**Network BULLETIN**

**Global Justice Overcoming Poverty**

- ‘Inequality: Taking it seriously and tackling it seriously
- Getting rid of the Investor-State Dispute Settlement system ‘weaponised’ by corporations
- Europe’s new deals with vaccine producers. The future: self-interest or equity?

# INEQUALITY
# TAKING IT SERIOUSLY AND TACKLING IT SERIOUSLY

Recently, more than 320 economists from around the world signed a letter to the United Nations secretary general, António Guterres, and the World Bank president, Ajay Banga. The letter expressed concern about the explosive rise of inequality, which has recently grown more rapidly than at any time since the Second World War. So acute has this process been that, as extreme wealth has increased to incredible levels, absolute poverty has also increased. Furthermore, inequality in income of *per capita* between countries, which has been coming down, has again started to increase.

This unprecedented increase in inequality has many adverse, even destructive, consequences. As we note in our letter, it corrodes our politics, destroys trust, hamstrings our collective economic prosperity and weakens multilateralism. It also hinders attempts to prevent climate breakdown and address the impacts of climate change. Indeed, none of the 17 UN Sustainable Development Goals (SDGs), adopted in 2015 for realization in 2030, is likely to be achieved without a strong focus on reducing inequality.

This is where the UN and the World Bank come in. Reducing inequality is by itself one of the SDGs (10), which are all under mid-term assessment this year. There has been backsliding on most in the recent past but SDG 10 has been particularly badly neglected.

## Inadequate Metrics

To make things worse the metrics used to track progress on inequality are most inadequate. The World Bank is charged with monitoring this goal.

The bank does not rely on the widely recognised measures of inequality, such as the Gini coefficient or the Palma ratio. Instead, it applies a notion of ‘shared prosperity’, expressed as the need to ‘progressively achieve and sustain income growth of the bottom 40% of the population at a rate higher than the national average’. This is a bizarre idea of inequality: it leaves the rich out of the equation! And it provides very misleading estimates of the extent of inequality or progress in reducing it.

Work by Development Finance Inter-national shows that, according to the bank’s indicator, of the 79 countries for which survey data were available for the period just before the pandemic, 42 (53 %) showed progress, 9 (11%) no change and 28 (35%) a deteriorating performance. The bank’s own Gini estimates, show that, among 78 countries, over the same period, the coefficient fell in 34, remained unchanged in 31 and rose in 13.

The World Bank relies on consumption surveys, which tend to underestimate top incomes, because richer households are less likely to respond accurately, if at all, to such surveys. It, therefore, makes sense to incorporate other information, eg, from mandatory tax returns.

**Plausible Indicators**

This is what the *World Inequality Database (WID)* requires. Its data covers a much wider range of 172 countries, and it discloses much more severe inequality. According to the WID, over the same period 2015-19, only 26 % of countries showed improving Gini coefficients, 37 % stagnated and 36 % worsened. So, three-quarters of countries showed no progress or even backsliding in terms of inequality.

Using the Palma ratio, which captures the difference between rich and poor, the results are even worse. According to the WID data for this period, only12 % of countries showed improvement, 35% stagnated and the majority, 53% worsened. And it is well known that inequality increased during and after the pandemic.

This is the lived experience of people across most of the world. Amid increasing divergence between rich and poor, talking of 'shared prosperity' is likely only to excite cynicism. Our letter, therefore, asks the UN and the World Bank to shift to the much more plausible and widely used indicators to track progress on SDG 10.

It is also critical to reduce wealth inequalities, which have increased even more than income disparities. The latest *World Inequality Report* revealed that the richest 10 % of people in the world own 76% of all wealth, while the poorest half have virtually none. Indeed, many are in debt, with 'negative wealth'.

Furthermore, while the stated goal of SDG 10 is to 'reduce inequality in and among countries' no indicator is used to track between-country inequality. Yet it is widely accepted that global economic processes since the pandemic, and now the war in Ukraine, have led to sharp increases in inequalities between countries. Tracking these is an essential first step to working to reduce them. It is difficult if not impossible to do something about a problem if we have not measured it properly. More and more people across the world recognise this and are demanding change. It is now up to governments and the multilateral structures and processes to respond to this demand.

*Source: 'Taking inequality seriously – and tackling it seriously' by Jayati Ghosh, 24 July 2023, a joint publications by Social Europe and IPS-Journal (International Politics and Society). Very slightly condensed by Mary Boyd.*

## GETTING RID OF THE INVESTOR-STATE DISPUTE SETTLEMENT (ISDS) SYSTEM 'WEAPONISED' BY CORPORATIONS

*'The broken ISDS system has time and time again worked in favour of big business interests while infringing the rights and sovereignty of our trading partners and their people.'* USA Senator E Warren

Senator Elizabeth Warren (District of Massachusetts) and Representative Lloyd Doggett (D-Texas) led nearly three dozen members of Congress in demanding an end to the Investor-State Dispute Settlement system, a key feature of corporate-managed trade agreements signed, and often initiated, by the United States.

