

REGIONAL CONFERENCE OF CARITAS EUROPA

MAINZ, GERMANY 2006

WORKSHOP ON INTERNATIONAL TRADE & TRADE JUSTICE

PART A

Input provided by Matt Griffith

Trade Policy Analyst, CAFOD, London

Some clarifications of definitions and terms

What is trade?

- Trade is – at its most basic – one person selling one good to another person.

What is international trade?

- One set of producers in one country selling a product across a border to a buyer in another country.

Trade has a dramatic and powerful effect on individual people and individual countries.

- It can generate large amounts of wealth
- But it can also contribute to the poverty of people and nations

Why is it so powerful? Why can it generate wealth/create poverty?

- 1) International Trade allows you to have access to much larger markets.
- 2) International Trade also forces producers and countries in producing the thing they are most competitive at. This gives competitive producers more markets, but it also displaces weaker producers. The result is a powerful economic impact and social consequences.

The power of trade can be seen by looking at what happened in the 19th century

- 1) Global markets at their most open
- 2) We can see power of specialisation

- Germany specialised in manufacturing
- Britain specialised in banking

We can see the power in which it shaped countries under development

- For good: Growth in Argentina through selling steaks to Europe
- But also for bad: Chinese peasants were displaced by cheaper imports of food
- Indian artisans selling handicrafts were displaced by cheaper manufactured products

Trend of power enriched, danger of the poor being marginalised

150 years later

Re-emergence of global markets and global trade

Same power to shape countries under development economies and the lives of the people

- For good: Growth in China and India
- For bad: Africa has stagnated through selling products that have been declining in value. Chinese peasants are forced off the land because of imports of cheaper food

Again the poor are in danger of being marginalised

Major change

150 years ago: rule of the gunboat and colonisation

Today, in theory, the rule of law and independent sovereign states

Through WTO, all countries are offered a chance to shape what rules are made and what impact they have

- Trade rules negotiated
- One member one vote
- If one member breaks the rules it can be taken to court, which is where Trade Justice comes in

So what is the problem?

- The problem can be defined as the current rules are very unjust

Why is this?

- Imbalance of power
- History of last round of negotiations (lack of development countries capacity to engage in consultations with richer countries)

How are they unjust?

- 1) They are imbalanced, in that they allow rich countries to do things that development countries are forbidden
- 2) They are unfair, in that they do not enable poor countries to take account of the needs of the weakest and most vulnerable groups. Market takes priority of social considerations and needs of the poor.

Example Agriculture:

Imbalanced system: subsidies and dumping.

Unfair system: Approach to open markets when those markets have very poor producers

PART B

Catholic Social Teaching and Trade

Dr. Werner Veith – Uni Munich

Introduction

The following lecture is drawing largely from a recently published scientific study produced by a task force of the Bishops Conference of Germany, entitled „International Trade in Service of the Poor“.

The fundamental question of CST on how structures of a given society should be designed in order to best serve people’s interests has to also include the sphere of economy. From here, a variety of questions arise. In the first place, one could question the design of national and international institutions, their conditions and space of operation, but also how these institutions arrive at decisions and how responsibility for these decisions is structured and organised. Secondly, one could consider bringing up ethical aspects of economical behaviour and finally, one could also reflect on the role we are playing as individual consumers and households. However, the above mentioned study focuses on the institutions of World Trade as far as their impact on development for countries of the South and transitional countries in their fight against poverty is concerned.

The study is made up of 5 chapters and structured along the lines of the classical methodological approach of CST „to see“, „to judge“, and „to act“. The relevant paragraphs for this workshop can be found in the chapter about „World Trade and Ethics“ The chapter concentrates on the question what the CST ethical parameters for a development oriented World Trade System are.

The study is centered around the category of justice. A policy of World Trade has to be designed as a just and fair process. Then it may be seen also as an expression of worldwide Solidarity. How can this idea of justice be underpinned from an ethical point of view?

1) Personality , Dignity, Human Rights

The Pastoral Constitution *Gaudium et Spes* of the II Vatican Council expresses the fundamental belief of the relation between man and social structures (GS 25,1). The constitution refers to the person as the ultimate root, medium and goal of society's institutions. In other words, also the system of World Trade should not become an end in itself but rather should serve the best interest of people. The system should secure the basic human needs and provide the necessary means for the pursuit of their individual life plans. The ultimate ethical parameter is therefore the dignity of mankind, which is expressed in terms of the person Freedom/Liberty, Autonomy, and Equity. In order to secure each person's dignity in a sustainable way, certain conditions need to be created which allow a person to be creative and to develop. These conditions can be equated with the term of Human Rights. Therefore, in order to arrive at the right conclusions about the norms and institutions of the World Trade System, one has to ask whether Human Rights are protected or threatened. In other words, each reform emerging within the World Trade System has to be studied under the aspect of whether or not the likely result of the reform will be to combat poverty and underdevelopment.

