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COMMERCIAL LOGIC AND THE DOHA ROUND: WILL POPE'S ENCYCLICAL LETTER IMPACT GLOBAL TRADE AND DEVELOPMENT PLANNING

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Relying on the Church’s principles of social doctrine, the Encyclical Letter released June 29, 2009, entitled Caritas in Veritate [translated “love in truth”], relies on the notion of charity and truth to underscore the needed policy focus to create new forms of engagement both at the level of international “private” economics and at the level of private-public partnerships that support international commerce and development. Pope Benedict XVI places emphasis on the broad concepts of authentic human development within a new context of a fully humane global economy where forms of future commercial enterprise can be based on reciprocity and where commercial logic and the current notions of economic utility are not opposed to new forms of economic democracy. For Benedict XVI, the economic spheres of the global market are not ethically neutral. He speaks directly about the erosion of social capital and the need for cross fertilization of global business in measurable ways that promote new orders of economic productivity in tandem with human rights. He outlines not only to duties of economic subjects in the global economy but also to the key principles required in order to create new spaces within economic market activity where people can act on principles other than pure profits and that these principles can be met without sacrificing the production of economic value in the process. This Letter calls for a new world authority and a new economic development model for the global market that is based on the synthesis of capital production, financial markets, social ethics and human dignity.
New forms of commercial colonialism are analyzed within the context of the Encyclical Letter as Benedict XVI addresses universal rights that presuppose both a duty to respect human dignity and to actively promote a moral fiber based on concepts of social ethics. The Letter addresses issues of trade and global markets in terms of “super-development” including the impact of what wealthy nations are exporting in the global marketplace that actually damage efforts to address authentic human development. He proposes options for solidarity and subsidiarity within the context of an interdisciplinary exchange. It is within the context of this interdisciplinary exchange that the demands of justice can impact a wide range of disparate economic choices related to global trade.

Citing institutional reasons for continuing underdevelopment in the global marketplace, Benedict XVI does not hesitate to identify new institutional challenges that must be met if nation States are to meet their duties to protect the general welfare of all citizens and to manage risks associated with new global market forms of marginalization.

The article reviews these global marketplace and world trade concepts from the text of the Encyclical Letter. As preparation for the Doha Round continues among States in all stages of development, many continue to wrestle with the fall of neo-liberalism as a marketplace philosophy and global economic focus that has dominated for the last quarter century. The trade debate at Doha will need to address more succinctly the links that historically have bound the global markets to a certain ideology, scope of economic principles, justice, and moral ethics. This will be required if progress at the World Trade Organization can be linked to global civil society so that capitalism’s principles of democracy, competition, market utility and economic efficiency can reclaim its credibility and integrity at all levels of the global trade and tariff negotiations. Reflections
on the scope and function of global financial markets as well as the ‘mixed’ economic benefits of technological expansion are outlined in detail by Benedict XVI. The dominant notion that economic expansion, trade and human rights are not linked is clearly rejected by this Encyclical Letter. Benedict XVI now formally joins the ideals and visions of other global leaders who bring issues of humanity, economic fairness and commercial logic to the next round of negotiations on world trade.

**The Need for Humanistic Synthesis in Global Markets**

The primary focus of the encyclical letter provides instruction on two outcomes which are presented forthrightly and repeatedly throughout the text. These two specific outcomes are creating justice and redefining the common good. For Benedict XVI, justice incorporates the recognition for the legitimacy of individual rights but only in the context of a broad scope of justice since community cannot simply be built on notions of rights and duties. The common good in this context reflects the shaping of a society by complex interrelated institutions that give rise to a new challenging political path for charity. But as Benedict notes, as the world has become “progressively and pervasively globalized”, [8] there is a resulting interdependence between people from all global communities. This global shift calls leaders, business people and individual citizens of the world to intentionally design more humane mechanisms designed to share goods and resources essential for the support of integral or authentic human development. [9] In addition, Benedict XVI concludes there is a need for further investigation by States of the outcomes of private interests in the marketplace [42], and new forms of colonialism that prevent sustainable economic development [33]. It will be the nation State that calls for new models of commercial enterprise based on reciprocity[38].
More specifically, the Pope suggests that global progress focused solely on economic and technological advances is insufficient unless it is fully integrated into a new humanistic synthesis that seeks to design more humane solutions for the four major problems he identifies as evident in the global marketplace today: global interrelations and the damaging effects of the real economy, badly managed and highly speculative financial dealings in the marketplace, large scale migrations of peoples which are not given sufficient attention by States or commercial enterprise; and unregulated exploitation in the global marketplace of the earth’s resources.[21]

