

**Declaration by the  
Conference of European Justice and Peace Commissions**

**Not breadcrumbs but justice**

**How we must change world trade if we want to be serious about  
poverty reduction**

Despite decades of development programmes, worldwide poverty has only decreased to a limited extent. More than one billion people still live in extreme poverty, i.e. they have to live on less than one dollar per day. The worst affected are South Asia and sub-Saharan Africa, where poverty has stagnated at high levels or even increased. There is a wide range of causes and consequences of extreme poverty. Poverty means that the satisfaction of fundamental human needs is not or insufficiently ensured. The people affected suffer from hunger, malnutrition and diseases, they live in absolutely inadequate slums, they are unemployed or poorly paid. But poverty is not only characterised by the lack of income. Since the encyclical *Populorum Progressio* (PP) was published in 1967, the Social Doctrine of the Catholic Church has been emphasising that poverty is often also related to social exclusion, insufficient access to basic social services (medical care, education), a lack of cultural freedom and legal security as well as non-existent opportunities for political participation. Therefore, development targets must never be limited to economic growth, no matter how indispensable and fundamental growth may be. "To be authentic, development must be well-rounded" (PP 14) and must support the economic, political, social and cultural advancement of man and of humanity as a whole. This is about no more and no less than our self-image as a part of the human family. All our lives are closely interrelated. It is a matter of the human dignity of all, whether we allow conditions that defy the concept that the human being is created in the image of God. The question raised here is not a technical or socio-technical one. It is essentially a question of human culture.

## **1. Millennium Development Goals – A comprehensive conception of development**

This comprehensive conception of development has also been introduced in the Millennium Development Goals (MDG), which the United Nations General Assembly presented in the autumn of 2001 to put the UN Millennium Declaration in concrete terms. The first fundamental goal is to reduce worldwide poverty and hunger by half by 2015 (compared to 1990). The countries have committed themselves to reach this goal.

The MDGs provide a common and binding framework for international development policies and a set of eight measurable (i.e. verifiable) goals. Apart from the elimination of extreme poverty and hunger, they are focused on improving access to education and medical care, promoting gender equality, ensuring ecological sustainability and building up a worldwide partnership network for development.

Now, as almost half of the scheduled time has passed, the mid-term review is sobering. In some regions there is a good deal of encouraging progress as far as certain goals are concerned, whereas other regions hardly see any progress or even steps backward. Altogether it must be expected that the globally defined goals will be missed by far, and even in Asia, the fastest growing region, there is no indication that all goals will be met. What are the reasons for this?

## **2. Internal development as a basis for poverty reduction – Involving the poor in development initiatives**

There is once again the question as to the appropriate strategies for an effective fight against poverty. The last decades of development policies have shown that successful poverty reduction is impossible unless it is supported by an internal development process along with good governance and widely effective growth with adequate employment effects. The first basis for development must be laid by the countries themselves. Therefore, each government and society holds primary responsibility for poverty reduction, as it was already said in *Populorum Progressio* (PP 77). The requirement that the people concerned must always be the starting

point, bearer and goal of all development is both an ethical requirement which is directly derived from human dignity and a basic prerequisite for sustainable development. Accordingly, development strategies must always start from the real needs of the poor and promote their self-help potential in the sense of “development from below”. The fact that Mohammed Yunus, the founder of Grameen Bank, was given the Nobel Peace Prize, is an encouraging sign in this direction. It must be said, however, that the poor are not yet sufficiently involved in poverty reduction.

### **3. The rich countries’ responsibility for a world economic order which is focused on development – Distinguishing between lip service and change**

While the poor countries’ primary contributions to poverty reduction are indispensable, it would be naïve and irresponsible to place the burden of responsibility on their shoulders alone. The development of a country must always be seen in the context of various international involvements and dependencies. This is all the more true in the age of globalisation and is also reflected in the eighth Millennium Development Goal, which is focused on establishing a global partnership for development. This means that the rich countries are required to assume responsibility and that they are specifically asked to take action for worldwide poverty reduction.

