



Department of Justice, Peace, and Human Development

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Oversight of U.S. Trade Preference Programs

Testimony of the United States Conference of Catholic Bishops to the U.S. Senate Committee on Finance

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Good morning Chairman Baucus, Ranking Member Grassley and honorable members of the Senate Finance Committee. The United States Conference of Catholic Bishops (USCCB) is grateful for the invitation to offer testimony on oversight of U.S. trade preference programs. My name is Fr. Andrew Small, OMI and I serve as a foreign policy advisor in the Office of Justice and Peace of the USCCB. This office staffs the Committee on International Justice and Peace of the USCCB, which is chaired by the Most Reverend Thomas Wenski, the Bishop of Orlando. This Committee of bishops shares and applies Catholic social teaching to international issues of concern to the Church.

The mission of the USCCB is to support the ministry of the bishops of the United States in their task of evangelization. Two key aspects of that mission involve collaborative action on vital issues confronting the Church and society as well as fostering communion with the Church and people in other nations. On this basis, the Committee on International Justice and Peace and the Conference as a whole have taken a particular interest in the impact of U.S. trade policies on poor and vulnerable communities around the world. Unlike the distinguished trade experts on this panel, USCCB does not offer technical expertise on questions of trade and economic integration. Rather following the Gospel mandate to care for the “least among us” (Matthew 25:31-34), the USCCB seeks to lift up the experience of those who struggle to provide a decent life for themselves and their families in an increasingly globalized economy.

The Importance of *Preference* in Global Trade

In the Church’s vision, economic life should be guided by a moral framework that respects the life and dignity of every person. The *Catechism of the Catholic Church* teaches: “The human being is the author, center and goal of all economic and social life. The decisive point of the social question is that goods created by God for everyone should in fact reach everyone in accordance with justice and with the help of charity.”¹ The very notion of “preference” that is the subject of today’s hearing is one that lies at the heart of this vision, acknowledging that rules governing economic life can and should be designed so that the dignity of all, especially the poor and the vulnerable, is respected.

¹ *Catechism of the Catholic Church*, United States Catholic Conference Inc.- Libreria Editrice Vaticana, 1997, no. 2459.

As the bishops of the United States recently reaffirmed in their statement on *Forming Consciences for Faithful Citizenship*, a statement prepared in anticipation of this year's national elections:

While the common good embraces all, those who are weak, vulnerable, and most in need deserve preferential concern. A basic moral test for our society is how we treat the most vulnerable in our midst. In a society marred by deepening disparities between rich and poor, Scripture gives us the story of the Last Judgment (see Mt 25:31-46) and reminds us that we will be judged by our response to the "least among us." The Catechism of the Catholic Church explains: "Those who are oppressed by poverty are the object of a preferential love on the part of the Church which, since her origin and in spite of the failings of many of her members, has not ceased to work for their relief, defense, and liberation through numerous works of charity which remain indispensable always and everywhere. (no. 2448)²

The moral measure of any society is how it cares for and gives *preference* to its most vulnerable members. Ever since the nations of the world established a global trading system, the importance of fostering development among less developed countries has emerged as a moral, economic and policy priority for trade policy makers. This can be seen in the *Preamble* to the *General Agreement on Tariffs and Trade* (GATT) of 1947, the Marrakech Agreement establishing the World Trade Organization (WTO) in 1994 and most recently in the agenda for development laid out by WTO members at Doha in November 2001. In a special way, our trade preference programs specify and express this link between trade and development, a link that can benefit from closer scrutiny by this Committee.

Only last week, in a message to world leaders gathered in Rome to address the mounting food crisis, Pope Benedict XVI, a recent visitor to this capital city, said: "The great challenge of today is to 'globalise,' not just economic and commercial interests, but also the call for solidarity, while respecting and taking advantage of the contribution of all components of society."³ It was this spirit of solidarity that prompted some of the world's richer countries to recognize at the first meeting of the United Nations Committee on Trade and Development (UNCTAD) in 1964 that the state of economic development between them and some of the world's poorest countries was so unequal, that only by giving developing countries preferential access to developed-country markets could newly independent countries in Africa and elsewhere begin to take advantage of the opportunities of a global marketplace. At the heart of the global trading system is the idea that certain countries would need special treatment for their exports because of their current state of

² United States Conference of Catholic Bishops, *Forming Consciences for Faithful Citizenship*, (Washington, DC: United States Conference of Catholic Bishops, 2007), no. 50.

