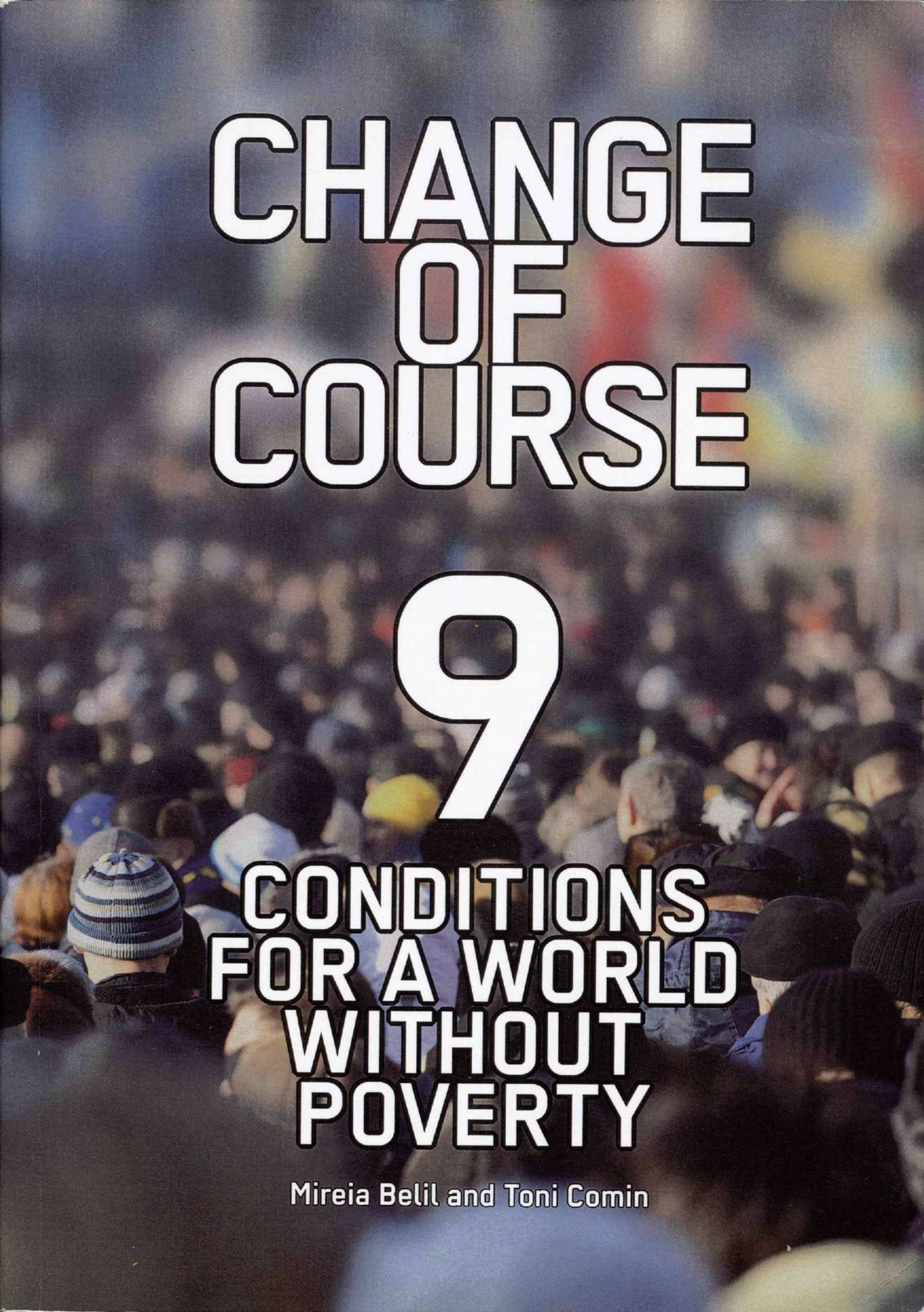

CHANGE OF COURSE

9 CONDITIONS FOR A WORLD WITHOUT POVERTY

Mireia Belil and Toni Comin

CHANGE OF COURSE

9

CONDITIONS FOR A WORLD WITHOUT POVERTY

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Introduction

'We can't solve our problems with the same kind of thinking that gave rise to them'
Albert Einstein.