#### **3.1. Transfer benefits**

It is primarily the industrialised nations’ commitment to increase development aid which is in the focus of public attention. This is certainly a useful and important step. But according to the principle “development from below”, this financial aid can only be of supplementary nature. In addition, appropriate measures must be taken to ensure that these funds are actually used for poverty reduction. Development aid is not only a matter of quantity but also a matter of quality. Development cooperation and development aid must help the poor countries to establish infrastructures which are appropriate to overcome malnutrition, illiteracy, health problems and social exclusion. Access to facilities that meet the specific needs of the poor, i.e. medical care, education, legal advice, political participation and microfinance services (saving, insurances, credits), is the basis for decent living conditions and at the same time the

prerequisite for starting a self-sustaining development process with a broad impact and greatest possible employment effects. Development can only be carried out with and by the people themselves, if economic and social policies complement one another in this respect.

### **3.2. Structural change**

However, the scope for development-friendly policy at national level is massively restricted by global, especially economic dependencies today. The structures of world trade and the initiatives of the relevant institutions such as World Trade Organisation (WTO) and International Monetary Fund (IMF) are essentially controlled by the industrialised nations and their governments. In so far as these are democratically elected governments, the people in the rich countries have a co-responsibility for the world economic framework conditions. The principle of subsidiarity is the ethical guiding principle for establishing these framework conditions. It comprises the right to participation as well as the duty to help people to help themselves. These aspects are the standard by which competences are to be institutionally ordered and attributed.

A world economic order must offer the poor countries the necessary scope for independent development, whilst at the same time, creating instruments to support them, such as a rules-based and predictable world trade order which meets the needs of the least developed countries. This also includes the financial and technical cooperation with the poor countries and effective support of their own efforts to set the stage for independent development. This requires the donor countries to coherently align their development cooperation with their own efforts to implement development-friendly reforms in the global economy. If the (politically popular) transfer benefits are not supported by a fundamental change of the worldwide structures, the development aid of the rich countries will be nothing but breadcrumbs and will cover up their failure to implement reforms in the service of the poor. The objective is to enable the rich and the poor to share a table on an equal basis instead of leaving to the poor the crumbs that have fallen off the rich people's table. Paying lip service in order to calm the people concerned is of no help.

#### **4. Critical review of the World Trade Organisation WTO – Reality seen from the perspective of justice**

What is the current situation of the world trade order? The establishment of the WTO in 1995 represented the most challenging reform of the world economic order for decades, particularly because it created a framework for the whole area of world trade. Compared to its successor, GATT (General Agreement on Tariffs and Trade), the set of WTO agreements has been expanded to cover substantially new aspects of world trade, such as trade in agricultural goods, trade in services and protection of intellectual property. Moreover, the world trade order has been refined in institutional terms, such as the introduction of the dispute settlement body. This was definitely an improvement, because binding rules for world trade were agreed. But many urgent problems of the poor countries remained unresolved or were even aggravated. The current structures of world trade definitely do not meet the standards of a just development.

The Social Doctrine of the Church has been emphasising since *Populorum Progressio* how important it is, especially in the context of the world economy, to promote both development and justice. The derived criterion of ***developmental justice*** has a twofold normative meaning: in a more instrumental or functional meaning it requires that the national and international economic order must not impede development but support development as much as possible. In ethical terms, the different, mutually complementing dimensions of the economic order must meet the standards of justice.

Serious problems of justice already become apparent with the principle of ***transactional justice***, according to which the world economic framework conditions should guarantee fair economic exchanges. The weak market participants depend on benefiting from macroeconomic prosperity effects of the international exchange of goods in line with their performance. Current practice however puts the poor countries in some important aspects at a disadvantage. For instance, continuing high levels of agricultural subsidies of the industrialised nations distort international agricultural trade. This not only limits the sales prospects of the poor countries which cannot keep pace in the subsidy race but also compromises their agricultural production for

their own needs. After all, the poor countries have had to open their markets to a larger extent. Some of them are now flooded with agricultural products from the industrialised nations at subsidised prices that undercut local production costs. As a consequence, many poor countries neglect their agricultural infrastructure which can have the effect that an increasing number of poor countries import more food than they export although their economic structures are still based on agriculture.