³ Pope Benedict XVI, *Message to participants in the "High-Level Conference on World Food Security: the Challenges of Climate Change and Bioenergy,"* organized by the *Food and Agriculture Organization*, June 2, 2008, available at http://www.vatican.va/holy_father/benedict_xvi/messages/pont-messages/2008/documents/hf_ben-xvi_mes_20080602_fao_it.html

development, notwithstanding the rules of reciprocal commitments enshrined in the most-favoured nation and national treatment provisions of the GATT.

U.S. trade preference programs can be an expression of the globalization of solidarity that Pope Benedict has championed. Trade preferences for poorer nations should remain a pillar of U.S. trade policy for moral and economic reasons.

This testimony offers some reflections on the importance of U.S. trade preference for some of the poorest communities around the world. In addition, it argues for the need to integrate these programs with complementary norms and strategies that promote what the Church calls “integral human development.” Integral human development considers the human person in a holistic way, taking into account the need to attend to the intellectual, cultural and spiritual needs of the human person and not reduce his or her well-being to a purely economic consideration. In the Catholic tradition, the economy exists to serve people, not the other way around.

In order to make this testimony concrete, it will explore some impacts of the Andean Trade Promotion Drug Eradication Act (ATPDEA) and the recently created Haitian Hemispheric Opportunity through Partnership Encouragement (HOPE) Act. As the Committee knows well, a revised version of the HOPE Act was recently enacted into law, thanks your leadership and support, Mr. Chairman, and that of your colleagues. Trade preferences for Haiti were also made possible through the support of Ranking Member Grassley, who as the past Chairman of this Committee, urged passage of the original HOPE legislation in the closing hours of the 109th Congress.

Sustainable Development - *HOPE* and *ATPDEA*

This Committee has already heard from several experts on the current state of U.S. preference programs, including assessments of their difficulties and the ways in which they are falling short of their original mandate. The U.S. Conference of Bishops would like to offer some reflections on the impact of U.S. trade preference programs on two of the poorest countries in our hemisphere, Haiti and Bolivia. Church leaders from both of these two countries have visited Washington to advocate on behalf of these trade preference programs and the need to expand and strengthen them. USCCB is grateful to this Committee for its support of trade preferences for these and other poor developing countries.

Pro-poor development -HOPE

The HOPE Act of 2006, a modification of the larger Caribbean preference programs first offered in 1983 and amended several times since, came at a time of crisis in Haiti, a country that has known so much hardship. Haiti’s dire economic and political situation is well-known. In terms of employment, Haiti once enjoyed a thriving apparel assembly sector. At the start of the 1980s, such employment began to decline, plummeting from 100,000 at that time to around 15,000 by

2004 when legislation targeting U.S. preferences to Haiti was first brought before the U.S. Congress.⁴

As a result of intense collaboration between Congress, the Administration and the Haitian government, HOPE's preferences became operational after President Bush certified Haiti's eligibility for preferential access to the U.S. market in March 2007. Since then, Haiti has recovered approximately 5,000 lost apparel jobs. This modest achievement is nevertheless significant. It reverses a long decline in Haiti's apparel sector. HOPE is bringing new life to thousands of people whose lives had become desperate. It has given hope to hardworking Haitians who chose to remain in their homeland during these difficult times and needed a lift up to take advantage of new opportunities presented by greater political stability and a more attractive investment climate. Allow me to offer some examples.

Carlène is 44 years old and is a mother of two children ages 17 and 12. She lost her job in October 2006, just before HOPE became law. With renewed clothing orders from the United States, Carlène got her old job back in January of this year. The same is true for Samuel who is 30 years old and is the father of two children. Like Carlène, he was a sewing machine operator who is working again and receives a paycheck every 10 days. There are 5,000 other stories like these. Those in Haiti's apparel export sector earn, on average, \$5 or more a day. While this may seem incredibly low, this is four times the country's per capita income and is enough for a family to pay for food, shelter, and clothing.