During the Universal Forum of Cultures in the summer of 2004, Barcelona experienced the highest concentration of thought, the liveliest celebrations and the most remarkable exhibition program the city had ever witnessed. Concepts, ideas and projects emerged through the combined action and interaction of dialogues, exhibits, performances, artistic expressions, workshops, the Peace Camp, the Speakers' Corner, the 141 Questions for 141 Days, and the school project, as well as through the active involvement and participation of citizens and students, artists and intellectuals, visitors and the world-wide web community.

For as long as 141 days, men and women, young and senior, from north and south, east and west debated and discussed on major issues of the global agenda. We reunited more than 2,800 speakers, activists, experts, politicians, writers, movie people, leaders of social movements and NGOs, citizens with a total of 200,000 delegates. The Forum event was both innovative and difficult to grasp, so it had to face both ignorance and fear of not being able to lead it.

In Barcelona the Forum 2004 was able to bring together knowledge, challenges, and opportunities that were to have an impact on the 21st century. The Forum Dialogues gave voice to those who went unheard as well as to those who usually take the stage. Dialogues, that are never neutral, tried to contribute, even if only a little bit, to reflect up global issues. Demographic changes, urbanisation, growing inequalities, poverty, human movements, forced or not, refugees, religion in today's geopolitics, identities, gender equality, environmental crisis, labour conditions and job provision, global governance and local governments, technological changes, capitalism dynamics, and globalisation were trends that stood up as major concerns for the years to come. Dialogues proposed more politics, more creativity, more transparency, more education, more culture, more equity, more commitment, more justice, more ethics and more women in decision making.

To close the141 days long intense debate, we devoted the last week of the Forum to discuss the potential contribution of citizens to the *global agenda of the XXI Century*. What, how, why and when were put forward to a diverse audience and speakers. Getting diverse people together provided inspiration for all to try to answer the following three ambitious questions that led the debate: What are the challenges humanity is facing in the XXI century? What are the agents that need to manage those challenges and what is the function of civil society? What are the new values, the attitudes and conditions to foster and drive change? The dialogue was supported by two short documentaries, one named *Voices for a trade at the service of development* and the other called *Voices for a democratic regulation of the financial markets*.

The above broad questions led to explore the relationship between democracy and poverty, how to make globalisation just, how to promote fair trade, the impacts of corruption in a globalised world, the agents of global change, the reform of the United Nations system and the web structure of international organisations.

How to make globalisation more just was the seed of the exhibition Change of Course. It was not merely another gathering of experts and activists. We intended to open a line of action and raising knowledge among citizens. Three major debates marked the path through our ideas. The first one was the financing of the basic needs of the peoples and to eradicate poverty, with specific attention to the role of the World Bank. The second one was centred in putting international trade to service development, with emphasis on the role of the World Trade Organisation. And last but not least, we deepened into the debate of regulating democratically the global financial markets, and the role of the International Monetary Fund.

Back in 2005, we decided that many of the ideas presented and discussed in the Forum dialogue entitled *Contributing to the Global Agenda* deserved to be spread in a friendly way. The conference gathered about twenty international entities and associations trying to provide good questions and some answers to the above issue. . During these sessions, it was clear that there was an urgency to guarantee a fair globalization and design the mechanisms that are necessary to reduce poverty and economic imbalances among states and peoples created by the actors that operate global markets. It was also clear that the inequalities between the world we call 'north' and the one we call 'south' are determined by some unilateral practices in the government of world economics, by the unclear political agenda and by the dynamics of the market that is not fully conscious of its destabilizing role.

The final conversation of the Forum provided us with many thoughts and ideas that have been re-claimed by many social, urban and political movements nowadays. To eradicate poverty and lessen inequalities we need at least more political will, more education, more democracy and no corruption. Democracy implies civil liberties and government responsibility before the citizens. If democracy is not capable of solving the problem of poverty and inequalities it is an incomplete flawed democracy. Corruption is taken away many resources of the system that otherwise could be used to fight poverty and inequalities. We should look for the international political consensus to rule against tax havens, criminal economies as well as illegal and non ethical behaviours. There is also a need to promote an anti-corruption education in society.

