



Making Trade Fair

Why is fair trade central to the fight against poverty?

The Millennium Development Goals (MDGs) challenge industrialized countries to partner with poor countries through a comprehensive approach to eradicate extreme poverty including increased poverty-focused development assistance, debt cancellation and fair trade rules. While more aid and further debt cancellation allow poor countries to address the immediate needs of their people (schools, health care, agricultural assistance, etc.), fair trade is a long-term solution that will help people in developing countries lift themselves out of poverty. Fair trade ensures poor countries achieve economic sustainability and self-sufficiency by allowing them to sell products more easily in the global market place.

Is fair trade the same as free trade?

No. Current international trade rules have created an uneven playing field for the rich and poor. Currently, 150 countries belong to the World Trade Organization (WTO), which regulates international trade. While all members of the WTO have one vote, rich nations dominate the WTO system because they can afford to pay for a number of official negotiators to protect their many interests. Of the 38 African countries that participate in the WTO, 15 cannot afford to pay even one staffer to be stationed at the headquarters in Geneva. It is no wonder that today, the poorest 49 countries that make up 10 percent of the world's population account for only 0.4 percent of world trade.

Three key trade reforms are necessary so that poor countries have a fair chance to benefit from globalization, including:

Liberalization Policies: International financial institutions have encouraged liberalization practices that remove domestic protections on poor countries' developing industries (for example, coffee), exposing them to markets with which they cannot compete. Developing countries should be allowed to determine their own country-driven trade policies that account for the diversity and special needs of their local industries, and thus their nations' economic well-being. A "one-size-fits-all" approach to trade and development does not benefit the poorest.

Subsidies: Rich countries subsidize their farmers and agricultural producers at a rate of one billion dollars a day. Subsidies harm developing countries when they encourage the overproduction of commodities (such as cotton), which are then sold on the international market (in the above example in West Africa) for a fraction of their worth, effectively dominating the global market and undermining poor countries' local markets. While developing countries have to diversify exports and undergo other economic reforms to benefit from the global economy, a "level playing field" in the global marketplace will not be achieved without reform of rich country subsidies.

Market Access: Rich countries spend more than \$100 billion a year to protect their domestic industries through tariffs, duties and quotas that prevent poor countries from competing in their markets. It is necessary to end free trade agreements that promote the double standard of poor countries being pressed to open their markets while rich countries protect theirs.

Making trade fair to end poverty - it's the Lutheran thing to do!

- In 1999, the **ELCA Churchwide Assembly** committed to "scrutiny of how specific policies and practices affect people and nations that are the poorest" and accepted the call to "make policies of economic growth, trade, and investment more beneficial to those who are poor."

- In 2003 the **Lutheran World Federation's 10th Assembly** committed to "promote trade and development policies in regard to the WTO which secure access for all to safe water, adequate nutrition, shelter, health care including medication and primary education."

- For more than a decade, **Lutheran World Relief (LWR)** has helped ensure fair prices for commodities produced by small-scale farmers in poor countries through a variety of programs. To learn more about how to support fair trade coffee, teas, cocoa and chocolate through **LWR**, visit www.lwr.org/fairtrade/

ONE Lutheran fact sheet

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What has been done so far to make trade fair?

In the U.S., active engagement of people of faith and other fair trade advocates has resulted in a number of important fair trade victories, including the passage of U.S. initiatives aimed at granting some of the poorest countries in the world the opportunity to benefit in the global marketplace. People of faith in the U.S. have also played a central role in speaking against Free Trade Agreements (FTA) that do not adequately protect labor, human rights or environmental standards. They have also advocated for the adoption of such standards by major corporations in their overseas operations.

African Growth and Opportunity Act (AGOA): In 2000, the U.S. Congress passed legislation aimed to improve market access for African countries that met a strict set of human rights and labor standards. Today, 38 of 48 countries in sub-Saharan Africa qualify for AGOA benefits and the results have been tremendous. By 2003, exports to the U.S. from AGOA countries increased by 55 percent. The U.S. has two other market access preferences for poor countries, one set for Asia and one for the Caribbean Basin, which applies to Haiti.

On the international scene, deadlock has gripped the “Doha” negotiations that would require all rich countries to make reforms to selected subsidy and tariff systems.

The “Doha Round”: The most recent effort of WTO members to make trade rules fair for poor countries was the “Doha” development round of trade talks. The talks began in September, 2001 in Doha, Qatar, with an agenda focused on what reforms were necessary to ensure millions of poor people throughout the world had the opportunity to lift themselves out of poverty through more equitable terms of trade. The talks broke down in July, 2006 mainly due to an impasse on the issue of reforming rich countries' farm subsidies.

What needs to happen next?

The year 2007 holds the potential to be a pivotal year to secure further commitments to make trade rules fair for all countries. First, the U.S. Congress and the Bush Administration should work with the international community to ensure that the "Doha" round of trade negotiations make real progress on fair trade for developing countries. Meanwhile, the reauthorization of the U.S. farm bill offers Congress the opportunity to reform U.S. farm subsidy structures that distort trade. Furthermore, Congress will likely consider future bilateral and multilateral trade agreements, which must protect environmental standards and the labor and human rights of all.

What can I do as a ONE Lutheran?

As a **ONE Lutheran**, you can help ensure world leaders and the U.S. Congress do more to make trade fair. Together, with 2.4 million other Americans committed to **ONE: The Campaign to Make Poverty History**, your voice can help millions of poor people in the world lift themselves out of poverty through trade. Join the ELCA e-advocacy network at www.elca.org/advocacy to stay informed about how you can take action in support of fair trade.

Making Trade Fair: Key to Achieving the Millennium Development Goals

Since 2000, more than 190 countries, including the United States, have adopted the MDGs -- a set of eight inter-related targets toward the elimination of extreme poverty by 2015. Making trade fair will help the poorest countries achieve the goals, which include:

1. Eradicate extreme poverty and hunger;
2. Achieve universal primary education;
3. Promote gender equality and empower women;
4. Reduce child mortality;
5. Improve maternal health;
6. Combat HIV/AIDS, malaria, and other diseases;
7. Ensure environmental sustainability
8. Create a global partnership for development with targets for foreign aid, debt cancellation and fair trade.

For more information on fair trade visit: the U.S. Interfaith Trade Justice Campaign (www.tradejusticeusa.org), MESA (www.ccc-cce.ca/mesa/english/), Oxfam International (www.oxfam.org), Debt AIDS Trade in Africa (DATA) (www.data.org), the ONE Campaign (www.one.org) or the Ecumenical Advocacy Alliance (www.e-alliance.ch/trade.jsp).