Arnelle is a single woman who received computer training after she lost her job in an apparel factory in 2006. She stayed in Haiti and the computer training classes were paid for by remittances sent by her family in the United States. Like so many others, Arnelle didn't want to leave her homeland. She remained in Haiti and is now back working at her sewing job and earning her own living, but she is anxious to put her new computer skills to good use. Her story illustrates the connection between trade policy and migration. By creating economic opportunities in sending countries, U.S. trade preference programs help people like Arnelle to remain in their native countries and support themselves and their families.

Since HOPE-II became Public Law last month, some investors have already started traveling to Haiti to discuss orders as well as longer-term investment opportunities. The belief that Haiti could become a success story – the way a number of Asian economies such as South Korea, Taiwan, Singapore and Hong Kong used growing apparel and assembly sectors as a foundation to build powerful and diversified economies - strains credibility for those who know Haiti's tragic history. However, we can all hope – not against hope, but with hope – that things will continue to improve. The support of this Committee has been vital to the small but essential signs of hope that have appeared in the lives of people like Carlène, Samuel and Arnelle.

⁴ Committee on International Justice and Peace, *Letter on Haiti Economic Recovery Opportunity Act* September 20, 2004 available at <http://uscgb.org/sdwp/international/hero.shtml>

Without getting into great detail, the changes made to the original HOPE Act will open up additional opportunities for hard working Haitians. These changes will help them advance as their country advances. For this to happen, all governmental, private and non-governmental actors need to be on the same development page. Ensuring necessary assistance and genuine development to poor countries requires the efforts of many, most especially the participation of local people who are central participants in their own development.

In the case of Haiti, apparel factory owners gathered with church and NGO leaders and government representatives in April of this year in an attempt to advance economic development in a more focused way. As you know, HOPE-II strengthens sound labor standards for Haitian workers, and also offers a better mechanism to help Haiti achieve and enforce those standards for its workers. When complemented by U.S. Department of Labor and the International Labor Organization capacity-building for labor enforcement improvements, these preferences may lead to the creation of thousands of decent jobs. We hope that such collaboration will be on-going.

To translate economic development into human development requires greater collaboration among the public and private sectors as well as civil society and Church organizations. Catholic Relief Services, the U.S. Bishops' relief and development agency, has on-the-ground experience of how people are seeking to provide for themselves and their families. Civil society needs to have a real voice and a regular place at the table to help assure that HOPE is part of an overall development environment. It is vital that on-going U.S. involvement in Haiti's economic development seek to link increased exports to the U.S. with effective labor protections and efforts to build infrastructure and stability in Haiti.

Trade preferences alone cannot hope to solve all the problems of least-developed countries. However, trade preference programs need to be coordinated with U.S. assistance efforts so that trade preferences, development aid, private investment or even remittances from hard-working Haitians contribute in a coherent fashion toward the goal of integral human development. In this regard, it may be appropriate for the Office of the United States Trade Representative to have a more focused mechanism for coordinating with the U.S. Agency for International Development and the U.S. State Department.

Reliability and Dependability -ATPDEA

The U.S. Bishops' Conference has supported long-term extension of trade preference programs to some of the poorest countries in the Andean region.⁵ We continue to urge long-term extension of ATPDEA when it expires in December of this year. In the case of Bolivia, ATPDEA has been vital in promoting economic development for thousands of people. For example, Bolivia's export of palm hearts to the United States has increased exponentially in recent years. The growth of these exports has been instrumental in promoting alternative crops to replace coca.

⁵ Committee on International Justice and Peace, *Letter on Trade Measures* February 25, 2008 available at <http://uscgb.org/sdwp/international/2008-02tradeletter.pdf>

Cardinal Julio Terrazas, Archbishop of Santa Cruz, Bolivia and President of the Bishops' Conference of Bolivia had the opportunity to visit Washington to discuss the importance of the current trade preference program for poor people in his country. In a letter addressed to the Committee, Cardinal Terrazas urged long-term extension of the preferences for Bolivia. Limiting the extension of these preferences to a short-term framework sends the wrong signal to the program's beneficiaries, he said. Investors and importing firms attracted by the opportunity of trade preferences will not invest in or source from countries if the status of the preferences is in doubt. He reported that many in Bolivia are aware of the importance of trade preferences from the United States for their livelihoods.