The international institutions that try to govern the world also need a reform towards better democracy and more transparency. The current structure of the United Nations overrides the democratic principles and many times it is not efficient. It has to be democratised, opened to new agents and find a balance between the security council and the ECOSOc. The other multilateral agencies have to be reformed as well to be able to fight poverty and stop growing inequalities. Listen to the peoples that received their policies and find new methods to redistribution and development are basic challenges today. The UN system should stick to its basic pillars such as peace, human rights and economic, social, cultural and environmental sustainability, but it should be reformed to adjust to the new world order and social demands. As cities could become the new round of capitalist accumulation and also of social and political innovation they should play a more relevant role in the international governance. Next to them other non state actors and social movements should find a role and a spot in the world's future definition.

Back in the year 2000, the United Nations already started a common path towards the eradication of poverty as the basis on which to build a fairer world: The Millennium Declaration. This text revolved around eight goals –known as the Development Goals – that had to be met by 2015. Despite the improvements in some areas we are far from reaching those goals and the latest developments of the speculative capitalism have worsened inequalities. The basic trends that influence human development such as the technological revolution, improvements in transportation, population growth, urbanisation processes, and climate change increase tensions among markets and countries that result in more poverty and inequalities. The United Nations has renewed its commitment to a peaceful and sustainable world through the approval of the Sustainable Development Goals (SDG) that take the stage after the MDG. Although they do not incorporate all the major issues of the XXI Century agenda -being cultural diversity one of the outstanding absences-, the SDG focus on no poverty; zero hunger; good health and well-being; quality education; gender equality; clean water and sanitation; affordable and clean energy; decent work and economic growth; industry, innovation and infrastructure; reduced inequalities; sustainable cities and communities; responsible consumption and production; climate action; life below water; life on land; peace, justice and strong institutions; and last but not least partnerships for the goals.

Twelve years have gone by since we had the first meeting on the global agenda for the XXI century in the Forum Barcelona 2004. The current economic and social crisis that hit Europe and the United States since 2008, shows the need for a regulated world economy to hinder speculation, abuses and corruption that generate inequalities and poverty. We should work on the development of a global social justice, making an effort for redistribution, fighting growing inequalities, providing opportunities and access to future to young people and betting for environmental and social sustainability as well as cities for citizens, without forgetting in all the above the promotion of women's rights and equality, the greatest revolution of the 21st century and the key to development.

The exhibition 'Change of course' is one of the ways to raise awareness among populations of the inequalities and injustices in the world. It is an exhibition that explores economy, markets, equity and globalization to understand the why and how of economic cycles and proposes solutions for a better world. From the diagnosis of the causes leading to the current situation, the exhibit shows the concerns of large parts of the world's population, governments, business, academics, and social movements. 'Change of Course' shows a route that includes different sections focused on poverty and inequality, labour rights, world trade, the paradox of natural resources, the debate on pharmaceutical patents, tax havens, external debt, financial markets and the world economic government. We present the current state of affairs but also the potential solutions for the problems stated. No words without deeds. This book reproduces, as far as it has been possible, that exhibition.

The 9 proposals for a world without poverty refer to the different areas of analysis of the exhibition. We summarize them here for you, just in case you never geet to the end of this book.

1. Everyone has the right to food, health and education. Let's create a World Fund against Poverty financed with world taxes.
2. Working with dignity. Let's guarantee basic labour rights in all countries.
3. Trade: a source of economic growth for poor and emerging countries. Let's eliminate agricultural subsidies and progressive taxation, and protect emerging industries.
4. Natural resources cannot be a curse to the countries that hold them. Let's ban the sale of minerals in countries involved in war, establish rules against bribery and a fair price for extraction rights.
5. In case of illness, we all have the right to access medication that can cure us. Let's create a World Patent Rescue Fund.
6. The budgets of poor and emerging countries should not be used to pay off international loans. Let's cancel or negociate their foreign debt.
7. No one should be able to evade taxes or launder dirty money. Let's eliminate tax havens.
8. The right to free movement of capital cannot be a source of constant instability and global financial crisis. Let's apply profound regulations to the international financial system.
9. International institutions should service all citizens of the world. Let's make the IMF and the WB more democratic, balance negotiations within the WTO and create a new economic and social security council.

