

## **Reducing Inequalities Between Countries: Mechanisms, Indicators, & Accountability**

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Good afternoon. I'm the President of Initiative for Equality (IfE) – a global network of researchers and advocates working towards greater social, economic & political inequalities. We work through local partners in over 90 countries. We've been closely involved in the development and inclusion of Goal 10. I've been asked to talk about strategies for reducing inequalities between countries. I address my remarks primarily to the non-OECD countries.

High economic inequalities between countries<sup>2</sup> is not just a consequence of historical events; it's the outcome of ongoing choices and systemic problems. The focus to date has been on economic growth to overcome these inequalities. But this is not likely to work, because more powerful businesses and nations will continue to find ways to divert the benefits to their own interests. To reduce inequalities in wealth between countries, it's going to be necessary to *change the terms of the economic and political relationships* that cause these problems. Today I'll outline a number of strategies that can be used to change these problematic relationships.

### **I. Indicators for monitoring inequalities between countries**

There are no quantitative targets regarding this aspect of Goal 10 (inequalities between countries), but at least two indicators have been proposed:

- “By 2030 reduce inequalities between nations to less than a 10-fold difference between the richest and poorest 10% of nations as measured by per capita income, and by carbon output.”<sup>3</sup>
- “Maximize well-being within environmental constraints using both quantitative and qualitative measures of well-being, rather than GDP per capita.”<sup>3</sup>

### **II. Approaches to reducing inequalities between countries**

The approaches that can be used to reduce these inequalities fall into three main categories:

#### **A. Regulation of Trade and Businesses**

- 1) We need to alter the terms of the **trade agreements** that benefit the richer countries and potentially violate human rights (Target 10.6, 10.a):
  - these terms include tariffs that protect businesses within the richer nations, and disadvantage the poorer nations
  - also include privately arbitrated settlements (under terms of trade agreements) that remove national social protections, environmental protections, etc., that nations

need for their own development and stability – I refer you to Alfred de Zayas’ statement to the Human Rights Council made in Geneva last week.<sup>4</sup>

- 2) We need to develop and enforce strong international regulations on **business interests** so they cannot engage in activities that harm poorer nations and violate human rights:
  - richer nations generally already have their own protective regulations
  - poorer nations are at a disadvantage when adopting regulations because companies can threaten to pull out and go elsewhere – thus there is a “race to the bottom”
- 3) We need to eliminate the unhealthy relationship between **foreign direct investment** and those who benefit:
  - investment often goes only to very narrow business interests
  - it needs to be used instead to build infrastructure, capacity, and development
- 4) In particular, we need to address **extractive economies** (based on minerals, cash crops, timber) such that the benefits remain within the country to the maximum extent possible. This can be done through:
  - vertical integration (e.g. processing plants) so that more profits accrue to country
  - levying fees on depletion of non-renewables
  - ensuring that key individuals are not paid off for arrangements that benefit outside interests but don’t help the country
  - ensuring that profits are captured to benefit the entire nation through building infrastructure, capacity, and development
- 5) At the same time, we need to halt and reverse the **loss of sovereignty** that goes along with these disadvantageous trade agreements and business negotiations.

## **B. Addressing Financial Arrangements – Loans, Debts, Expenditures, and Taxation**

- 1) We need to improve the regulation of global financial markets and institutions (this is specified in Target 10.5, but no details are provided).
- 2) We need to change the types of requirements that are imposed as conditions for **loans** from multilateral institutions (Target 10.6):
  - terms often require dismantling social safety nets or environmental protections, or reducing taxes
- 3) We need **debt relief** through restructuring and debt forgiveness
  - the interest on sovereign debts can impoverish nations with smaller economies
- 4) We need to ensure **appropriate and democratic government spending** within countries, that is directed at human well-being and strong, stable, and equitable economies. This can be done through:

- participatory budgeting
- maintaining a strong social safety net
- transparency & accountability to the citizens of the country

5) We need to adopt and enforce strong, **progressive taxation** measures within countries

