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# perspectives

Only poverty has been truly globalized in our age. The overpraised neoliberalism and the omnipotent market is a mistaken vision and it is the root cause of some of the most serious problems that afflict us.

Patricio Aylwin,  
Winner – Fulbright Prize  
for International Understanding

- By the end of the 1990s – the first decade of post cold-war globalization
- \* the income gap between the richest and poorest countries had risen to 74 to 1, up from 60 to 1 in 1990 and 30 to 1 in 1960;
  - \* the richest fifth of the global population enjoyed 86 percent of the world's gross domestic product – the poorest fifth, just 1 percent;
  - \* the wealthiest countries, with 19 percent of the world's population, accounted for 71 percent of global trade;
  - \* transnational corporations accounted for more than half of the world's largest economies; and
  - \* the assets of the world's top three billionaires were more than the combined gross national products of all the least developed countries.

## FREE TRADE: A COSTLY ILLUSION

by Mary Turgi, CSC

Undoubtedly, the past decade has been one of growing concentration of income, wealth, and resources among individuals, corporations, and

countries. It has also been a time of growing insecurity for most people, even those in developed nations.

Behind this burgeoning inequality and insecurity lie structural changes in the global economy brought about by pursuit of a particular model of international trade involving rampant market expansion and free-flowing capital – what is commonly called “free trade.”

### Panacea or Plunder

Global trade may well be the most critical and controversial social justice issue for the new millennium. While governments of developed countries, corporations, and institutions like the World Bank and IMF tout free trade as the path to universal prosperity, hundreds of thousands of people from Seattle to Quebec to Doha have denounced the current model of trade as harmful to the poor, anti-democratic, destructive of human security, and ecologically disastrous. What exactly is “free trade” and why is it so vigorously resisted by such disparate groups: social justice activists, civil society (NGOs) in the global South and North, organized labor, environmentalists, and governments of many developing countries?

Today's free trade model is grounded in an economic philosophy/practice known as *neoliberalism*. The tenets undergirding neoliberalism

continued on page 12 >>>

**PERSPECTIVES IN THIS ISSUE:** Fixing the Scales: A Theological Reflection (p. 2) El Salvador: Monitoring Curbs Labor Abuses (p. 4) \* Indian Farmers – Free Market Casualties (p. 6) \* Kashipur Tribals Resist Displacement (p. 7) \* The Globalization of Resistance (p. 8) \* The WTO in Doha: Development or Disaster? (p. 10) \* Free Trade's “Alphabet Soup” (p. 10) \* What can we do? (p. 14) \* Resources (p. 14)

A globalized economy has to be analyzed in the light of principles of social justice, respecting the preferential option for the poor . . . and the requirements of the international common good.

John Paul II  
Ecclesia in America

## FIXING THE SCALES: A THEOLOGICAL REFLECTION ON FREE MARKETS

by Claude Grou, CSC

The globalized free market economy is a relatively recent phenomenon, but one rooted in an ancient impulse: the urge to accumulate riches by gaining control of resources essential for life. From earliest times, political leaders have monopolized critical resources and used this leverage to manipulate and enslave entire peoples. We find a story of such domination even in Genesis. Joseph used the Pharaoh's stockpiled food supplies to take first the people's money, then their livestock and lands, and finally their freedom, until Pharaoh controlled all the assets and the people were enslaved.

Though Joseph is a heroic figure in the Hebrew Scriptures, it is quite clear from later texts that the God of Israel has no tolerance for those who amass riches and use them to exploit and dominate others. The prophets, in particular, repeatedly denounce those who twist the laws for their own benefit and enrich themselves at the expense of others.

Hear this, you who trample upon the needy and destroy the poor of the land!

"When will the new moon be over, you ask, so we may sell our grain, and the Sabbath that we may display our wheat? We will . . . fix our scales for cheating! We will buy the lowly man for silver and

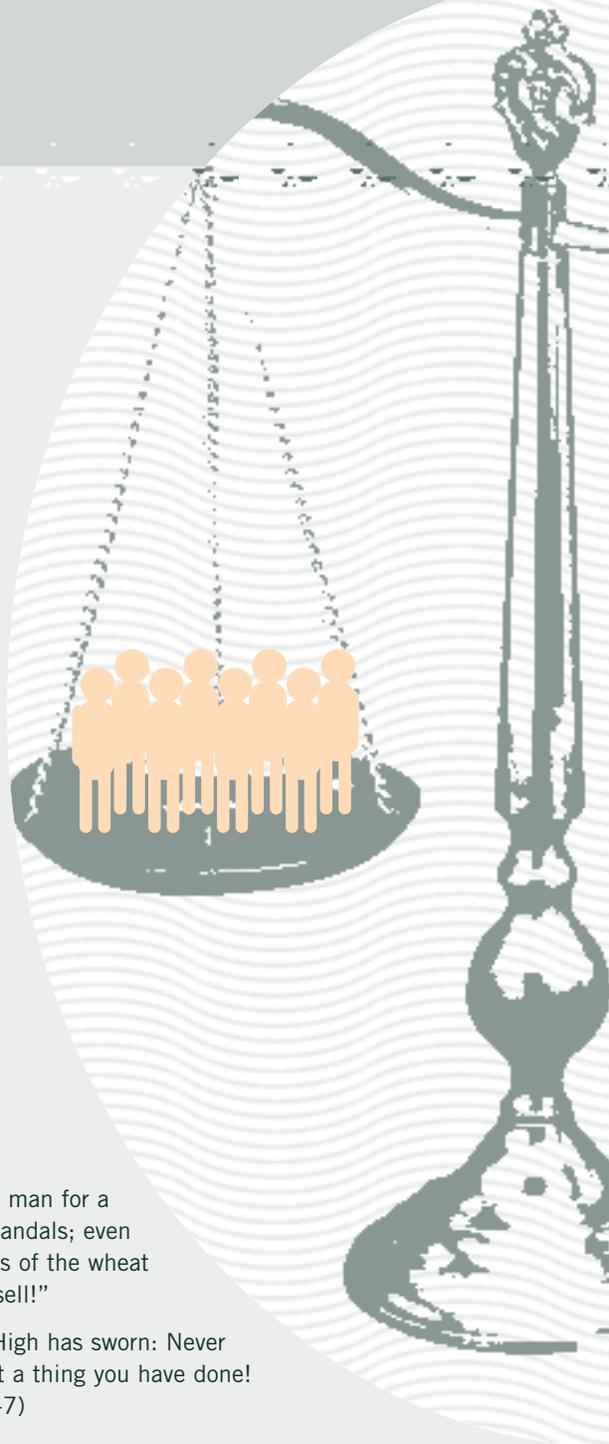
the poor man for a pair of sandals; even the dregs of the wheat we will sell!"