Since its opening in 2010 more than 70.000 people have visited the exhibition Change of Course, mainly many young people from high schools and universities that try to understand the world we live in and find sources of inspiration for action. The exhibition and the text published here might present some information already out of date. The ideas are not. The diagnosis and proposals are still relevant and applicable today. It is a simple direct but still rigorous text that provides information for all citizens to learn about the fight against poverty and how to make a better world for all. Important areas are missing such as the fight against climate change or the work for sustainable and well planned urban communities. Still, we hope they will wake up awareness and seduce citizens to get involved.

Sections of the exhibition
Poverty and Inequality (the never-ending story); Labour Rights in the South; Agricultural Subsidies and Other Barriers to Southern Trade (an obstacles competition); Mineral Resources as a Cause of Armed Conflict; Pharmaceutical Patents; Multilateral Economic Institutions: World Trade Organization, International Monetary Fund, the World Bank; Tax Havens (the garden of earthly delights) / Foreign Debt (a double-edged sword) / Instability in Financial Markets (the economic incontinence); and 9 proposals for a world without poverty.

We are pleased to thank two men that worked well beyond their pay to make this exhibition come true: Pere Comín, that dealt with the chaos of data and information and came up with sounded results, and Raimon Ramis that coordinated and helped the transition between information on black and white into understandable vignettes, panels, boards and objects. To both of them our most earnest gratitude. This publication also belongs to them.

We also have to pay a sincere tribute to the many thinkers that inspired us. Special thanks to professor Joseph Stiglitz whose ideas, work and texts stirred us in the production of the contents of this exhibition. Jeffrey Sachs and Paul Krugman work also played a vital role in the definition of contents and lay out. Reading their books and trying to express their thoughts in a 3D way was a very exciting challenge. We hope we have not betrayed their ideas.

The Forum does not purport to be the solution to all the problems which the world is currently facing, but it does aim to be a spark to help light the road to making things better. Life is a long journey of learning and un-learning. With modesty, we work to eradicate poverty and make a better world for our children because we strongly believe all and every one of us can do something. The best compliment any of us can get from our offspring is that we were good ancestors.

Mireia Belil and Toni Comín
September 2016

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Poverty and Inequality

Although unequal distribution of wealth among countries is a fairly recent phenomenon, today poverty is the main challenge facing humanity: 40% of the world population lives in poverty. Economic growth is the only stable way to overcome it, but extreme poverty stands in the way of activating the mechanisms that make growth possible. Outside help from rich countries is needed but is not the definitive solution. Above all, however, the eradication of poverty is a matter of political will.

1.1. WHEN THE WORLD WAS EQUAL

In the year 1,000, the standard of living of the different regions of the world was practically identical. In fact, right up to the 18th century the inequalities in GDP/per capita* amongst them were rather insignificant. Since the 19th century and, more specifically, from the 20th century onwards, these inequalities increased and we began to talk about rich countries and poor countries.

* The GDP/per capita is an indicator that enables us to know a country's or a region's average standard of living at a given moment. It is calculated by dividing a country's production during a given year by the country's population in that same year. This is an average indicator and, therefore, it does not show what the wealth distribution is inside the country or region.

