



DICASTERY FOR PROMOTING  
INTEGRAL HUMAN DEVELOPMENT

*Press launch of the 2018 Trade and Development Report (UNCTAD)  
Power, Platforms and the Free Trade Delusion  
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Dicastery for the Promotion of Integral Human Development

Excellences,

Dear Press-agents,

Dear Brothers and Sisters,

It is a pleasure for me to welcome you this morning in the Sala Marconi of Radio Vaticana for the presentation of the 2018 *Trade and Development Report* (TDR) of UNCTAD. It is now almost a tradition - first of the former Pontifical Council for Justice and Peace and now of the Dicastery for Promoting Integral Human Development (DPIHD -) to host the global launch of this report, which this year is entitled “*Power, Platforms and the Free Trade Delusion*”.

The Report starts by highlighting the profound impact that new technologies have in people’s daily life and in the economic and political arena of hyper-globalisation, and calls for a reform of the rules, norms and policies related to trade, so as to favour actual human development. This resonates to what Pope Francis says in his encyclical *Laudato Si’* (LS), where he explains that “humanity has entered a new era in which our technical progress has brought us to a crossroads” (LS- 102). On the one hand, “global economic

well-being appears to have increased... with an unprecedented magnitude and speed” (*Oeconomicae et pecuniariae quaestiones* -OPQ- 5). On the other hand, “inequalities proliferate between various countries and within them. Moreover, the number of people who live in conditions of extreme poverty continues to be enormous” (OPQ 5). Furthermore, this kind of progress has harmed our Sister-Mother Earth, who “is burned and laid waste”, and “groans in travail -Rm 8:22” (LS 2).

Responses to this serious socio-ecological crisis, in which we found widespread inequality and environmental degradation, need to come from different actors, as the 2018 *Trade and Development Report* also suggested. Responses need to come from us, individuals, who must find paths for changing habits of overconsumption and waste, and for changing habits of manipulation and greed when trading (cf LS 5, 23, 219). Responses to the crisis also need to come from the education sector, which must not only raise awareness of the socio-ecological disruption, but also help to generate social virtues and the capacity of critical thinking in order to tackle current individualism (cf LS 162), the prevailing consumerism and throwaway culture (cf LS 20ss) and the myth of unlimited progress (cf LS 210-215).

Yet responses to the current socio-ecological crisis cannot be limited to individuals and the education sector. The world needs, above all, a strong response from the business community, which must drop the “business as usual” and “short-term” mentality (cf. LS 32, 128), and from concrete political-economic policies -both local and international- which must propose lines of action seeking the common good and integral and sustainable human development (LS 18). New policies and international rules are vital because, as both Pope Benedict XVI and Pope Francis have argued, we need to

eliminate “the structural causes of the dysfunctions of the world economy and correcting models of growth which have proved incapable of ensuring respect for [the poor and] the environment” (LS 6).

In this regard, we welcome the analysis of the 2018 *Trade and Development Report*, which explains why, after the 2008 financial crisis, international trade in our *hyper-globalised* world has not resulted in a win-win game. According to the Report, trade is dominated by big firms, increasingly so since the mid-1990s. Today, new entrants and smaller exporters have a low survival rate, with three out of four firms dropping out of the export business after two years, and with firms in developing countries faring worse than in developed countries. Free trade therefore often ends up discouraging local entrepreneurship: the small and fragile enterprises in the developing countries are unable to sustain the fierce competition of the big multinational companies. Hence, the fact that economic power is being concentrated in a smaller number of big international firms has an impact on the ability of developing countries to benefit from their participation in the international trading system and to gain from new digital technologies.<sup>1</sup>

Even the growing importance of free trade agreements for some developing countries, according to the Report, tend *to squeeze the national policy space* and to become increasingly a mechanism for promoting rent-seeking by large exporting firms. This does not favour integral human development, since it increases the gap of global inequality.

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<sup>1</sup> Press release, UNCTAD: Trade wars are symptom of deeper economic malaise, 2018.

The solution proposed by the Report to this scenario is neither that of a retreat to nostalgic nationalism nor doubling down on support for free trade, but rather that of *revitalizing* multilateralism, of promoting a *managed multilateral trading system*.<sup>2</sup> This matches with what Pope Benedict XVI explained back in 2009, just after the global financial crisis: that international actual cooperation must be reflected in the way international organisations operate, this means, not by responding to vested interests of a few, but by transparently supporting the interests of nations and the development of their people and the caring of their natural environment (cf *Caritas in Veritate*, 24, 47, 49 cc).

In this sense, the creation of the World Trade Organization (WTO) in 1995 was a major innovation, intended to implement a legal framework of international trade law in which there would be no room for unfair, unilateral commercial actions. This organisation, however, has not kept pace with the rapidly evolving economy. Hence, we welcome projects for modernising the World Trade Organisation in order to enable it to better face the challenges of the present hyper-globalised economy and to work more efficiently at the benefit of all countries, especially the most vulnerable ones. Indeed, it is particularly poorer countries and their peoples who are in need of an equitable rule-based system in which they can participate in global trade on the basis of the highest achievable equality of opportunity. Free trade can work

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<sup>2</sup> Press release, UNCTAD: Trade wars are symptom of deeper economic malaise, 2018.

*only when both parties are fairly equal economically*, thus stimulating progress and rewarding effort.<sup>3</sup>

The Report suggests that the world trade regime should support the development agenda of countries - especially the developing countries, and not the dominium of big firms or financial institutions. Indeed, trade policies cannot foment even more harm to poor countries, but to contribute to their sustainable economic development. International trade policies should guarantee sufficient policy space to ensure that countries can manage their progress in line with the Sustainable Development Goals (SDGs).

Trade rules, notwithstanding their technical appearance, have a political and social nature, with deep and lasting consequences in the life of humanity. Trade rules are not fair by themselves, but can only be called such when they conform to the demands of social justice and inasmuch as they allow developed and developing countries to benefit in the same way from the participation in the global trading system.<sup>4</sup> A fair multilateral trade system, therefore, will have been truly accomplished only when poor countries are enabled to be fully and fairly *included* into the international trade system. But for this, we need international trade policies that foster an authentic human development and assist poor countries in their capacity building. We also need, as the Report explains, that the new digital technologies contribute to reduce -and not to increase- the gap between rich and poor countries; that they contribute to democratise -and not to concentrate- the power of the financial

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<sup>3</sup> Note of the Holy See on the preparation for the fifth WTO Ministerial Conference “*Ethical Guidelines for International Trade*”, 2003.

<sup>4</sup> Ibid.

markets; and that new technologies contribute to foster new energies with which countries and people can grow without damaging the environment.

I hope that this new 2018 Report on *Power, Platforms and the Free Trade Delusion*, can help to bring a fairer economic world trade system, one that can trigger a new economy more attentive to ethical principles, one where financial activities are at the service of the real economy, one where trade promotes actual wellbeing of people and their environment.