The Most High has sworn: Never will I forget a thing you have done! (Amos 8:4-7)

The God of the Hebrews is, in fact, a God of Jubilee justice, a God who insists on *right* relations among peoples: equitable distribution of land and wealth, forgiveness of debts, and release from bondage.

Jesus echoes and extends these Jewish teachings: exposing the foibles of amassing material wealth, calling his followers to radical trust, and challenging the rich to give all they have to the poor and become disciples. He urges graciousness to the poor, the crippled, the blind, and the lame and relegates the rich, unresponsive Dives to hell. (cf., Luke, chapters 12-18)

It is out of this tradition that the Church questions and contests the free market economy. A system which, by its own admission, is based on maximizing profits without regard for conse-



Two weeks before the 2001 Genoa G-8 Summit, Pope John Paul II challenged Christians to assume responsibility for the global economic system:

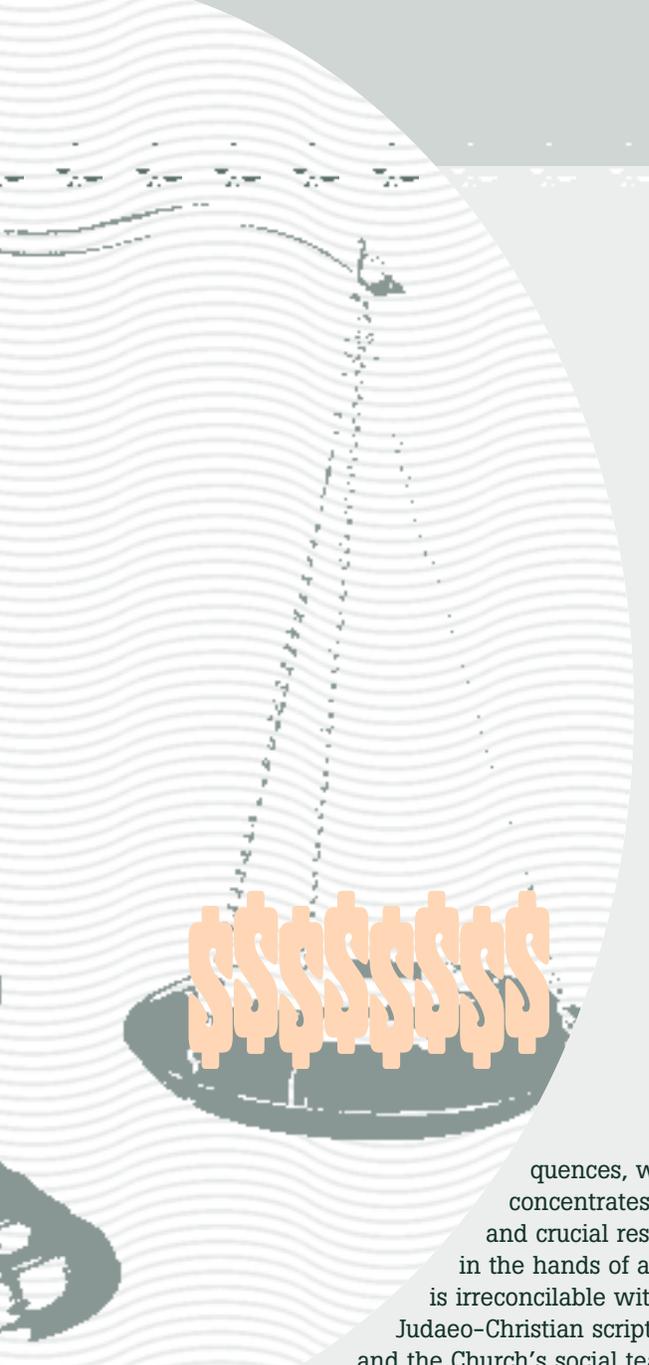
Faith cannot leave Christians indifferent to such issues of world importance. It incites them to challenge those responsible for politics and economics with a purposeful spirit, asking that the present process of globalization be firmly governed by the motive of the common good of citizens across the world, based on the indispensable requirements of justice and solidarity.

It appears to me that we have a choice to make. We can hope for reforms in the free market system to make it more humane and respectful of human solidarity. As the pope recommends, we should certainly challenge heads of state to create more just international agreements. However, the gospel invites us to join those who propose more radical change. As Jesus reminds us,

No one can serve two masters. You will either hate one and love the other, or be attentive to one and despise the other. You cannot serve God and money. (Matthew 6:24)

The free market economy follows its own laws of maximized profits and "economic efficiency" and strengthens the hands of dominant powers. Followers of Jesus must insist on a radically different way – on an economy that works for everyone, especially the poorest, and secures the earth's bounty for present and future generations. ■

**Claude Grou**, a Holy Cross priest, is responsible for the justice and peace ministry of Saint-Joseph's Oratory (Montreal) and is justice and peace coordinator for the Canadian Province of Priests. He is also president of *Regroupement pour la responsabilité sociale des entreprises*, an organization working on socially responsible investments in Montreal. From 1993 until 1997, Claude served as co-president of the *Committee for Justice, Peace, and the Integrity of Creation* of the Union of Superiors General in Rome.



quences, which concentrates wealth and crucial resources in the hands of a few is irreconcilable with the Judaeo-Christian scriptures and the Church's social teaching. The social teachings are grounded in Catholic beliefs about the dignity of the human person, the integrity of creation, and the importance of the common good. Central to those teachings is the assertion that a *just* economic system respects and supports those beliefs. In contrast to free market economics, such a system would require that international trade and investment

- \* give priority to the poor and weak, not the rich and powerful;
- \* promote a just distribution of wealth, resources, and power;
- \* safeguard the earth's natural resources and ecosystems;
- \* elevate the common good above economic efficiency; and
- \* foster *full* human development – social, political, cultural and spiritual, as well as economic.

# The TNC employees – mostly women – spend 15 hours per day working in the *maquiladoras* under appalling

Over the past two decades, the people of El Salvador have endured war, earthquakes, political unrest, and economic hardship. Through all of this, courage, faith, and unwavering hope have sustained them. Now globalization and the push for “free trade” present yet another challenge: survival as *maquiladora* (sweatshop) laborers.

## EL SALVADOR: MONITORING CURBS LABOR ABUSES

by Linda Kors, CSC

For several years, I travelled to El Salvador with a group of Saint Mary’s College students. With each trip, the effects of free trade policies on the landscape of El Salvador and the lives of the people became increasingly evident. Each year, new villages of institutional cement-block houses appeared – built by transnational corporations (TNCs) for the factory workers. The houses are small, unfurnished, and ugly – a form of visual pollution.

The TNC employees – mostly women – spend up to 15 hours per day working in the *maquiladoras* under appalling conditions (see sidebar). These conditions are legal because the *maquiladoras* are located in so-called “free trade zones.” Free trade zones are special areas within countries where trade and manufacturing are less regulated. Workers enjoy few, if any, labor protections and environmental regulations are nonexistent because their enforcement would increase production costs.

