

# TRADE

*February 2005*

**(Updated June 2005)**

*Freedom of trade is fair only when it is in accord with the demands of justice.*

--Compendium of the Social Doctrine of the Church, 366

## **BACKGROUND**

International Trade continues to be a contentious issue in the United States and around the world, as the changes in trade policies continue to produce winners and losers. The Church is engaged in these questions as they touch upon her mission to defend the life and dignity of all God's children.

Global trade talks and negotiations involving the 148 member countries of the WTO are conducted under the auspices of the World Trade Organization (WTO). The current series of trade negotiations are called the Doha Development Agenda (DDA). The DDA emphasizes a commitment by countries to link trade policy with development needs. These "multilateral" talks collapsed in Cancún in September 2003. They were put back on track in July 2004, but many of the major sticking points that led to the collapse of the talks remain. Chief among them is the issue of agriculture.

In July 2004, members of the WTO came to an agreement on a "Framework Document" that would guide the more detailed negotiations that will take place in the run-up to the next meeting of the senior representatives of the WTO members in Hong Kong in December 2005. The European Union has made significant promises to cut its agricultural export subsidies that harm developing country farmers. The U.S. government has also expressed its intention to reduce its support to U.S. producers that encourage over-production and harm developing country efforts to get access for their goods in international markets. At the same time, the U.S. government sought increased protection for some of its domestic support programs. Getting the developed countries to follow through on their initial commitments to make significant changes that will halt the trade-distorting subsidies that they offer their own producers will take sustained effort.

Following the collapse of multilateral trade talks in September 2003, the United States renewed its efforts to negotiate bilateral trade agreements. These agreements included the Central American Free Trade Agreement (CAFTA) between the United States and Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and the Dominican Republic, the proposed Andean Free Trade Agreement (AFTA) with Ecuador, Colombia and Peru, and the proposed Southern African Customs Union (SACU) that included the countries of Botswana, Lesotho, Namibia, and South Africa.

Some of the current negotiating parties are among the poorest countries in the world, creating an asymmetrical relationship in which concern for the plight of the poor and vulnerable can be lost. The United States hopes to create enough momentum in its bilateral agreements to achieve progress in a regional trade agreement with the 34 countries of the Western hemisphere (excluding Cuba) called the Free Trade Area of the Americas (FTAA). Negotiations around the FTAA are stalled awaiting progress on agriculture and intellectual property rights at the WTO.

*It is evident that, because of the great disparities between countries regarding access to technical and scientific knowledge and to the most recent products of technology, the process of globalization ends up increasing rather than decreasing the inequalities between countries in terms of economic and social development.*

--Compendium, 363

### **Congressional Action**

The Administration is expected to send the CAFTA agreement to Congress for approval early this year (April/May). The treatment of CAFTA is seen a bell-weather for U.S. trade policy. The USCCB hosted a delegation of bishops from Central America in June 2004 after which a Joint Declaration on CAFTA was issued (available at <http://www.usccb.org/sdwp/international/jointtradestatement.htm>). The statement focused on the likely impact the agreement would have on poor workers and vulnerable families, especially in rural areas, voicing anxiety over the “obvious imbalance in power” between the negotiating parties. It expressed concerns about the lack of adequate protections for workers in those countries and environmental safeguards, and criticized the lack of participation by those who may feel the impact of the agreement most severely. Without such provisions, the statement noted, the full potential of international trade policy would not be achieved, especially in relation to the poor. A similar delegation of Andean Bishops will visit Washington, DC in early February to discuss the proposed US-AFTA with U.S. decision makers and will raise concerns similar to those voiced by the Central American bishops.

The President negotiates trade agreements under Trade Promotion Authority (TPA) approved by the Congress in 2002. Under TPA, the Congress as a whole votes whether to accept or reject particular trade agreements. The President must submit all agreements to the Congress. Congress has 90 days to vote either yes or no on the agreement. An agreement cannot be amended. Congress is due to review these restrictions mandated by the TPA in June 2005. While some in Congress may raise concerns about current U.S. trade policy, Trade Promotion Authority is expected to remain in force until the statute lapses in 2007.