In addressing these four problems areas and framing this new humanistic synthesis, Benedict XVI notes that the content of the letter is not designed to interfere with States but rather to move the global public debate to a more stable ground where development is not based merely on technological progress and the relationships of global market efficiency and utility. He directs the discussion to issues about creating a praxis based on a fidelity to truth, freedom and human dignity where proposed interventions move beyond oversimplification of what he references as “super-development” where a wasteful and consumerist model is consistently promoted alongside situations of “dehumanizing deprivation” [22] He develops an extensive argument against profit purely for personal interest suggesting that the “perniciousness” of the current global economy does not consistently embrace the notions of “equivalence and good” [34][7] The bottom line in this Letter suggests that global trade cannot be hostage to a partisan ideology [66].

To construct this new humanistic synthesis, Benedict XVI suggests that patterns of irresponsibility evidenced by two key factors will need to be addressed. These two
areas include: [a] the corruption and illegality in the global economic system by transnational corporations and local producers who fail to respect human dignity and [b] chains of donors and recipients who divert international aid from its proper allocation. In addition, the Pope suggests that the excessive zeal evidences by the excessive protection of intellectual property rights especially in health care reinforce models of development that undermine the process of development itself.[22]

There is a need for management of globalization by a new world authority so that principles of solidarity and subsidiarity function in reciprocity and not in conflict. [56][60][67]. Benedict XVI suggests that not all of life cannot be ordered by the mechanisms of globalization and trade [59][53]. There will always be issues of culture and principles of universal moral law that undergird the global marketplace. For example, the Pope draws the conclusion that a new form of fiscal subsidiarity is needed in the marketplace so that finances are intentionally directed to flow into and support the nation State. This support at the State level can lead to welfare solidarity and create a situation where social capital and human capital are linked and more closely balanced with global economic capital.[53][60]

In this proposed humanist model for global trade and development, Nation States will be required to reclaim the “public authority” aspects of their sovereignty which have been limited by the current context of international trade and finance because financial capital and the means of production [immaterial and material resources] has actually impeded the political power of the States. Rather than be part of the errors and malfunction in the global marketplace, the nation State will need to develop new forms of power relationships in order to promote and protect civil society where citizen rights
are deeply imbedded. The central role of the State needs to shift to unite economic activity and political activity. In confirming the State’s duty to protect, it must be the State that determines the economic priorities for its geographic region and govern its own market performance by a variety of different instruments and institutional arrangements. In the end, it is the nation State that has the duty to protect human and social capital as well as redirect the relentless move toward global interconnectedness in the marketplace. These demands require developing a new social ethic and meeting new institutional challenges that can create a new order for economic productivity and create new forms of economic democracy. While these State functions require the full development of and commitment to a new model of humanist synthesis, this proposed model is also imbued with a strong dose of social ethics and individual social responsibility suggesting that economic progress cannot be the only measuring stick for successful global market development.