While in El Salvador, we met with Norma Morlina, a coordinator at the *Organización Internacional*

*del Trabajo* (OIT), the Salvadoran arm of the International Labor Organization. This group conducts independent monitoring of working conditions in factories, supports fledgling labor movements, and campaigns for labor rights. Their ultimate goal is to enable unions and workers to take responsibility for improving their working conditions without reprisals from corporate management.

OIT monitoring began in El Salvador with a conflict at a factory producing clothes for The Gap. Workers who tried to address labor conditions and supported labor organizing were unjustly fired. The monitoring group intervened and due to their mediation, 79 workers were reinstated.

El Salvador’s monitoring system has now become a model for *maquiladora* workers in other countries. Norma believes this is because their system intentionally involves all stakeholders – workers and management – and because it has been used so successfully.

Monitoring has led to some improvements for *maquiladora* workers, but many problems remain. If workers challenge practices of TNCs operating in free trade zones, corporations may simply ignore the challenge without penalty. Or, they may move to an even less regulated location and displace the workers.

Fortunately, sweatshop workers in El Salvador and throughout the global South



Women’s Cooperative from Ciudad Ela Cuidadela Ungo Guillermo Manuelo with members of the 2000 Pilgrimage from Saint Mary’s College

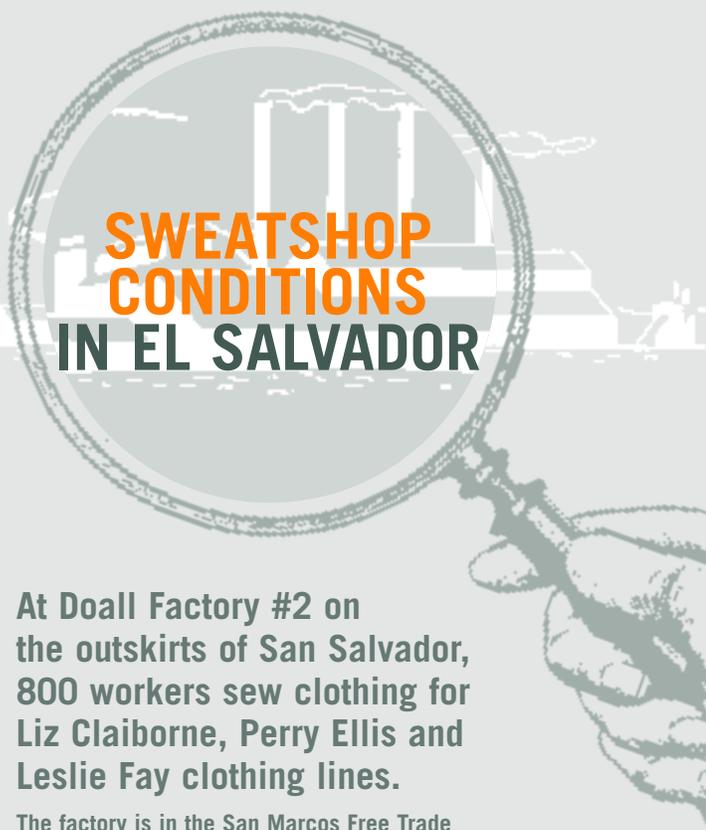
pend up to 15 hours  
conditions.



have found new allies in their search for economic justice: responsible investors and northern consumers. Many religious investors regularly file shareholder resolutions with TNCs that operate sweatshops, demanding just salaries and better working conditions. Northern consumers too are now asking questions about how and where their clothing is produced; many refuse to purchase clothing produced under unjust conditions. In some cases, corporations are reacting to this assault on their "bottom line" by submitting to monitoring.

Producing goods for export is important for El Salvador's economy and the well-being of its people. However, Salvadorans can only realize progress economically if they can produce and export goods through *fair trade* practices: living-wage salaries for workers, adequate labor and environmental protections, and working conditions that are both safe and healthy. ■

**Linda Kors** (above left), a Sister of the Holy Cross, is director of Volunteer Service and a member of the Campus Ministry Team at Saint Mary's College, Notre Dame, Ind. As part of her ministry, Linda organizes national and international fall and spring break experiential learning opportunities for students.



## SWEATSHOP CONDITIONS IN EL SALVADOR

**At Doall Factory #2 on the outskirts of San Salvador, 800 workers sew clothing for Liz Claiborne, Perry Ellis and Leslie Fay clothing lines.**

The factory is in the San Marcos Free Trade Zone, which is surrounded by a high chain link fence with rolls of razor wire. The metal gates are kept locked and patrolled by heavily armed security guards.

**At Doall, the workers – over 80 percent women – are**

- \* physically searched when entering the factory
- \* limited to one timed bathroom break per shift
- \* subjected to mandatory pregnancy tests for which they must pay; if found pregnant, they are fired
- \* required to meet excessive production goals (60 to 80 pieces per hour)
- \* paid below-subsistence wages (\$0.60 U.S. per hour)
- \* required to work up to 15 hours, seven days per week during peak seasons;
- \* subjected to mandatory overtime. If workers refuse to work overtime once, they lose 1½ day's pay; if they refuse a second time, they are fired
- \* denied health care and sick leave

National Labor Committee report, *Fired for Crying to the Gringos*, 1999



# Some have even ended their own lives rather than face the heavy burden of debt.

“Open your markets and reap a rich harvest!” say Indian champions of free trade. And indeed, when India’s trade agreements were first signed and markets opened, there *was* a surge in farmers’ profits. Small-, medium- and large-scale farmers alike were all buoyed by the sudden spurt in prices for their products.

These early experiences prompted many farmers to borrow, even at high interest rates, to expand their farming activities. Small-scale farmers in particular, enthusiastic about their initial success, borrowed heavily to enlarge their farms, build new houses and educate their children – confident they could repay the loans with their burgeoning incomes.

## INDIAN FARMERS – FREE MARKET CASUALTIES

by Joseph Gaspar, CSC

However, once import restrictions were lifted as stipulated by WTO agreements, the market was flooded with farm products imported from developed countries and Southeast Asian countries. The prices of all farm products plummeted, leaving farmers with heavy losses in spite of good harvests. The chart to the right indicates how prices have fallen over the past several years.