In his meeting with Committee staff, the Cardinal acknowledged the delicate political situation in Bolivia that centered on concern for equality and economic opportunity. But, he added that the Bolivian people know the importance of U.S. trade preferences and value the relationship they foster with the United States. Many Bolivians have come to rely on the opportunities created by trade preferences to develop viable alternatives to coca production.

Integral Human Development – Worker Protections

The United States Conference of Catholic Bishops has consistently engaged lawmakers and other policy makers on the importance of framing trade policy within the context of a broader development agenda. The concept of decent work is deeply embedded in the Church's social teaching. In his great message on the importance of human work, Pope John Paul II identified the centrality of human work to human identity and human community.⁶ Work is inextricably linked to human flourishing and is a way of humanizing the world and fostering authentic human development. By virtue of one's work, the human person can fulfill his or her destiny of being the "protagonist of development."⁷

For work to humanize the human person and the world, both the worker and the work should enjoy fundamental protections. During the discussions of the free-trade agreements that the United States has signed over the past few years,⁸ USCCB urged Congress to take more seriously the need to establish effective labor and environmental protections, ensure access to life-saving medicines and expand public participation as a way of building a democratic process respectful of the freedom of the human person.⁹

⁶ Pope John Paul II, *Laborem Exercens (On Human Work)* (Washington, DC: United States Conference of Catholic Bishops, 1981), no. 1.

⁷ Pope John Paul II, *Sollicitudo Rei Socialis (On Social Concern)*, (Washington, DC: United States Conference of Catholic Bishops, 1987), no. 30.

⁸ See *Joint Statement Concerning the United States-Central American Free Trade Agreement (US-CAFTA) by the Bishops' Secretariat of Central America (SEDAC) and the Chairmen of the Domestic and International Policy Committees of the United States Conference of Catholic Bishops (USCCB)* July 21, 2004 available at <http://usccb.org/sdwp/international/jointtradestatement.shtml>

⁹ Committee on International Justice and Peace, *Letter to Speaker Pelosi, Secretary Paulson, and Ambassador Schwab on Trade Policy* May 18, 2007 <http://usccb.org/sdwp/international/May182007Trade.pdf>

In terms of trade preference programs, USCCB welcomes the inclusion in HOPE-II of incentives and benchmarks whose purpose is to ensure that workers in Haiti have internationally recognized protections. The new Technical Assistance Improvement and Compliance Needs Assessment and Remediation Program (TACINAR) could help achieve these protections. While USCCB does not have the expertise to make a judgment on the details of the program, this initiative is complemented by a handful of mechanisms, which also include the establishment of a Labor Ombudsman and a registry of producers benefiting from U.S. trade preferences under HOPE, that are designed to provide vigilant oversight and ensure that the well-being of workers is not traded for increased profit margins and lower costs. The new program may have the capacity to more readily discover abuses and to provide concrete directions for improving the situation of workers, including the possibility that preferences would be withdrawn if they were found to be harmful to the rights of workers. Notably, the new mechanism provides for input into how labor protections are operating from several sectors of Haitian society. Haitian authorities should be encouraged to maintain on-going conversations not only with labor organizations and the private sector, but also with church and civil society organizations. [Next month, I will accompany the Chairman of the Bishops' Committee on International Justice and Peace, the Most Reverend Thomas G. Wenski, Bishop of Orlando, on a solidarity visit to Haiti during which the implications of the new trade preference programs will be discussed.]

The Church is very committed to the rights and dignity of workers in our own country. Therefore, our Conference welcomes the assessment of the Government Accountability Office that the overall impact of U.S. trade preference programs on the U.S. economy is small, with a “minor” impact because of the Andean and Caribbean programs.¹⁰ The overall impact of economic globalization continues to be felt in developed as well as developing countries, especially amongst those sectors of the economy ill-equipped to cope with rapid change. In the United States, the Church stands in solidarity with those who are experiencing dislocation because of globalization. As the global economy integrates, USCCB urges lawmakers to prioritize the rights and dignity of workers at home and overseas, taking meaningful steps to help workers in the United States that lose their jobs because of globalization. In addition, USCCB supports linking trade preference programs with enforceable worker protections and working conditions.

