Trade policy matters

Starting with some considerations from the Catholic Social Teaching regarding trade policy, the following note gives an overview of current EU and global trade policy matters.

A) Catholic Social Teaching and trade

Over the past years, the Holy See and bishops have taken part in the debate on how to evaluate international trade and trade agreements and thus contributed to further developing the Catholic Social Teaching on this matter. The following points constitute key messages of the Church when it comes to trade policy.

1) <u>The positive potential of trade</u>

International trade and foreign direct investment can have a positive impact on human development as long as they do not increase injustice. In June 2016, the bishops of COMECE and the US bishops' conference (USCCB) took a strongly motivated position in the on-going debate regarding the Transatlantic Trade and Investment Partnership (TTIP). As a general principle, they stated: "History provides evidence that increased trade and investment can be truly beneficial, provided that they are structured in a way that helps to reduce, not exacerbate, inequality or injustice. Trade policies must be grounded in people-centered ethical criteria, in pursuit of the common good for our nations and for all people around the world" [1].

2) <u>The primacy of human work and trade</u>

Trade policies and, more generally, all development and growth strategies need to be centered on the human person and on the primacy of human work. This goes against traditional trade agreements, which do not address the question of social and workers' rights or environmental norms. Fearing their competitive advantage in global markets, developing countries often oppose the inclusion of such references. In a note from 2003 the Holy See, however, stated: "The challenge is to create a legal framework for trade which gives developing countries both the economic surplus and the political autonomy to achieve human development goals, while respecting legitimate concerns regarding labor, social and environmental standards" [2].

3) <u>A preference for multilateral agreements</u>

Joining a nearly universal chorus, the Church has repeatedly stated its preference for multilateral agreements compared to bilateral and regional arrangements. In July 2016, the IN representative of the Holy See stressed "the importance of recognising a primacy of multilateral agreements over bilateral and regional ones; despite its limits ant its complexity, the multilateral framework gives pluralism a universal dimension and facilitates an inclusive dialogue" [3].

4) <u>Agricultural products need a special treatment</u>

Agricultural plays a crucial role for the development of poor countries. It accounts for more than one fourth of the GPD and more than a third of employment, reaching more that 50% in the poorest countries. Export subsidies, used by developed countries to regulate overproduction of agricultural goods, can therefore severely affect product and labor markets in poor countries and heavily disturb development strategies. In most of the cases they should not be regarded as an advisable trade policy instrument.

B) EU and global trade policy issues: an overview

On behalf of its member states, the EU is currently negotiating twenty trade agreements, which involve more than sixty countries. The EU is also a major player in the World Trade Organizations (WTO) and in the informal G20. Some of the most significant developments are synthesized below.

1) <u>The Transatlantic Trade and Investment Partnership (TTIP)</u>

The latest round of negotiations between the EU and the US took place from 11 to 15 July in Brussels. This 14th round again ended with no major breakthrough. The EU side remained unsatisfied regarding the access to public procurement rules in the US where authorities are obliged to by American products and services. Another point of controversy is the protection of geographic origins like Parma ham in the US market. The US would like to export more of its agricultural products to the single market of 500 millions consumers in the EU. Not much time is left to conclude the original ambitious partnership before the end of the Obama Presidency and to settle for a more traditional trade agreement about the reduction of tariffs. Furthermore, the political environment remains highly critical about a trade deal which was promoted as a way of imposing rules and regulations for global trade to competitors like China and India.

2) <u>The Comprehensive Economic and Trade Agreement (CETA)</u>

Against the advice of its legal services but pressured by key member states, the European Commission decided on 5 July to consider the Comprehensive Economic and Trade Agreement (CETA) with Canada a mixed agreement, which means that it has nor only to pass through the European Parliament for its ratification but also through all competent parliaments in member states. Since the Parliament of Wallonia has already announced its firm opposition, CETA seems to be compromised. CETA is supposed to remove custom duties, end restrictions on access to public contracts, open-up the market for services, offer predictable conditions for investors and help to prevent illegal copying of EU innovations and traditional products. The agreement will fully uphold Europe's standards in areas, such as food safety and workers' rights. It also contains all the guarantees to make sure that the economic gains do not come at the expense of democracy, the environment or consumers' health and safety. Not ratifying it would symbolize a major reversal for all EU trade policy initiatives.