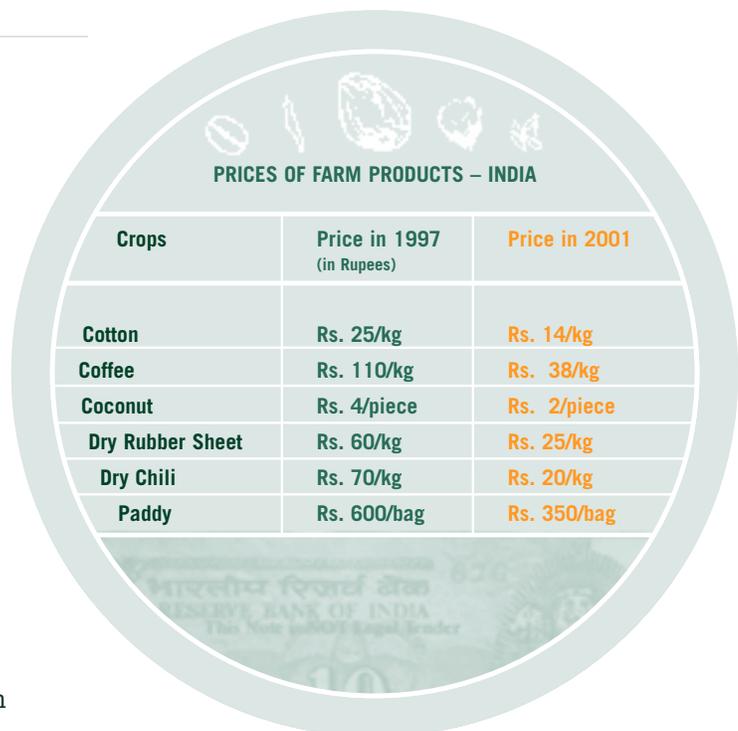
Adding insult to injury, because of trade rules like the WTO’s Agreement on Agriculture and pressure from international financial institutions like the World Bank, IMF, and the Asian Development Bank, the government has even withdrawn subsidies they previously gave to provide

fertilizers, electricity for farming, and price supports for some products.

What a tragedy! The cost of production is now rising steeply year after year, but prices of farm products keep falling with no sign of reversal. This leaves farmers caught in a “debt trap.” Many have had to sell all they own to survive; others have been forced to default on their loans and had their farms confiscated. Some have even ended their own lives rather than face the heavy burden of debt.

In India, farmers have been among the first to bear the brunt of open markets. Although I was originally very suspicious of critics’ condemnations of free trade, I have now come to agree because I have experienced first-hand the ill effects of the free market economy on our country. ■

**Joseph Gaspar**, a Holy Cross priest in Trichy, South India, works in the Women’s Empowerment Movement helping poor women organize around critical issues and obtain government benefits. Previously, he served as formator at the Juniorate level in Bangalore.



**We will die but not fear; we will never sacrifice our native land.**

People of Kshipur

## **KSHIPUR TRIBALS RESIST DISPLACEMENT**

Adapted from an article by John Desrochers, CSC et al.

The Kshipur area is one of the most underdeveloped tribal-dominated blocks in Southern Orissa, India. The tribal peoples are deeply attached to the land and depend on it for their livelihood. However, the region is also rich in bauxite deposits and thus highly attractive to transnational corporations (TNCs). Ten years ago, three TNCs, including Canada's ALCAN, formed the *Utkal Alumina International Limited (UAIL)* and invaded Kshipur. At the time, representatives told the people they were setting up a medical unit for the eradication of malaria and would need to build roads and ponds. In fact, they began digging ash ponds. When the people questioned them, they discovered the government had handed their land over to the TNCs. A new township was to be developed; the people were to be displaced.

The vast majority of the people did not want to be resettled and began to actively resist. Since 1992, they have organized road blockades, rallies and demonstrations and formed several organizations to fight displacement. Mining advocates have initiated at least 80 bogus court cases to harass and imprison the protesters and steal their lands, but the people have vowed continued resistance.

This story is not at all unique. In the last 50 years, more than 30 million Indian people have been displaced by maldevelopment and only 25 percent minimally resettled. The *Utkal* project will require over 4,375 acres of land for mining operations, plant and town sites, dumping and transport. Three villages will be completely destroyed and over 100 irreparably damaged. Two of the country's most primitive tribes will completely lose their livelihoods.

The environmental impact of the project will also be severe. Hills will be razed, heavy rains

will sweep silt into the local water reservoir, and millions of tons of solid effluents will be stored in tailing ponds. The mine will be "open cast" which provides a quick return on investment, but leaves a gaping pit.

The UAIL project is objectionable on several grounds.

- \* Communities will be displaced from land, forest, and water, violating their right to a secure livelihood.
- \* The TNC land acquisitions violate Indian law.
- \* Tribals have consistently been denied legitimate information and the right to participate in decision-making that affects them.
- \* Police and mining advocates have threatened and tried to intimidate the tribal communities.
- \* Tribal rights to common resources and a clean environment have been ignored.
- \* Rights to social, religious, and cultural practices have been disregarded.

The fundamental issue here is the very concept of development: Should it mean profits for corporations or progress for people in accord with their rights?

The Kshipur people request your support. Please contact the following, expressing your solidarity:

- \* **Governor of Orissa:**  
E-mail: govsec@ori.nic.in  
Fax: 0674-404695 – country code 91
- \* **Chief Minister of Orissa**  
E-mail: cmorissa@ori.nic.in  
Fax: 0674-400100
- \* **ALCAN, Inc.**  
E-mail: Media.Relations@alcan.com  
Fax: 514-848-8115
- \* **Canadian Minister of Foreign Affairs**  
Fax: 01-613-996-3443

**John Desrochers**, a Canadian Holy Cross priest, has worked in India since 1963. He is the founder-director of the Centre for Social Action, Bangalore, and author of several books on social issues. He also conducts a variety of seminars and training sessions. The centre publishes a quarterly journal *Integral Liberation* from which this article was excerpted.



**Who are we? We are the seedkeepers of democracy. We are educators and front-line health workers. We are First Nations people. We are anti-poverty and social justice activists. We are committed environmentalists. We are working people from every corner of the earth. We are old and young and everything in between. We represent the majority of the earth's peoples and we demand to be heard in the corridors of power.**

Maude Barlow, Council of Canadians

## THE GLOBALIZATION OF RESISTANCE

by Richard Renshaw, CSC

Many of us know tales of "company towns" and "Banana Republics" – cities and countries whose economic and political systems were completely dominated by a single business. This was localized "corporate rule." But these days, corporate power is global. Huge transnational corporations (TNCs) control so many economic resources they transcend the power of nation-states. Many contend that corporations now rule not only towns and countries, but the entire world.

In recent years, however, *resistance* to corporate rule has globalized as well. Nongovernmental organizations (NGOs) have spearheaded a popular struggle to limit corporate power and hold democratically elected governments accountable. Precisely because such organizations are not part of political structures corporations have learned to manipulate, they constitute a "free zone" where opposition forces can still be mobilized.

The number of such "civil society groups" has mushroomed everywhere in the past few decades. Moreover, the Internet has enabled citizen groups around the world to link arms – to develop common social analyses, share strategies and coordinate actions. It was just such collaboration and coordination which defeated the MAI (Multilateral Agreement on Investment) in 1998 and has plagued every government or corporate "Summit" in the past several years – whether Seattle, Washington, D.C., Quebec, or Genoa. Young people, in particular, have taken up the banner against corporate rule and free market economics with astounding creativity, energy, and commitment. They embody a new consciousness of democratic ideals and a vocal rejection of the dynamics of corporate dominance.