Coordination with other Development Initiatives

The USCCB together with the U.S. bishops' relief and development agency, Catholic Relief Services, are active supporters of the many ways in which the American people show their concern and solidarity with our most vulnerable brothers and sisters around the world. Together we support increased and more effective foreign aid programs. We are working today to urge Senators to ensure that U.S. leadership in the fight against HIV/AIDS be strengthened this year by reaching a bipartisan consensus on a greatly expanded and morally appropriate PEPFAR

¹⁰ United States Government Accountability Office. *U.S. Trade Preference Programs Provide Important Benefits, but a More Integrated Approach Would Better Ensure Programs Meet Shared Goals*, GAO-08-443, March 2008, p. 10.

program.¹¹ In 2002, USCCB and CRS supported the creation of the innovative *Millennium Challenge Account* (MCA).¹² Together the Conference and CRS have engaged in extensive education and outreach with the Catholic community in the United States to increase awareness of U.S. assistance programs administered through various agencies of the United States government. We strongly support increased public investments in poor countries on vital needs like health care, education and innovative ways to promote economic development.

It is ironic that the U.S. foreign assistance contained in initiatives such as the Millennium Challenge Account can be easily undermined by the high levels of tariffs that poor countries have to pay on their exports to the United States. As Edward Gresser has pointed out, some of the world's poorest countries pay higher total amounts to the U.S Treasury on their exports to the United States than do some of our richest trading partners.

The situation of Haiti provides another example of how our development programs are not as effective as they could be. Despite regular aid commitments and recently appropriated funds to deal with Haiti's emergency food crisis,¹³ Haiti is not deemed eligible for consideration as a candidate for support from the Millennium Challenge Corporation. At the same time, Haiti has only recently become eligible for multilateral debt relief and is still paying, by some estimates, up to \$1 million a week in debt service payments. To help up to two dozen other poor countries that are not currently eligible for debt relief, USCCB has urged passage of the Jubilee Debt Relief Act that will deal with their continuing debt burden.¹⁴

From the experience of the Bishops' Conference's in working with various administrators of the preference programs, there seems to be ongoing frustration at the relatively low utilization of the programs in some very poor countries and the fact that the benefits tend to accrue to already established developing counties and not to those people and communities that need the most help. Some find the system's rules and regulations confusing and believe they discourage administrators and investors from using preferential trading programs. Others with the technical expertise can speak more directly to both the causes of and the possible remedies for these problems. USCCB has been supportive of attempts to address some of the complicated eligibility rules and to streamline the system. Earlier this year, USCCB joined many others in endorsing the New Partnership for Development Act that was introduced in the House.¹⁵

¹¹ Committee on International Justice and Peace, *Letter to Senate Committee on PEPFAR*, May 22 2008 available at http://usccb.org/sdwp/international/2008-02pepfar_cong_ltr.pdf

¹² Testimony on behalf of The United States Conference of Catholic Bishops and Catholic Relief Services Subcommittee on Foreign Operations, Export Financing, and Related Programs House Appropriations Committee May 9, 2002 available at <http://usccb.org/sdwp/international/ftesap02.shtml#iii>

¹³ Committee on International Justice and Peace, *Letter to the Senate Leadership on the FY 08 Emergency Supplemental* April 28, 2008 available at http://www.usccb.org/sdwp/international/letter_senate_approps_leaders08.pdf

¹⁴ Committee on International Justice and Peace, *Letter to House on Jubilee Debt Relief Act* April 9, 2008 available at <http://www.usccb.org/sdwp/2008-04-09%20Letter%20to%20House%20on%20Debt%20Bill.pdf>

¹⁵ See supra note 5.