The Transcendent Elements of Global Economics, Trade and Wealth

This instructions of this Letter clearly reject the “vocation to progress” which the Pope defines as the current dimension of global development where people “do more, know more, and have more in order to be more” [16]. For Benedict XVI, this is the wrong approach since life is a vocation where each human being needs to be supported to achieve the full meaning. Without this transcendent perspective in global development and global marketplace transactions, human beings are reduced to subservience and become the means of development rather than the ends of development. [17] So for the Pope, the instruments of responsible freedom include the important roles of economic structures and institutions as well as the role of agency and individual’s acting on the
principles of agency because situations of underdevelopment are not the result of historical necessity but rather the result of human irresponsibility. [17]

For Benedict XVI, the measuring of success should focus on completeness measured by duties of solidarity and stability of civic coexistence rather than merely on a global material order. This Letter calls for the creation of a “conscience of charity,” one that uses heart intelligence to blend economic and social processes in new ways to build solidarity. The vision proposed by Benedict XVI builds on the prior work of Pope Paul VI in *Populorum Progressio* and calls for a three point model for engagement: [a] from an economic perspective which calls for a active participation in the international economic system, [b] from a social perspective that calls for the evolution of society based on education and solidarity; and [c] from a political perspective that calls for the consolidation of democratic governance in support of peace and freedom. [21] Benedict XVI builds upon this prior Encyclical from 1967 by noting that the challenges of the 21st century would include reviewing and redirecting the capacity of a global technological development in the marketplace because its resources and rewards to produce profit which often result in alienation at the State level are not incompatible with the effective capacity to do good. [69][70][76]

If profit is the exclusive goal in the global marketplace, then Benedict XVI predicts a deterioration not only in the global common good but the destruction of wealth itself since its justification is not just in how wealth is produced but also in how different forms of wealth are used as a resource for good in shaping the destiny of human kind.

Furthermore, the instructions suggest that there are pernicious effects of the global economy which must also be considered in this tripod approach to defining the
meaning of the global development. Deeper reflection on the meaning of the economy suggests that the economic sphere is not ethically neutral as some might suggest.[34] If cultures are reduced to the technological dimensions and short term profits associated with global trade and a nation’s exclusive focus on an international competitiveness program, then the long term enrichment of economic development based on wealth distribution will actually hinder authentic human development.[32] There needs to be a far sighted revision of the current models of global economics, trade, and development in order to move toward a more meaningful convergence between economic science and moral imperatives. For Benedict XVI, human costs always include economic costs and economic dysfunction always includes human costs [32]

The progressive erosion of social capital caused by the current models of exclusively promoting economic capital in global markets results in wasteful human resources where groups of citizens adapt passively to automatic mechanisms rather than in building links to the creative potential of more collaborative action in the socio-economic areas of knowledge. This persistent attack on social capital which includes the loss of networked relationships based on trust and foundations of civil coexistence is often framed as “structural insecurity” and “anti-productive attitudes” in the realm of current global markets and economic jargon often suggesting a very reductive approach to creating wealth for development.[32] Benedict XVI suggests it is time to develop a deeper meaning of the global economy and its goals noting that new “economic logic” may be required in order to address new forms of colonialism and high tariffs that preclude effective global marketplace entry by developing countries.[33] One new form of “economic logic” suggests that the global economy can no longer be shielded from its
moral character. Rather, the global marketplace as an economic institution is not just subject to the use of contracts for regulating relationships for the goods and services exchanged but also, the global market transactions must subject to the rules of commutative justice.

**Bridging Economic Capital in the Global Marketplace with Commutative Justice**

The Encyclical Letter recounts a long history of references to the notion mutual trust in economic institutions and distributive justice in the marketplace because the marketplace links the giving and receiving components of the economic relationships that operate within the marketplace. The marketplace offers an encounter between people who are “economic subjects” and who make contracts to regulate how they exchange goods and services of “equivalent value” so that their needs and desires are met.[35] The principles of equivalence which define the exchange that takes place in the global marketplace cannot be divorced from the needs for social cohesion and mutual trust.

The current commercial logic of many global economic institutions which claim neutrality cannot not solve all the problems in the global marketplace by simply suggesting that economics can be detached from political action including the pursuit of justice through redistribution. Economics is not opposed to society. Global economics is a multilayered phenomenon and each layer requires some form of reciprocity.[38] Without imbedding the concepts of solidarity and subsidiarity, the global marketplace cannot fulfill its proper economic function.