Justice within administrative structures depends heavily on how administrative policy framework conditions come about and who decides what regulations are to apply or to be abolished at what time. The principle of **procedural justice** is thus of decisive significance. The deliberation and decision-making processes within the WTO however have obvious shortcomings as the required consensus of all, for instance, is often de facto reduced to an understanding reached between a small number of influential countries. Not least because they lack staff and funding, the weaker countries are hardly able to attend the large number of parallel negotiation groups in the WTO, to penetrate the difficult contents of the negotiations and to submit reasoned statements. Informal agreements between the well-equipped delegations of stronger countries frequently determine the deliberation and decision-making processes.

These problems of justice were outlined already forty years ago in the farsighted encyclical *Populorum Progressio*. Referring to the encyclical *Rerum Novarum* on capital and labour, Paul VI emphasised that mutual consent alone does not guarantee fair international treaties and trade agreements. When the parties are in very unequal positions, which often applies to North-South relations, this may result in unfair agreements (PP 59). This is also true today, particularly as international treaties limit the poor countries' ability to achieve independent development and poverty reduction. An important standard that must be applied here is the principle of **distributive justice**, according to which the satisfaction of fundamental human needs always takes top priority. In this respect, problems arise from the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and the agreed expansion of the protection of intellectual property to areas which are vital for the survival of the poor. Thus, according to TRIPS, patent or species protection must be introduced for seed, something which is inconsistent with many legal traditions. It

is above all the seed- and food-supplying groups of companies which are interested in this and which increasingly dominate research in this field. Their products are becoming increasingly common, and are pushing out traditional species. This endangers the right to food of smallholders in developing nations who live by subsistence farming. They depend on retaining some of their harvest to sow in the next season (farmers' rights); many of them cannot afford expensive seed, which species protection law obliges them to do.

Considerable obstacles to poverty reduction arise from the General WTO Agreement on Trade in Services (GATS) which is aimed to liberalise the international trade in services. Rapid opening of these markets as it is demanded by some industrialised nations, would be quite worrying in terms of development, especially when it comes to services of general interest which previously were provided by the state in most cases, particularly water and energy utilities, as well as health and education. It is feared that privatising these areas could further increase the supply bottlenecks for poor groups of the population and in remote regions, since here the prospects of profits for private providers are low. In order to remedy these problems, and in particular the possible abuse of private monopolies, regulation is necessary to promote competition, with which the domestic authorities in many countries are overtaxed.

Another major precondition for independent development of the poor countries is *justice of opportunity* in worldwide economic competition. Since many poor countries have far worse starting conditions, with poor technological infrastructure, economic problems and institutional shortcomings, a time-limited "positive discrimination", in other words preferential treatment in individual WTO regulations, is ethically required. All forms of preferential and differentiated treatment, which are in principle provided for and applied within the WTO, are only justified if they do indeed bring benefits for the poor. This is only partly true for the measures so far taken by WTO in this respect.

## **5. Prospects for reform and political demands – Taking action**

World economy and world trade are not means in themselves, but should always be

judged as to what contribution they make to overcome poverty and underdevelopment (cf. Centesimus Annus 34). If one measures the current structures of world trade by these standards, the results are not satisfactory. This applies in particular to the goal of improving the trade prospects of the least-developed countries which was laid down in the WTO Preamble and is also reflected in the eighth Millennium Development Goal, which is focused on establishing a global partnership for development. There is a particularly large gap between aspiration and reality here. Therefore it is urgently necessary to implement the long-promised development-friendly WTO reforms. Otherwise the international community of states will be unable to reach the goal of poverty reduction. It is particularly questionable that countries which are politically and economically strong increasingly prefer bilateral and regional trade agreements because they believe that these better serve their interests than agreements reached in the framework of the WTO.