### **Why is agricultural trade so important?**

**Developing Countries:** Some 70% of the world’s poor live in rural areas and depend primarily on agricultural economic activity. Even in some of the middle-income developing countries, 25% of their labor force is still in agriculture. Developing countries are insisting that agriculture be a major focus, if not the centerpiece, of international trade agreements. From 1999-2001, the richer countries spent \$330 billion collectively to protect their relatively small agricultural sectors. U.S. support for its cotton growers alone is three times U.S. foreign aid to Africa.

*The Church’s social doctrine has time and again called attention to aberrations in the system of international trade, which often, owing to protectionist policies, discriminated against products coming from poorer countries and hinders the growth of industrial activity and the transfer of technology to these countries.*

--Compendium, 364

**Domestic Agriculture and Trade:** Agricultural trade is important to the United States. One of every three acres is planted for export and 25% of gross farm income comes from exports. While agricultural exports are important, the way domestic subsidies are currently distributed is unfair to many productive small and moderate sized farms in the U.S. Approximately 65% of subsidies benefit

just 10% of the farms, primarily agribusiness and large entities. These subsidies are not only unfair to many U.S. farmers, but they encourage overproduction and interfere with the ability of many poorer countries to meet their own agricultural needs. This happens because overproduction leads to artificially low world prices which undercut their ability to sell. In addition, there is considerable pressure on developing countries to reduce their farm supports. This has left farmers vulnerable to losing foreign and domestic markets to cheaper, subsidized imports from wealthier nations. As noted above, addressing this imbalance will be at the heart of global trade talks in 2005. This effort may receive a boost from Administration plans to make serious cuts in U.S. agricultural supports in its budget proposal for FY06.

### **USCCB/CRS POSITION:**

*The continuing deterioration in terms of the...gap between rich and poor countries has prompted the social Magisterium to point out the importance of ethical criteria that should form the basis of international economic relations: the pursuit of the common good and the universal destination of goods; equity in trade relationships; and attention to the rights and needs of the poor in policies concerning trade and international cooperation.*  
--Compendium, 364

For over a decade, the United States Conference of Catholic Bishops has addressed aspects of international trade. Rather than take a position for or against complex trade agreements, the Conference has proposed a set of ethical criteria that should guide trade negotiations. In July 2004 these criteria were applied to the US-CAFTA agreement in the Bishops' Joint Declaration. In November 2003, the US Catholic Bishops issued the statement *For I Was Hungry and You Gave Me Food: Catholic Reflections on Food, Farmers and Farmworkers*. It can be found at <http://www.usccb.org/bishops/agricultural.htm>. This statement articulates the Conference's specific policy on trade, particularly as it applies to agriculture.

### **Domestic Farm Policy:**

- ? The United States should target and cap limited government subsidies to small and moderate-sized farms, especially minority-owned farms. Rather than simply rewarding production through these subsidies that can lead to surpluses and artificially low world prices, government resources should reward environmentally sound and sustainable farming practices.

### **International Trade Policy—Subsidies, Tariffs and Quotas and Differential Treatment**

- ? The subsidies, tariffs and quotas of richer countries that severely constrict poorer countries in their ability to sustain their own agriculture should be reduced.
- ? Developing countries should be given some flexibility (technically referred to as “special and differential treatment”) in using appropriate subsidies, tariffs, quotas and other support measures to make sure they have sufficient food supplies, enhance rural incomes and promote rural development.

### **Having a Voice**

- ? Trade documents should be made available during the process of negotiation for review and public comment.

- ? Major elements of civil society, including groups representing the poor, business, labor and religious communities, should have greater access to participation in the process.
- ? Richer countries should provide technical assistance to help poorer countries be able to participate more fully in trade negotiations.

### **Labor and Environment**

- ? Trade agreements should treat labor and environmental concerns as integral to trade agreements and not as peripheral matters.
- ? Trade agreements should lead to economic and social improvements at home and abroad, particularly for poor and vulnerable workers and their families; this can be accomplished by adopting internationally agreed upon labor standards.
- ? Trade agreements should foster the right to organize and bargain collectively.
- ? Trade agreements should encourage and not undermine the ability of poor countries to promote environmental protection and sustainable agricultural practices.