- economic inequalities within a country have been shown to maintain poverty, reduce economic growth, and cause economic instability<sup>5</sup>
- progressive taxes will help to direct wealth within the country toward the needed infrastructure and development that will produce a strong and stable economy

6) We will need international agreements to prevent **illicit financial flows** that end up offshore and untaxed:

- this is a massive problem – the amount of illicit flows each year exceeds \$1 trillion USD per year, and is higher than all ODA and FDI combined<sup>6</sup>
- this cannot be solved by one nation alone – it is inherently an international problem

### C. Ensure Equitable International Contributions to Solve Global Problems

- 1) need equitable solutions to poverty through greater contributions by rich and middle income nations (in the form of **Official Development Assistance (ODA)**, and other multilateral programs that share wealth in order to address urgent needs) (Target 10.b)
  - many people have called for a financial transactions tax (so-called Robin Hood Tax or Tobin Tax) to be dedicated to this type of aid
- 2) need equitable solutions to **climate change**. This can be done through:
  - significant carbon emissions reductions by richer countries
  - alternate low-carbon pathways for development by other countries
  - The costs of addressing climate change should be borne by the countries that have historically benefited from high carbon emissions.
- 3) need better global mechanisms for **prevention and resolution of conflict**
  - conflicts destroy economies, physical infrastructure, and human well-being
  - conflicts are often precipitated by outside forces, in an effort to access resources and markets
  - UN Security Council is dominated by a small handful of countries that make decisions in their own interests
  - need good, strong multilateral mechanisms to prevent and resolve conflicts
- 4) need to achieve equitable solutions to the **refugee and migrant crisis** (Target 10.7, 10.c)
  - right now, 86% of all refugees are hosted by developing countries<sup>7</sup>
  - need an equitable global resettlement plan
  - need full funding for refugee programs, paid for based on capacity (not proximity)

### III. Political strategies

Making these changes is not a technocratic process – it's a political process that hinges on power relations. What are some of the political strategies that could support these changes at the international level? I'm proposing three strategies for the non-OECD countries:

- 1) **Refuse to participate in non-beneficial economic arrangements** that do not provide long-term benefits to the country's infrastructure, capacity, human development, and resource base.
- 2) **Develop their own trade, financial, and political agreements** that benefit their own development (e.g. the new BRICS development bank).
- 3) **Form alliances with other like-minded countries** to overturn harmful regulatory frameworks and other structural inequalities within multilateral institutions and agreements.

### IV. Accountability

We were asked in this session to address the “accountability framework at the international and national level.” How do we achieve accountability toward Goal 10? “Accountability” means that the officials and agencies who are responsible for protecting the public interest by meeting the goals and targets must answer to the public. Thus, accountability is enforced by the public.

*Initiative for Equality* and others are developing a **citizens' Participatory Monitoring & Accountability network** that will be implemented by local partners in each country. This is a massive effort. We will need the active support of governments to ensure this monitoring & accountability approach is effective. We will need support in...

- providing access to information
- allowing platforms for citizen feedback
- listening to concerns that are raised by citizens
- and addressing these concerns.

Your support for this accountability process would be greatly appreciated. In return, our members and partners can support governments as they work to create more equitable international agreements. Thank you very much.

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<sup>2</sup> Milanovic 2012. Global Income Inequality By the Numbers. Lead Economist, World Bank Research Department.

<sup>3</sup> ICSU, ISSC 2015. Review of targets for the Sustainable Development Goals: the science perspective.

<sup>4</sup> de Zayas 2015. Independent Expert on the promotion of a democratic and equitable international order, Human Rights Council, 30th Session, Geneva, 16.09.2015

<sup>5</sup> Rogers & Balázs 2015. The View from Deprivation: Poverty, Inequality, and the Distribution of Wealth. In: Pogge et al, Poverty & the Millennium Development Goals. Zed Books.

<sup>6</sup> Cardamone 2015. Remarks at 24 Sept. 2015 Side Event on Goal 10 SDGs Reducing Inequality: Desirable But Is It Feasible? Global Financial Integrity.

<sup>7</sup> UNHCR 2015. Global trends: Forced displacement in 2014.