The current state of the global marketplace where the strong subdue the weak does not exist in a pure vacuum. Rather the global marketplace is a part of human
activity as a whole and requires structure and governance in an ethical manner.[36] Benedict XVI suggest principles of social ethics such as transparency, honestly and responsibility coupled with commercial relationships governed by the logic of gift and the notions of gratuitousness are in order for developing this new humanistic synthesis. For Benedict XVI, the ultimate goal than becomes one of creating a space in the global economy where “economic subjects” are free to act on principles other than pure profit and where production of economic value in the process need not be routinely sacrificed.[37]

These new market principles of commercial logic require that every phase of economic cycles from locating resources, finances, production and consumption to developing economic enterprises imbed the moral implications of economic life. The balance needs to move in the direction of market, State and civil society where the economy of gratuitousness and community can build new forms of economic democracy and the new market model no longer supports the notion that one group makes progress at the expense of another.[39] The logic of the exchange is lost when the market logic and the State logic come together in a way that profit oriented enterprise dominates exclusively at the expense of public enterprise development.

New hybrids of commercial behavior needs to emerge so that the economy can be “civilized” and economic initiatives are structured in ways that aim towards higher goals beyond giving in order to acquire, eg, the mere logic of an exchange of equivalents for profit as an end in itself.[38]. Much is lost when the logic of the market and the logic of the State agree to continue to exercise a monopoly over its respective areas of influence Without new forms for a “civilized economy”, the nation States lose its sense of
responsibility for others, forgets about the notions of reciprocity needed to promote solidarity, and denies its duty to protect the flourishing of civil society in all spheres of political, economic, civil, social and cultural rights.[39].

Grave deviation and failures of international economics also requires the development of new market mechanisms from which to view business enterprise. The transnational corporations [TNC] and its needs for continued growth and exclusive accountability only to its investors results in the business enterprise that is continuously searching for more capital. Noting that stable leadership in business enterprise is rare the Pope suggest that the long term perspectives of the corporation does not always embrace a leadership model that senses responsibility for the long term life of the enterprise.

Investment always has a moral as well as an economic significance. [40] Benedict XVI goes on to address the trends in the outsourcing of production means where a corporate sense of responsibility to stakeholders such as producers, workers, suppliers, consumers, natural resources even broader civil society is impaired and often diminished with the primary focus on enterprise investors.

International capital markets offer tremendous freedom of action with little or no responsibility.[40] These deviations that Benedict XVI speaks about also apply to suppliers of various parts of production who need to give serious attention to the damage to their home country when capital is transferred abroad purely for personal advantage.[40] A new class of enterprise managers answer only to shareholders which may consist of anonymous funds and these investors who in turn determine the manager’s remuneration have forgotten that investment always has a moral implications.
The Letter recounts in detail the modern technological thinking sees investment as merely a technical act not a human or ethical one and as a result, how capital is generated and how harm is done to individuals often is not part of the equation. Financial speculations such as yielding to short terms temptation of high yields simply for the sake of “taking advantage” at the expense of sustainability or the export of financial investments and skills that then can no longer benefit the population of the source country tends to reinforce the hegemony of a binary economic model which Benedict XVI suggests is in need to redefinition. Other global market issues related to migration, tourism, labor unions and the dignity of work are all briefly related to global markets changes that are needed very soon in order to balance private enterprise development an public enterprise development.[54][61][62][65]

The idea that the State has grown accustomed to allowing private business exclusive reign over the capitalist model indicates that many have forgotten the fact that business activity has human significance.[41] Benedict XVI stresses repeatedly in this Letter that it is the role of the State which needs to be enhanced so that transparency, economic democracy, and world wide diffusion of forms of prosperity can be based on the globalization of humanity in relational terms of sharing and promoting the common good.[42]


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