### **Migration**

- ? The impact of trade on migration should be concretely addressed when trade measures are considered.

**ACTION REQUESTED: Urge your Senators and Representatives, particularly if they are members of the Senate Finance, House Ways and Means, Agriculture and Appropriations Committees, to consider the USCCB policy principles and ethical criteria against which all trade agreements should be assessed.**

### **June 2005 Update**

As part of its role to preach the Gospel in our modern world, the United States Conference of Catholic Bishops (USCCB) and Catholic Relief Services (CRS) work to promote public policies that foster just outcomes within nations and between nations. International trade policy should dovetail with other development policies to stimulate economic growth and reduce poverty. The Church offers a moral perspective for decision-makers who shape trade policies, placing the human person at the center of all economic activity.

A recent joint statement of Central American and U.S. Catholic Bishops observed that trade is about more than economics; it is about people's lives and livelihoods. Too often key moral questions are not part of the debate.

### **USCCB Perspective on CAFTA**

The Central American Free Trade Agreement (CAFTA) is a trade and investment agreement negotiated between the United States and six Central American and Caribbean countries: Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and the Dominican Republic. Congress is expected to consider CAFTA shortly and must ratify the agreement in an "up or down" vote because under current law, also known as "fast track" authority or trade promotion authority, no amendments can be made to trade agreements of this kind.

USCCB and CRS, without opposing or supporting CAFTA, want to create a climate in Congress for moral dialogue and evaluation of CAFTA. In examining CAFTA and other trade agreements, USCCB and CRS call on Congress to explore the following moral questions:

1. **Livelihoods of farmers and food security.** Poor farmers in Central America may not be able to compete with much more efficient, highly subsidized U.S. agriculture. At the same time U.S. subsidies are not focused on the needs of small and medium-sized farms in the U.S. Meanwhile, tariff reductions and elimination of supports under CAFTA could subject staple foods like corn, beans, and rice to serious price fluctuations. How will CAFTA address the needs of small and medium-sized farms in the U.S. and Central America?
2. **Worker rights and environmental protection.** While certain labor and environmental provisions are included in the agreement, it is not clear that they will lead to stronger protection of fundamental worker rights and the environment. How will CAFTA protect the rights of workers and the environment?
3. **Transparency and democratic participation.** During the negotiations and since the agreement was signed there has been an absence of broad consultation with key sectors who will be affected, and little information has been available in publicly accessible forms. How will people have a say in how CAFTA impacts their lives?
4. **Intellectual Property.** CAFTA's extension of protections for intellectual property rights may impair the right of Central American countries to exercise proper stewardship over their natural resources and may limit access of poor people to affordable generic medicines. How will CAFTA's intellectual property provisions impact the poor?
5. **Poverty reduction and sustainable development.** CAFTA's ability to increase opportunities for the poor and to enhance prospects that they will genuinely benefit from increased trade remains unclear. Trade policies must be framed within an integrated development agenda that incorporates measures to improve education, health care, and democratic participation. How will CAFTA promote integral human development, especially of the poor?

**Take Action Now:** USCCB and CRS are asking people to urge their members of Congress to engage in a moral dialogue and evaluation of CAFTA that includes these questions: How will CAFTA address the needs of small and medium-sized farms in the U.S. and Central America? How will CAFTA protect the rights of workers and the environment? How will people have a say in how CAFTA impacts their lives? How will CAFTA's intellectual property provisions impact the poor? How will CAFTA promote integral human development, especially of the poor? Ask members of Congress to send you written feedback on these questions.

**For further information:** Rev. Andrew Small, OMI at (202) 541-3153, at the United States Conference of Catholic Bishops; or Kathy Selvaggio at (410) 951-7449 and Kathy Brown at (410) 951-7232 at Catholic Relief Services.

*The poverty of billions of men and women is "the one issue that most challenges our human and Christian consciences."*

--Pope John Paul II, World Day of Peace Message, 2000