This is a risk also involved in the negotiations on “Regional Economic Partnership Agreements” which are under way between the EU and its 78 African, Caribbean and Pacific partner states (ACP countries) in order to harmonize the ACP Agreements with the WTO agreements. The declared aim of these Regional Economic Partnership Agreements is to reduce trade barriers and to promote trade on a reciprocal basis. However, they must more effectively accommodate the unequal starting conditions of weaker partners. For this reason, the ACP countries must not be pressurized to open their markets too quickly nor should the partners negotiate topics (such as investment protection) which were removed from the negotiation agenda in the WTO under pressure from the developing nations. This is inconsistent with not only the principle of reliable agreements, but also with the spirit of partnership.

This and many more examples show that poor countries in particular depend on a reliable multilateral system of rules since it offers them better prospects to defend their interests than bilateral and regional agreements. Equally, institutions and tools are needed in order to make it possible to effectively limit the negative impacts of world market integration, particularly on the poor. Since a fair and reliable world trade order is ultimately in the interest of all concerned, all members should recognise that it would be worthwhile to refine the WTO, and should show greater willingness to

enter into cooperation in the ongoing negotiations. This applies to the industrialised nations in particular, but also to influential threshold countries, which must take on more responsibility for a fair world trade order.

In our opinion, the following reforms are indispensable for a WTO which is more closely orientated towards development:

- The poor countries require more scope to be exempt from individual WTO obligations under certain conditions. The relevant rules regulating the preferential treatment of the poor countries need to be reviewed, refined and actually aligned to benefit the poor. The industrialised countries on their part need to cut back their “privileges” and particularly reduce the continuing distortions of worldwide agricultural trade.
- Weaker countries must be appropriately involved in deliberation and decision-making processes within the WTO. To this end they must be given advice aid. Necessary are procedural reforms in order to give the WTO Secretariat greater competence to work more independently of the direct influence of the powerful countries.
- World trade must increasingly focus on social and ecological needs. This does not mean, however, that WTO must define its own standards. Instead, the WTO members should understand internationally-binding goals such as human rights, the core labour standards of the International Labour Organisation, the Rio sustainable development convention or the United Nations’ Millennium Development Goals as standards by which their own policies are to be measured. This particularly applies to the expansion of intellectual property rights and the trade in services. The developing nations must no longer be pressurized to tighten up their protection standards for seeds and to open their sensitive service markets, especially when services of general interest are concerned.

Such development-orientated reforms of the WTO are urgently necessary but not at all sufficient to enable individual countries to fight against poverty. In addition, further international economic reforms are needed, above all comprehensive initiatives to address the debt problems of many developing nations. Progress has been made in this respect, but the still high indebtedness considerably restricts their budgetary

room to implement poverty reduction programmes. Moreover, these countries have limited scope of action in economic terms. For this reason, a deferment of debt servicing is not sufficient. Rather, their indebtedness must be reduced to a level that makes the poor countries' own efforts worthwhile and enables them to contribute to their development. The encyclical *Populorum Progressio* referred to this problem long before the international debt crisis began in 1982 and made some specific suggestions (PP 54) in this respect. If these had been observed, the debts of the developing countries would probably not have grown from around 50 billion dollars in 1967 to just under 2,500 billion dollars in 2000.

These references to the mistakes of the past are not intended to cherish a feeling of confirmation. They should rather encourage us to make use of the valuable insights and to take advantage of our time. For, it makes sense for all of us to face the fact that we are all part of the human family. It is one of the strong temptations of our time to believe that fundamental problems of justice can be ignored, because they supposedly affect the "others". We must resist this temptation and take over our responsibility. Or, to put it in the words of Isaiah (1:16-17): "Wash yourselves clean! Put away your misdeeds from before my eyes; cease doing evil; learn to do good. Make justice your aim: redress the wronged...!"