

## Free Trade Statement

The 8th Day Center for Justice strongly opposes the current method of corporate controlled Globalization specifically used in trade agreements modeled after the 1994 NAFTA (North American Free Trade Agreement). The following statement first outlines the principles that we believe need to be the basis from which free trade agreements should be guided, followed by a condensed criticism of this model of trade agreements. We conclude this statement with benchmarks, which we see as minimal realistic measures that we will be looking for trade agreements to meet in the near future.

We affirm the following principles as fundamental for any international trade agreement. These principles come out of numerous sources of wisdom including Catholic Social teachings. We affirm these basic principles:

- Human Dignity and Integrity of All Creation
- Preferential Option for the Poor
- Sustainability
- Oversight of civil society
- Transparency and Accountability
- Subsidiary of local communities and governments

We do not agree with the current free trade model for several reasons.

The foundational theories<sup>1</sup> of NAFTA (North American Free Trade Agreement) and other free trade agreements are based upon assumptions that do not take into consideration the complex reality of international trade.<sup>2</sup> The theories fail to acknowledge the reality of free-flowing capital between states or states with varying levels of infrastructure and technology such as Mexico and United States. The assumptions made by these theories apply only in highly hypothetical cases and have not accurately predicted the effects of NAFTA or CAFTA (Central American Free Trade Agreement).

Economists use the total gain to a nation's economy (usually expressed as gross domestic product) as the measure of success, but most of the gains occur only to the wealthiest citizens of the population.<sup>3</sup> While the people who are poor, on all sides of

these agreements suffer greatly, there is no mechanism to advocate for them or to allow them to advocate for themselves. NAFTA style trade agreements further marginalize the fringes of society by promoting unsustainable economies.<sup>4</sup> In the US, NAFTA has caused unemployment or underemployment which contributes to the growing prison populations. In Mexico inequality is growing by the year. The richest 10% of the Mexican population now earns 35.6% of the country's income, while the poorest 10% earn only 1.6% of the income.<sup>5</sup> Of the population of Mexico 40% are below the poverty line.<sup>6</sup> Faced with heavily subsidized food imports Mexican campesino farmers can no longer sustain their livelihood, which has led to several uprisings in southern Mexico, including the Zapatistas.

The workers of all countries involved in free trade suffer. Multinational corporations often use threats of relocation as bargaining chips against organized labor and laws that promote a good standard of living for workers.<sup>7</sup> The NAFTA trade adjustment assistance (NAFTA-TAA) program, which offered aid to U.S. workers whose jobs were relocated specifically due to NAFTA, calculated 525,094 jobs relocated from the United States between 1994-2002.<sup>8</sup> This free flow of capital, in the forms of the corporate entity and foreign investment, puts downward pressure on labor wages, health standards, environmental protections, and worker rights. As an example in Mexico while manufacturing exports did increase the average wage of Mexican manufacturing workers declined from \$5 per day in 1994 to \$4 per day in 2004.<sup>9</sup> This is what is commonly known as the 'race to the bottom', a rush to the areas with the lowest standards in order to make the largest profits.

Beyond the basic economic flaws with trade agreements like NAFTA we are also concerned with the Investor to State Dispute mechanisms that are part of these trade agreements. Chapter 11 of NAFTA gave rise to secret tribunals that allow investors and corporations to sue nations for laws that regulate corporate action.<sup>10</sup> This anti-democratic mechanism furthers the race to the bottom by allowing corporations to financially pressure a participating nation to alter its environmental and social laws using the argument that these regulations hinder the corporations' ability to maximize any potential profit. Many of these cases are directed against local or state laws with the process excluding local authorities such as the attorney general of the State (these

tribunals are held between corporations/investors and the federal government). This mechanism fully undermines local democratic authority.

Therefore, 8th Day Center for Justice calls for the following minimal benchmarks in present and upcoming U.S. International Trade Agreements (ITA):

1. Human Rights – ITA shall pledge to uphold the rights of the Universal Declaration of Human Rights, Geneva Conventions and all other applicable human rights standards. In the American continents ITA shall also pledge to uphold the American convention on Human Rights with development of a tribunal to resolve disputes with regard to the violation of these rights.
2. Labor Standards (Principles and Mechanisms) – ITA shall comply with the 1998 ILO (International Labor Organization) Declaration on Fundamental Principles and Rights at Work, with inclusion of eight core ILO conventions.<sup>11</sup> ITA shall also delegate to the ILO monitoring authority in addition to other independent monitoring that will occur in consultation with civil society regarding these principles.<sup>12</sup>
3. Community Consultative Process – ITA shall engage in a transparent negotiated process that involves the local citizens and civil society organization. This would include providing for full access to information and intergovernmental negotiations as well as opportunities for local governmental and NGO input. Furthermore ITA shall affirm local indigenous and marginalized communities to full autonomy over local decisions.
4. Investors - State Dispute Mechanism – ITA shall not have these types of mechanisms that allow corporations to directly demand that a state alter its own laws based on “potential profits losses.”
5. Equal Market Access Strategies – ITA shall take into consideration the market inequalities that exist between developed and undeveloped nations in so doing plan a constructive strategy for using tariffs and standards that would lead to the development of the industrial, technological and infrastructure of undeveloped nations. This should be reflected by the developed nations ending subsidies and lowering or eliminating tariffs from the start of the trade agreement.

6. Protection of those who are Marginalized - Under no circumstances should the trade agreement facilitate or encourage the displacement of, or deprivation of property or rights of those who are poor and/or marginalized.
7. Economic Sustainability - Economic instability and market fluctuations are unavoidable side effects of free trade agreements. Therefore, we insist that participating governments prepare for the instability by strengthening social programs such as welfare, job training, healthcare, unemployment protection, and universal education. This may be paid for in part by tariffs on the flow of capital across national borders.
8. Environmental Protections - The local community, in coalition with the international environmentalist community, should have the first and final say over all aspects of the economy that have the potential to negatively impact the biodiversity and sustainability of the environment. This oversight would extend to infrastructure projects such as dams and airports. Additional taxes on foreign corporations and investment capital should be levied to support environmental law enforcement and initiatives.