### Strategies of Resistance

#### Culture jamming

The anti-corporate movement has found innumerable ways to get their message across to the global public. One of the most creative is "culture jamming." Culture jamming campaigns go directly to the consumer, exposing corporations where they are most vulnerable: their treatment of workers, their production and marketing practices, and their manipulation of information. Activities range from creative pranks and subversive performance art to outright property damage.

- ✦ Culture jammers have exposed sport utility vehicles (SUVs) as "gas-guzzling planet-heaters" with bumper stickers that proclaim: "I'm changing the climate! Ask me how!" The stickers direct readers to a web site with information about global warming, overuse of fossil fuels, and the negative impacts of SUVs.

- ✦ To warn consumers about potential health and environmental risks of genetically engineered (GE) foods, culture jammers have pasted warning labels on supermarket foods that contain such materials. The labels direct readers to web sites exposing corporations like Monsanto and Dow that are heavily invested in

GE seed/food production.

- ✦ Jammer Jonah Peretti embarrassed Nike globally by making public the e-mail correspondence in which the company tried to explain why they were unable to grant Peretti's request for personalized *Nike iD* shoes emblazoned with the word *Sweatshop* next to their trademark Swoosh.

Culture jamming exposes myths of corporate advertising, disrupts consumer complacency, and sends counter messages about corporate products. In many cases, its activities have taken a heavy toll both on the corporate image and the all-important "bottom line."

### Socially responsible investing

Another movement that holds corporations accountable is "socially responsible investing" (SRI). One of the most effective strategies of the SRI movement is shareholder advocacy. SRI practitioners file shareholder resolutions to alert other investors to unjust corporate policies and practices. Quite often, just the threat of exposure that a shareholder resolution brings is enough to convince corporate executives to dialogue. Discussions with shareholder advocates frequently result in more responsible corporate behavior.

The SRI movement can point to a number of significant successes. For example, in response to pressures from investors:

- \* Wendy's International agreed to make its restaurants smoke-free, improving health prospects for both customers and employees.
- \* Numerous companies withdrew from Myanmar (Burma) because of its repressive policies and human rights violations.
- \* Several corporations, including Goodyear, Procter & Gamble and Pepsico, stopped using racially offensive advertising; Home Depot prohibited discrimination based on sexual orientation.
- \* New York power companies cancelled contracts with Hydro-Quebec, which then abandoned an environmentally destructive dam project.

### International regulation

There are growing global efforts, largely through the United Nations, to establish international laws controlling financial transactions, to create enforceable environmental regulations, and to make corporations more accountable to both local and national communities. Here again, NGOs, religious organizations and workers' unions are envisioning creative alternatives and mobilizing support around the world.

### Fair trade partnerships

Grassroots citizens' groups are also working to replace free trade with trade that is *fair* – trade



that respects the dignity of workers and assures a just price for goods produced.

One strategy for generating fair trade is creating partnerships between workers and consumers. For example, consumers choose to buy goods through Alternative Trading Organizations to ensure that the clothes they wear and the carpets they walk on were produced under proper conditions. Or they agree to pay more for their morning coffee to help Central American coffee workers feed their families.

The strategies for change are as many and varied as the commitment and creativity of individuals and groups involved. They necessarily include both long-term, visionary efforts to build a sustainable global future and immediate actions addressing the smallest details in local situations. The "globalization from below" is decentralized and diverse, but one thing is clear: corporations and their cronies have been put on notice. The citizens' coalitions opposing free trade's form of globalization do not intend to be foiled. As *Public Citizen's* Lori Wallach put it after the WTO meeting in Seattle, "The allegedly unstoppable force of globalization has just hit the immovable object called grassroots democracy. The world will never be the same!" ■

**Richard Renshaw**, a Holy Cross priest of the English Canadian Province, is the assistant secretary general of the Canadian Religious Conference. In conjunction with this position, he is a member of the Board of *Kairos: Canadian Ecumenical Justice Initiative* and has served as national co-chair of the *Aboriginal Rights Coalition*. Richard also worked in Peru from 1980 to 1991 in various ministries, including pastor, prison chaplain, staff at CEAPAZ (*Centro de Estudios y Acción para la Paz*) and editor of LADOC (*Latin American Documentation*).



“When officials wrapped up the talks, the meeting’s final declaration *Financial Times* called it “almost meaningless.” But officials

**The WTO member governments have again failed to address the deep concerns about the impact of trade rules on the poorest people and the environment.** In Doha, trade continued to be negotiated on the basis of commercially oriented deal making and an ideological commitment to trade liberalization. . . .

Report from the Coalition  
of Civil Society Groups in Doha

## THE WTO IN DOHA: DEVELOPMENT OR DISASTER?

by Ellen Dolores Lynch, CSC

The Fourth Ministerial Meeting of the World Trade Organization (WTO) – the first since the contentious 1999 WTO meeting in Seattle – was held in Doha, Qatar, November 9–14. The remote Persian Gulf country was selected as host to minimize the possibility of protests. The government granted relatively few visas for meeting observers; security was tight, accommodations limited, and protests muted by the September 11 terrorist attacks in the United States.

When officials wrapped up the talks, the meeting’s final declaration was dubbed obtuse and rhetorical by some; even the London *Financial Times* called it “almost meaningless.” But officials heralded the beginning of a new round of negotiations to expand free trade and WTO Director Michael Moore thanked delegates for “saving the WTO” while proclaiming the meeting a success.

Civil society groups in Doha did not agree. Their concluding report called Doha a “tragedy,” – a “development round empty of development.” They criticized the meeting’s inequities and lack of transparency and exposed rich countries’ unethical negotiating practices; e.g., linking developing countries’ aid budgets to positions taken on liberalizing trade.

What was the upshot of the Doha meeting? In fact, no one got everything they wanted. The most powerful trading nations wanted negotiations launched immediately to create new agreements

on investment, government procurement policies, and competition. This objective went unmet; such negotiations *may* be held after the next ministerial meeting in 2003, but only with a “written consensus” from member countries.

Predictably, developing nations fared much worse with their agenda.

- ★ Though WTO members agreed that generic drugs could be produced (in country) to fight public health crises like HIV/AIDS, there was no change in the formal wording of the TRIPs (Trade Related Intellectual Property Rights) agreement to allow developing countries to override patents for the sake of public health. Nor was TRIPs modified to protect developing countries’ rights to natural resources and traditional knowledge related to seeds and medicinal plants.
- ★ Developing nations sought an “Implementation Decision” at Doha that would have immediately changed a number of existing WTO rules and agreements – allowing poor countries more benefits from

## FREE TRADE’S “ALPHABET SOUP”

Talk about trade is riddled with acronyms: GATS, TRIMs, TRIPs, SPS, AoA, . . . Who knows what any of this means? It’s tempting to shrug and say, “Who cares?” But it is crucial to care, because the agreements described by these acronyms threaten the security of people and the planet and undermine democracy. Here is a brief guide to the WTO’s “alphabet soup”:

was dubbed obtuse and rhetorical by some; even the London heralded the beginning of a new round of negotiations...”

trade. The final document acknowledged the need to review implementation issues, but no substantial changes were made.