2) Participatory Justice

For the design of a World Economic Order based on justice it has to be taken into account that many economies differ from each other. Doing business on an unequal footing often leads and manifests itself in unjust structures and terms of trade. For example, rich countries are protecting their markets against import products and subsidize their own products for exports. The US Bishops Conference in 1989 has therefore called for the principle of participatory justice as a matter of social justice. This principle also draws from the rationale of the principle of Subsidiarity, stating that within the institutional hierarchy the higher level has the duty to support the lower level to become self-reliant, and that the lower level has the right to deal with its own matters in its area of competence. Therefore, a just World Economic Order has to create the appropriate instruments for support of those development countries while it also has to ensure that space is given for their own independent development.

3) Trade Justice

A just, World Economic Order has to fulfill the demands of just terms of trade for goods and services. The criteria hereof is: equity in value of the services and goods exchanged, and the liberty of the services rendered. As the exchange of goods and services is of fundamental importance for the concept of individual freedom and

development of any given society, the task ahead for a just, World Economic Order is to facilitate those processes of trade and to provide the necessary juridical framework for it (e.g. freedom to sign contracts, ensuring property rights, etc.). As the process of market exchange is highly vulnerable to asymmetric power relations, certain control mechanisms need to be put in place or competitive relations have to be established by the State. In particular conflicts around the issue of salaries, prices, or labour conditions clearly show if also the interests of the weaker market participants are considered.

4) Procedural Justice

One should note that there is no such thing as just structures without procedures that determine these structures. Countries under development make up a total of 80% of the World Trade Organisation (WTO) which equates to 80% of the voting power. However, in practice these countries are often lacking the necessary personnel and financial means to be part of various working groups and consultation processes which precede the decision. Fundamental principles of procedural justice are:

- Legal certainty
- Impartiality of the court of law
- Equality before the law
- The right to institute legal proceedings and the right of the defendant to be heard by the court

For a fair World Economic Order to take shape one should strive to better integrate development countries into the structural consultation and decision-making processes of the WTO.

5) Additional Perspectives of Justice

Further considerations for Justice with the aim to fight poverty are the following:

- Justice based on basic needs satisfaction, aiming at the fair access to or distribution of those goods and services which are necessary for a dignified life (water, seeds, medical care).
- Justice based on fair chances – particularly in terms of getting fair access to education
- Gender based Justice, raising awareness for the fact that women are discriminated against in many ways, be it on the grounds of their sex, of their poverty, or of their descent from an ethnical or religious minority background.

Last, but not least, another important perspective of justice should be added here, which could be described as inter-generational justice. The rationale of this perspective points to the consequences of World Trade, also for future generations in terms of their access to economical, ecological and social resources. CST therefore calls for decision-making

processes, which take into account the long-term effects of trade as laid out in the concept of sustainable development.

Part 3: Discussion around the main challenges and opportunities for Caritas work

Challenges:

- Ensure that weaker voices of development countries are heard and rules are adjusted at WTO level

- Ensure that the voices and interests of the poor of developing countries are heard in Europe.
 - At the European Union
 - In the European public debate

- Ensure that the poor's voices are heard within their own governments

Opportunities:

- Drawing on Caritas Europa's and the Confederation's global reach in speaking on behalf of the interests of the poorest countries

- Drawing on Caritas's knowledge of the economic vulnerability of poor communities to raise their voice at an international level and within their own governments

- Drawing on Caritas's Catholic identity to offer a moral voice in the operation of the new global economy.

Panelists to the Workshop

Matt Griffith
Trade Policy Analyst – CAFOD
London

Dr. Werner Veith
Lehrstuhl für Christliche Sozialethik
Geschwister-Scholl-Platz 1
80539 München
werner.veith@lmu.de

Moderator
Daniel Verger
International Director - Secours Catholique/Caritas France
Paris

Rapporteur
Harald Happel/Caritas Europa

Mainz, 11.05.2006
Harald Happel / CaritasEuropa
Mainz, 19.05.2006

.