3) <u>A free trade agreement with MERCOSUR</u>

The Latin American MERCOSUR and the European Union have been in negotiations towards a bi-regional free trade area since April 2000, but only on 11 May 2016, chief negotiators were able to exchange offers on access to their respective markets of goods, services and establishment and government procurement. This opening became possible after a new government took office in Argentina. A new negotiation round took already place in Uruguay on 22-23 June. However, agriculture will remain a major stepping-stone.

4) EU and the World Trade Organization (WTO)

- Trade Facilitation: The Trade Facilitation Agreement (TFA), as a part of a wider "Bali Package" of agreements, was adopted on 27 November 2014. It should facilitate customs procedures for least developed countries (LDCs). The EU concluded the ratification process in October 2015. Currently, 82 WTO members have ratified the agreement. However, according to the TFA, it will enter into force after being ratified by two-thirds of WTO members, which would require the ratification by 108 countries of 162 WTO members.

- Agriculture: The Nairobi Package of the WTO concluded at the 10th Ministerial Conference in December 2015 in the capital of Kenya included some very positive decisions on agriculture, especially as regards export subsidies and related policies. Developed countries committed themselves to remove export subsidies on agricultural products immediately, except for a handful of agriculture products which were given extra but limited time. Developing countries will do so by 2018, although net food-importing developing countries will have more time. The decision also contains new rules on export financing support, international food aid and exporting state-trading enterprises.

- On 24 July 2015, the WTO members agreed the extended scope of the WTO Information Technology Agreement. The original agreement was concluded in December 1996 eliminating custom duties on a large number of high technology products (computers, semiconductors, software, etc.). The extended list includes 201 new products, the total annual trade in which is valued over USD 1,3 trillion per year (approximately 7% of total global trade). The EU ratified the agreement on 1 July 2016.

5) The Group of 20 (G20)

The Group of 20 brings together the largest economy in the world. The EU is represented through the President of the European Commission and the President of the European Council. Together, the G20 represent 80% of global trade. Since the financial crisis of 2008, the annual growth rate of their mutual trade has however declined from 7% to 3% and they have applied numerous trade-restrictive measures; despite many promises not to repeat the mistakes of the 1930s and create the sort of trade barriers that are now widely believed to have contributed to making the Great Depression worse. Since 2008, according to the WTO, G20 economies have introduced 1,583 new trade restricting measures and removed just 387.

Conclusion

Recent developments at the global level and in bilateral negotiations of EU with its trading partners are not encouraging from the point of view of the Social Teaching of the Church. Instead of redesigning existing trade policies in favor of an integral human development and, especially, for the poorest, the political mood against globalization currently seems to provoke a general retreat from all bilateral trade agreements. Within the global framework provided by WTO, only very small advances have been possible. Trade as such is not bad, nor is international trade. More trade can help humanity to cope with an increasing world population *and growing environmental stress. Trade policy is needed to apply the rule of law to international trade relations and, thus to improve the position of the weakest. Therefore, EU trade policy currently deserves more attention and support.*

[1] "Free trade demands a regulatory framework and ethical principles", US and EU Bishops present their common position on the Transatlantic Trade and Investment Partnership (TTIP) prior to the 14th round of negotiations, June 2016.
[2] Note of the Holy See on the preparation for the 5th WTO Ministerial Conference, Ethical Guidelines for International Trade, September 2003.
[3] H. E. Archbishop Ivan Jurkovič, Apostolic Nuncio, permanent Observer of the Holy See to the United Nations Office and other International organizations in Geneva, Intervention at the XIV Ministerial Conference of UNCTAD, Nairobi, 19th July 2016.

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