'Large corporations have weaponised, and continue to weaponise, this faulty and undemocratic ISDS regime to benefit their own interests at the expense of workers, consumers, and small businesses globally,' says Warren and Doggett's letter to Trade Representative Katherine Tai and Secretary of State Anthony Blinken. This letter praised President Joe Biden's 2020 campaign pledge to exclude ISDS from future trade deals, eg, the Americas Partnership for Economic Prosperity and the Indo-Pacific Economic Framework,

which the White House has been negotiating. It then went on to ask Tai and Blinken to 'investigate any and all options at your disposal to eliminate ISDS liability from existing trade and investment agreements.

ISDS is a provision in several so-called 'free' trade agreements, which gives to foreign investors (though not to local investors) the right to sue a government if it enacts a law or makes a regulation designed to protect workers, consumers or the ecosystem, which these investors can claim will reduce their income. These claims are heard and decided in trade tribunals that can, and do, impose on governments heavy penalties of millions of dollars. Just the threat of such a lawsuit is enough to prevent governments from implementing progressive policies, 'placing ISDS at the heart of what critics have called neoliberal globalisation's "race to the bottom"'.

The ISDS measures that corporations 'successfully lobbied' to include in past trade deals grant them 'special rights and privileges that ordinary citizens do not receive', the letter points out. 'Under ISDS, disputes are handled, not through the judicial system, but by industry-friendly arbitration tribunals that can require taxpayers to pay out massive sums to big corporations, with no opportunity to appeal. Unlike the courts, tribunals have no set procedures or precedents. Standards of evidence are nonexistent, and mistruths or exaggerations go unpunished,' the letter continues, citing journalist S. Lazare. 'These provisions tilt the playing field even further in favour of large corporations… undermining the sovereignty of the United States and other governments.'

**ISDS case against Honduras**

Honduras Próspera, a company based in Delaware USA, upset because Honduras' new, democratically elected government overturned a law that allowed corporations to establish self-regulated private cities inside Honduras, recently launched an $11 billion ISDS case against the impoverished Central America nation – roughly two-thirds of the country's annual budget', the letter stated. The corporation launched the ISDS claim under the Dominican Republic-Central American Free Trade Agreement (CAFTA-DR).

Honduran President, Xiomara Castro, secured a major victory for democracy last year when the National Congress of Honduras repealed the country's law*, Zonas de Empleo y Desarrollo Economico law* (ZEDE or *Economic Development and Employment Zones*).

Many countries have legislated 'economic zones' within their borders that are politically and fiscally part of the nation yet controlled by separate economic regulations with the purpose of 'attracting direct foreign investment, accelerating industrialisation and creating jobs'. The Honduras legislation, however, enabled the creation of far more radical private governance zones, which had 'functional and administrative autonomy' from the national government.

In these zones investors could create their own governance systems and regulations and establish separate courts. They have used the law to create jurisdictions where companies could propose their own regulations and where most Hondurans could not enter without authorisation.

Prospera's ZEDE is largely located on the Honduran Island of Roatan where Prospera investors have created a governing council in which 44% of members are appointed by the private company and 22% are elected by landowners, whose number of votes is proportional to the size of their property.

This anti-democratic policy approved under the leadership of previous officials, including the former President, was highly controversial. Honduran labour unions, small farmers, Indigenous organisations and even the nation's largest business groups expressed vehement opposition.

The letter notes that Governments throughout Latin America have paid billions of dollars in compensation to foreign companies at their taxpayers' expense, for putting in place sound public policy to protect the environment and the health and well-being of their communities.

Governments – and therefore taxpayers – throughout the region have been ordered by ISDS tribunals to pay close to $28 billion to corporations, with far more in pending ISDS claims.

*Source: 'Warren Leads Call to End Dispute System "Weaponised" by Corporations Amid Honduras Case' by Kenny Stancil, 3 May 2023. Condensed and edited by Mary Boyd.*

## EUROPE'S NEW DEALS WITH VACCINE PRODUCERS
## The future: self-interest or equity?

Reuters has reported that the European Commission has contracts with several European vaccine producers, such as Pfizer, to preserve capacity to provide the European Union (EU) up to 35 million vaccines per year, stockpiling if necessary, in case of a future global health emergency. The announcement has met with a backlash from the *People's Vaccine Alliance,* advocating for equitable access to medicines, who claim these contracts threaten to repeat the vaccine inequity experienced during COVID-19. As of June 2023, still only 35% of people in low income countries have received a COVID vaccination, compared to 73% in high income countries. The World Health Organisation (WHO) dubbed this inequity 'vaccine apartheid', which led to large-scale preventable deaths in the Global South.

The announcement of Europe's vaccine contracts comes as the WTO is discussing a Global Pandemic Agreement, with the aim of avoiding a repeat of the 'catastrophic failure' of the distribution of vaccines during the COVID pandemic. Now there are concerns that inward-looking measures to protect supply lines, such as the EU's, will undermine initiative to ensure equitable access to medicines.

*Source: 'Trade Justice Bulletin, 'July 2023, Australian Free Trade and Investment Network (AFTINET). Submitted by Alison Healey.*

**Contributions to the Bulletin and responses to its content are welcomed.**
**Deadline: 14th of each publication month. Publication office in Sydney.**

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Design: Thanks to Marian Kelly (Sydney) for the gift of her talent and time.