- \* The language on phasing out agricultural subsidies was watered down due to objections by the European Union. No commitment was made to phase out textile and garment quotas because of strong resistance from the United States. Proposals to promote food security were completely ignored.
- \* The reference in the draft declaration identifying the International Labor Organization (ILO) as the appropriate forum for labor and trade issues was cut from the final document, leaving the WTO free to involve itself where it has neither authority nor expertise.

The Doha ministerial meeting was a victory for the powerful nations, but it may well have been pyrrhic as Walden Bello and Anuradha Mittal note in *The Meaning of Doha*: “The combination of developing country resentments inflamed by the Doha process, a deep global recession brought about by the indiscriminate locking together of

economies by accelerated trade and financial liberalization, and reinvigorated civil society resistance to corporate globalization, cannot but erode the credibility and legitimacy of the institutional pillars of free trade like the WTO.” ■

**Ellen Dolores Lynch** (below right), a Sister of the Holy Cross, is a revered member of the Congregation Justice Committee, a volunteer staff person for the Holy Cross International Justice Office, and an active participant in several Washington, D.C., justice organizations. Before her “retirement,” Ellen worked in social justice ministry at the Coalition for New Foreign Policy and the Quixote Center for a total of 19 years.



**GATS (General Agreement on Trade in Services):** restricts government actions related to services, through legally binding constraints backed by WTO trade sanctions. GATS negotiations are designed to expand takeover of service delivery by transnational corporations (TNCs) in areas such as health care, education, water and energy services, and environmental protection services. GATS undermines governments’ abilities to deliver and regulate critical services.

**TRIMs (Agreement on Trade-Related Investment Measures):** dictates what governments can and cannot do to regulate foreign investment. Many TNCs want to use TRIMs to create “investor-state” rules in the WTO so corporations

can sue foreign governments for any regulatory legislation that causes them to lose profits. Investor-state rules are already a feature of some regional trade agreements like NAFTA.

**TRIPs (Agreement on Trade-Related Aspects of Intellectual Property):** sets enforceable global rules on patents, copyrights, and trademarks, and permits patenting of many seeds, plants, and animal forms pirated from developing countries. Recently, TNCs also invoked TRIPs when trying to prevent developing countries from producing cheaper, generic drugs for HIV/AIDS patients.

**SPS (Agreement on the Application of Sanitary and Phytosanitary Standards):** sets constraints on government policies related to food safety and animal/plant

health. SPS covers a broad spectrum of topics; e.g., pesticides and biological contaminants, food inspection, product labeling, and genetically modified foods. It has been invoked to defeat use of the “precautionary principle” which allows regulatory action when there is risk of harm, even though the extent and nature of the impact is scientifically uncertain.

**AoA (Agreement on Agriculture):** regulates international food trade and restricts domestic agriculture policies, including levels of government support for farmers and the ability to maintain emergency food stock, set food safety rules, and ensure food supply. The AoA has been severely criticized for intensifying resource exploitation, expanding corporate farming, and undermining environmental protections.



From *The Fourth Ministerial Meeting of the World Trade Organization: An Analysis* by Maude Barlow, Council of Canadians



## >>> Free Trade: A Costly Illusion, continued from cover

have functioned as economic dogma since the Reagan-Thatcher era and are often taken for granted:

- ✦ Sustained economic growth is essential to human progress.
- ✦ "Free markets" – markets operating without restraint – are most efficient and lead to optimal allocation of resources.
- ✦ The primary function of governments is to advance commerce and ensure respect for property rights and contracts.
- ✦ Privatization – moving functions and assets from governments to the private sector – improves efficiency.
- ✦ Economic globalization benefits everyone.

From these principles flow economic practices now familiar around the world:

- ✦ *Give the market free rein:* Eliminate all barriers to trade; allow unrestricted movement of capital, goods, and services. Liberate private enterprise from government controls and other "impediments" like unions and laws protecting public health and human rights.
- ✦ *Reduce public spending:* Restrict the role of government by cutting expenditures for services like health care and education and eliminating social "safety-nets."
- ✦ *Deregulate:* Eliminate all regulations that potentially diminish profits, including environmental protections and labor laws.
- ✦ *Privatize:* Sell public enterprises, goods, and services such as schools, hospitals, and utilities to private investors.
- ✦ *Individualize:* Minimize concepts like the "common good" and "social responsibility."

### The High Price of Free Trade

Free trade is *not* free. Even proponents of trade liberalization admit that there are winners and losers and that the losers are frequently the poorest people and countries. A recent World Bank study, for example, conceded that trade liberalization negatively impacts the poorest 40 percent of the world's population, but positively affects higher income groups. The United Nations estimates that poor countries lose roughly \$1.9 billion (U.S.) a day because trade rules favor northern countries. And, since 1980, the world's 48 poorest countries have actually seen their share of global trade nearly halved

to a mere 0.4 percent.

But poor countries and people are not the only losers from trade liberalization. The cost of free trade and economic globalization is high and almost everyone pays.

*Expanding corporate power:* The U.N.'s 1999 *Human Development Report* notes that many global corporations are now wealthier than nation-states. Economically, Mitsubishi is bigger than South Africa, General Motors larger than Saudi Arabia. The combined annual revenue of the largest 200 corporations is greater than that of the 182 nations containing 80 percent of the world's population. Such wealth conveys enormous economic and political power. In fact, concentrating power is a primary objective of economic integration. As David Korten, former faculty member at Harvard University's Graduate School of Business, observes:

The modern corporation is specifically designed to concentrate economic power, and to protect the people who use that power from liability for the consequences of its uses. Free trade agreements . . . are not really trade agreements at all. They are economic integration agreements intended to guarantee the rights of global corporations to move both goods and investments wherever they wish – free from public interference and accountability. Corporate power really lies in this ability to manipulate communities and markets in their own interests.

Transnational corporations (TNCs) have increasing power to manipulate not only communities and markets, but nation-states and global institutions as well. Corporate interests have completely hijacked the World Trade Organization (WTO), the global organization of 144 countries charged with governing world trade. In the talks that established the TRIPs (Trade-Related Intellectual Property Rights) agreement, which expands corporate control of the "knowledge economy," 96 of the 111 members of the U.S. delegation were from the private sector. At the 2001 WTO Ministerial meeting in Qatar, 240 of the accredited "NGOs" were, in fact, representatives of major industries. Such extensive, often invisible, influence virtually guarantees that global trade rules are written to benefit TNCs and their allies and disadvantage everyone else.

