push for an agreement to establish a hemispheric "free trade" zone by 2005.

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Although the Canadian government has had to back down on the Brazilian beef ban, it has not forgotten or forgiven the two CFIA scientists who questioned the ban. Last week, the CFIA suspended Margaret Haydon for two weeks without pay for "disregard of her duty of loyalty." If Haydon's colleague has not been similarly disciplined, it is presumably only because he or she was never identified.

Last year Haydon won a court ruling that it is "unreasonable" for Health Canada to bar its scientists from speaking out on public health matters, after she and another scientist complained that they had come under pressure to approve a bovine-growth hormone about which they had safety concerns. Haydon contended that in its rush to approve the hormone the CFIA was caving into pressure from agribusiness.



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