In the absence of multi-lateral agreement on global trade rules and the failure to reach a pro-development outcome of the Doha Development Agenda, trade preferences will continue to be an important way for stimulating economic growth in poor countries. Some may believe that trade preferences should become a thing of the past, ill-suited to the climate of modern trade realities where reciprocity and bilateral commitments are the norm. However, from the Church's perspective, a preferential concern for the poor and the demands of global solidarity point to continuing need for both U.S. trade preference programs and generous development programs. It would be a tragedy if support for U.S. preference programs as a mechanism for promoting development among the world's poor were to be eclipsed by an expectation that only reciprocal trade agreements were of any value.

Public Support to U.S. Preference Programs

As was mentioned earlier, the Conference assists the bishops in their mission of evangelization, of bringing the good news of the Gospel to the world. In a special way the Conference of Bishops seeks to bring good news into the daily lives of those who struggle to make ends meet for themselves and their families. The Conference offers support to those seeking to be in solidarity with the poor and vulnerable. As part of this effort, USCCB and Catholic Relief Services jointly sponsor the *Catholic Campaign Against Global Poverty*, an education and advocacy initiative broadly encompassing the issues of debt relief, foreign aid and trade policy.¹⁶ From our experience with the Campaign, we have found that many Catholic Americans are deeply concerned about the plight of poor persons in developing countries and are eager to find ways to collaborate with public and private agencies to help alleviate suffering, combat disease and foster development around the world. There was tangible grassroots support for the extension of trade preferences to poor countries like Haiti and Bolivia. At a time when trade is increasingly seen as a way of exercising special interests on behalf of the privileged, the U.S. Conference of Catholic Bishops urges greater focus on U.S. preference programs and other concrete ways in which the United States can, in the words of Pope Benedict, "globalize solidarity."

Other Countries' Preference Programs

The United States cannot be alone in extending preferences to least-developed countries. While Europe and Japan have been involved in the Generalized System of Preferences and other similar programs for as long as the United States, emerging economies need to consider improving access to their markets for less developed poor countries with the goal of fostering development and promoting economic growth. U.S. efforts should be a benchmark of how trade can bring about development; but other countries need to take their own meaningful steps to make preferential access to their markets an integral part of their trade policy.

Conclusion

There is a Haitian proverb: *Beyond the Mountains, There are More Mountains*. It refers to the peasant farmer's dream of never-ending land that will yield bounty upon bounty. For many – and

¹⁶ *Catholic Campaign Against Global Poverty* available at <http://www.usccb.org/sdwp/globalpoverty/>

many of those in Haiti and Bolivia – the path to stability and self-sufficiency is not laden with bounty but rather is blocked by insurmountable obstacles that appear like mountains beyond mountains. Coordinating preferential trading regimes with development programs builds an important form of solidarity between developed and developing countries. This will require a better targeting of benefits to those countries that need them most.

In 1999, Pope John Paul II addressed the theme of globalization and equitable economic integration in the context of this hemisphere. He warned: “If globalization is ruled merely by the laws of the market applied to suit the powerful, the consequences cannot but be negative.”¹⁷ Preference programs offer a unique way for countries with tremendous economic advantages, like the United States, to reach out in solidarity to least developed countries and to establish trade laws that suit not just the powerful, but also the weak. They bring hope and life to millions of people around the world, like Carlène, Samuel and Arnelle, who depend upon trade preferences for their livelihoods and for the opportunity for their families to escape grinding poverty. In many ways, these kinds of trade preferences swim against the modern tide of self-interest and personal gain. Trade preferences have a capacity to unite an ethic of solidarity with the logic of economic integration. This concrete expression of the preferential option for the poor can help build what Pope Benedict XVI has called “a new world order based on just ethical and economic relationships.”¹⁸

Thank you for your time and attention. The United States Conference of Catholic Bishops looks forward to working with the Committee in supporting improvements to our essential trade preference programs.

¹⁷ Pope John Paul II, *Ecclesia in America* (The Church in America), (Washington, DC: United States Conference of Catholic Bishops, 1999), no. 20.

¹⁸ Pope Benedict XVI, *Christmas Address, Urbi et Orbi (To the Church and the World)*, December 25, 2005 available at http://www.vatican.va/holy_father/benedict_xvi/messages/urbi/documents/hf_ben-xvi_mes_20051225_urbi_en.html