*Deepening insecurity:* The 1999 *Human*

*Development Report* also confirms that economic liberalization undermines human security – in rich countries and poor. Key areas affected are employment and income, food, and environmental security.

#### Employment/income insecurity

Economic liberalization negatively affects workers in both developed and developing countries. Consider the effects of the North American Free Trade Agreement (NAFTA).



- ★ In the United States, NAFTA eliminated 766,030 actual and potential jobs between 1994 and 2000. *NAFTA at Seven*, a report by the Economic Policy Institute, also documents that NAFTA contributed to rising income inequality, suppressed real wages, weakened collective bargaining powers and reduced fringe benefits in the United States.
- ★ NAFTA and its predecessor, the Canada-U.S. Free Trade Agreement, also had an adverse

effect on workers in Canada. A little-known government study indicates that between 1989 and 1997, Canada's trade boom resulted in a net destruction of 276,000 jobs. NAFTA also depressed wages: by mid-1999, 52 percent of Canadians were paid less than \$15 an hour.

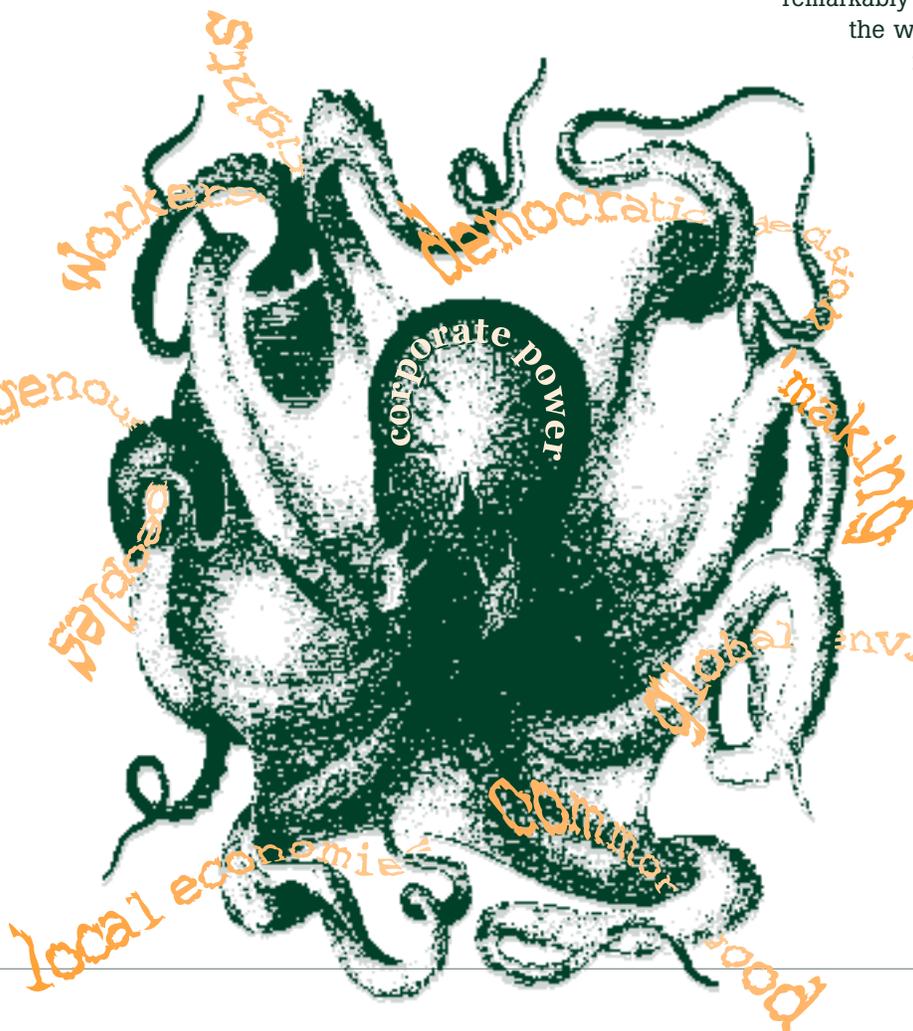
- ★ NAFTA promised Mexico a higher living standard, but since its implementation, the number of Mexicans living in severe poverty has grown by 4 million. Incomes of salaried workers have fallen by 25 percent and those of the self-employed have dropped 40 percent.

#### Food insecurity

Food security is especially critical in developing countries where supplies are often tenuous. Recently, *Trade and Hunger*, a study by John Madeley, assessed the impact of trade liberalization on food security in 39 countries of Africa, Asia, Latin America, and Eastern Europe. The evidence was remarkably consistent. Free trade benefits only the wealthy; most of the poor are made less food-secure.



Economic liberalization policies imposed by the World Bank and IMF and the WTO's Agreement on Agriculture (AoA) require developing countries to make crucial changes in their food and agriculture policies. Countries are forced to open their economies to cheap food imports, give more priority to export crops, and severely limit support for their own farmers. Most small-scale food-producing farmers cannot compete with cheap imports, often "dumped" by developing countries to eliminate their own surpluses. Local farmers have no choice but to leave their land or move into export production. In either case, food self-sufficiency is undermined. And consumers do not always benefit from cheap import-



# WHAT CAN WE DO?

- \* **Learn more about the WTO and effects of existing free trade agreements like NAFTA** using resources listed below.
- \* **Monitor your country's trade negotiations carefully.** Oppose those that strengthen corporate power, and undermine labor rights and environmental protections.
- \* **Support appropriate-scale, local businesses and farms** and help undercut transnational corporations' control of economies.
- \* **Buy "sweatshop-free" and fairly traded products.** The following web sites contain a wealth of information to help:  
*Co-op America* (United States)  
<[www.coopamerica.org](http://www.coopamerica.org)>,  
<[www.sweatshop.org](http://www.sweatshop.org)>, and  
<[www.responsible shopper.org](http://www.responsible shopper.org)>;  
*Maquila Solidarity Network* (Canada)  
<[www.maquilasolidarity.org](http://www.maquilasolidarity.org)>; and  
*Collectif de l'ethique sur l'etiquette* (France)  
<[www.crc-conso.com/etic/](http://www.crc-conso.com/etic/)>.

## RESOURCES ON TRADE AND GLOBALIZATION

### WEB SITES

- \* **The HCLIJO site** <[www.holycrossjustice.org](http://www.holycrossjustice.org)> has numerous resources on trade and globalization as well as links to other trade-related sites.
- \* **The Council of Canadians** <[www.canadians.org](http://www.canadians.org)> has the latest news on NAFTA and the proposed Free Trade Agreement of the Americas (FTAA) from a Canadian perspective. Many of their articles are in both French and English.
- \* **ATTAC** <[www.attac.org](http://www.attac.org)> is an international association originating in France. Its multilingual web site provides excellent analysis of trade/globalization issues from both First and Third World perspectives.

- \* **Public Citizen's Global Trade Watch**  
<[www.citizen.org/trade/](http://www.citizen.org/trade/)> monitors international trade agreements, especially NAFTA.
- \* **Third World Network**  
<[www.twinside.org.sg/](http://www.twinside.org.sg/)> presents a view on trade/globalization issues from the Global South.
- \* **Trade Observatory**  
<[www.tradeobservatory.org](http://www.tradeobservatory.org)> provides the latest news on the World Trade Organization, trade, and globalization.

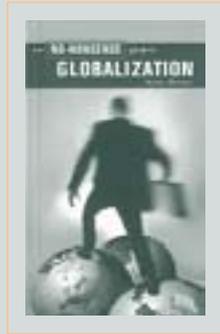
### VIDEOS

- \* ***The New Global Economy: A View from the Bottom Up*** – Produced by Resource Center of the Americas, this video critiques key components of the global economy (transnational corporations, free trade agreements, and structural adjustment programs) from the perspective of those at the bottom of the economic ladder (24 minutes).
- \* ***Bill Moyers Reports: Trading Democracy*** – a TV documentary exposing NAFTA's controversial Chapter 11 which has been labeled an "end run around the (U.S.) Constitution." Moyers details how corporate investors are using this obscure NAFTA provision to challenge the powers of governments to protect their citizens, reverse environmental/health laws, and even override unfavorable jury verdicts. This video reveals the hidden repercussions of NAFTA – a treaty that was touted to promote democracy through free trade, but in fact has given corporations the ability to sue governments in secret tribunals, thus undermining democracy across international borders (58 minutes).
- \* ***Something to Hide*** – In today's global economy, corporations hide their production facilities behind locked factory gates, armed guards, and 15-foot high fences topped with razor wire. What are they trying to hide? This video shows how consumers are confronting corporations' human rights violations around the world (25 minutes).

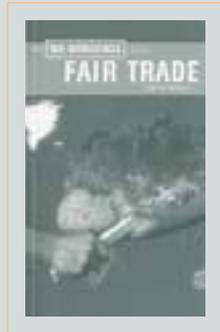
These videos (available in VHS and PAL) may be borrowed free of charge from the Sisters of the Holy Cross Justice Resource Library (e-mail: [kmedley@cscsisters.org](mailto:kmedley@cscsisters.org); phone: 574-284-5303; fax: 574-284-5596).

## BOOKS

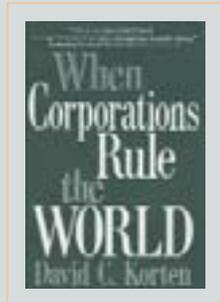
- \* *The No-Nonsense Guide to Globalization*, by Wayne Ellwood, New Internationalist Publications, Toronto, 2001.



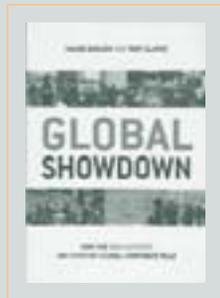
- \* *The No-Nonsense Guide to Fair Trade*, by David Ransom, New Internationalist Publications, Toronto, 2001.



- \* *When Corporations Rule the World*, by David C. Korten, Barrett-Koehler Publishers, San Francisco, 1995, and Kumarian Press, West Hartford, Conn.



- \* *Global Showdown: How the New Activists are Fighting Global Corporate Rule*, by Maude Barlow and Tony Clark, Stoddart Publishing Co. Ltd., Toronto, 2001.



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ed food. Many who need the food most – and might have bartered with a local farmer – do not have money to access imported products.

### Environmental insecurity

The 1999 *Human Development Report* calls the state of the global environment a “silent emergency” threatening *everyone’s* security. Free market economics is devastating the planet – using massive quantities of nonrenewable resources and wiping out ecosystems and habitats at record rates – in the interest of corporate profits. But it is not just a matter of exhausting specific resources; the earth’s very ability to support life is now being compromised. Ironically, the free market economy is self-destructing – chewing up its own support systems and devouring its own endowment. More of the world’s natural capital has been consumed in the past 50 years than in the entire history of humankind.



However, resource consumption is not the only way economic liberalization impacts the environment. Neoliberal policies and free trade agreements also undercut the ability of governments to reverse environmental damage and protect surviving resources.

- \* In 1999, Brazil was forced to cut its environmental protection budget by 19 percent by the IMF. In addition, the recession brought on by IMF policies worsened unemployment, forcing people to clear larger tracts of jungle for subsistence.
- \* In the mid-1990s, the IMF pressured the Philippines to open its mining sector to foreign investment and cut its environmental protection program. The resulting mining operations have caused a rash of social problems and severely infringed on rural communities and their livelihoods. A 1996 spill from the Marcopper tailing dam in Marinduque seriously polluted the river and bay waters – critical resources for local villages.

*Diminished democracy:* Perhaps the highest price paid for free market economics is the erosion of national sovereignty and democratic decision-making. WTO rules and regional free trade agreements are extending corporate power over nation-states and their citizens, undermining their capacity for self-governance.



»»» continued from page 15

- \* The WTO's *Agreement on Sanitary and Phytosanitary Standards* (SPS Agreement) sets constraints on government policies related to food safety and plant/animal health. In the first five years of the WTO's existence, dispute panels ruled against all food safety regulations under review on the grounds that they unnecessarily restrict trade. Examples include the EU's consumer protection ban on artificial hormone-treated beef and Japan's efforts to prevent fruit pests from entering the country.
- \* NAFTA allows corporations to sue signatory governments in secret NAFTA tribunals for government actions that allegedly reduce profits. Canada has been successfully sued twice by U.S. corporations and forced to repeal its bans on PCB exportation and the toxic gasoline additive MMT and pay over \$250 million (U.S.) in damages to the corporations.

### Conclusion

Clearly, globalization and international trade are not inherently bad. As Nobel laureate Amartya Sen has observed, "to be generically against markets would be . . . as odd as being

generically against conversations between people." But acknowledging the reality of globalization does not imply that global markets can be allowed to operate as they currently are. The present concentration of wealth and power is simply unacceptable from the perspectives of social justice and ecological sustainability. Our global economic system must be re-centered – profits and power deposed and replaced by authentic human development, the flourishing of creation, and the common good. ■

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**Speak up** for those who cannot speak for themselves, for the rights of those who are destitute.  
**Speak up** and judge fairly, defend the rights of the poor and the needy.

Proverbs 31:8-9



*perspectives* is a publication of the Holy Cross International Justice Office. Please direct any questions, requests or ideas to: Mary Turgi, CSC / 403 Bertrand Annex—Saint Mary's / Notre Dame, IN 46556-5018, USA / Telephone: (574) 284-5366 / E-mail: [mturgi@igc.org](mailto:mturgi@igc.org) / [www.holycrossjustice.org](http://www.holycrossjustice.org)