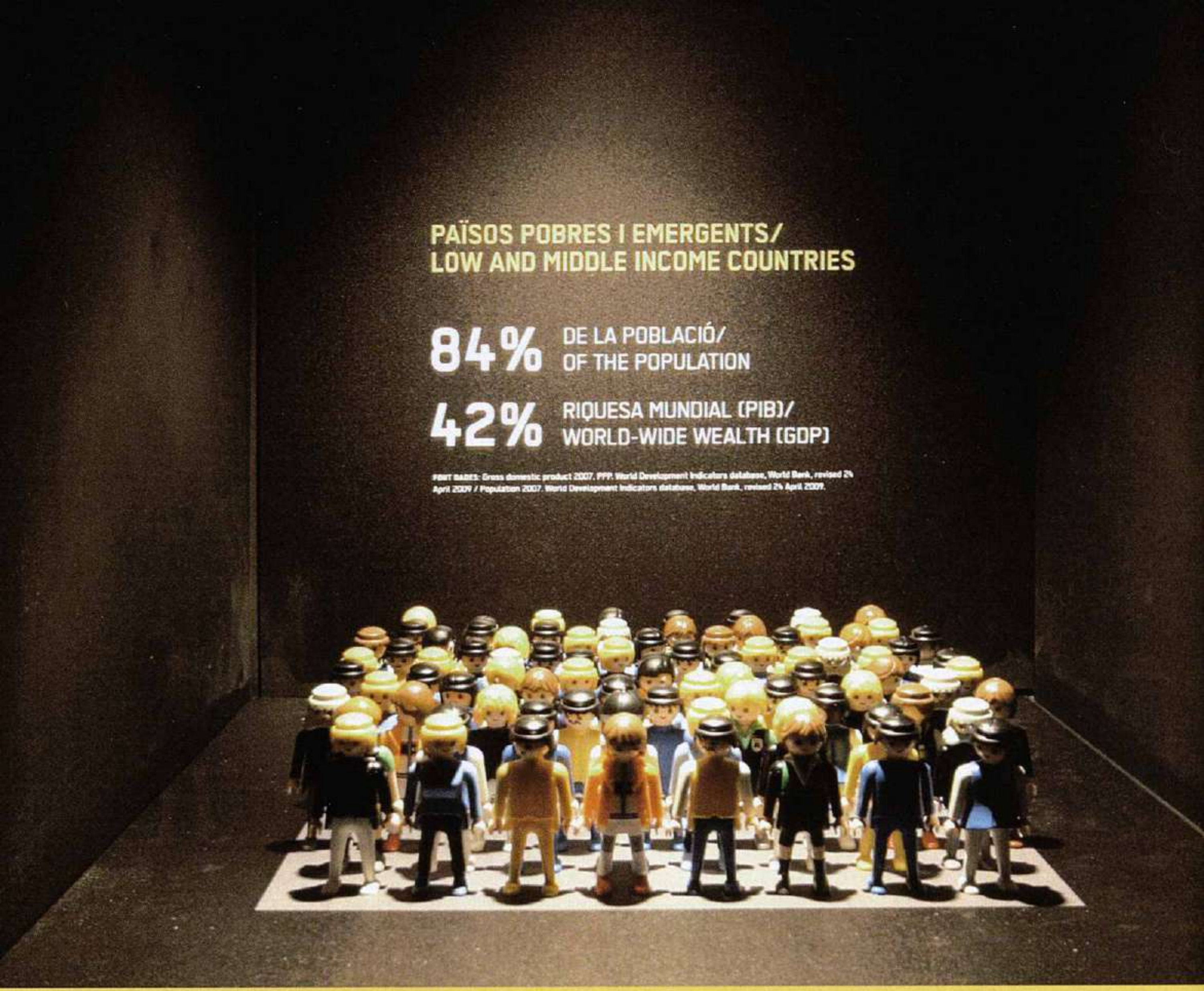
YEARS	1000	1500	1700	1820	1870	1900	1950	1980	2006
UNITED STATES	400	400	527	1,257	2,445	4,091	9,561	18,577	31,049
WESTERN EUROPE	427	772	997	1,202	1,960	2,892	4,568	13,152	21,202
RUSSIA	400	499	610	688	943	1,237	2,841	6,427	7,831
MEAN WORLD	453	556	615	667	871	1,262	2,109	4,519	7,225
LATIN AMERICA	400	416	527	691	676	1,113	2,510	5,593	6,444
MIDDLE EAST	621	590	591	607	742	638	1,724	5,220	6,334
CHINA	466	600	600	600	530	545	448	1,061	6,048
INDIA	450	550	550	553	533	599	619	938	2,598
AFRICA	425	414	421	420	500	601	889	1,515	1,662

1.2. RICH COUNTRIES, POOR COUNTRIES, EMERGING COUNTRIES

Let's take a closer look at what happened in the 19th and 20th centuries through a few countries that are representative of the entire planet.

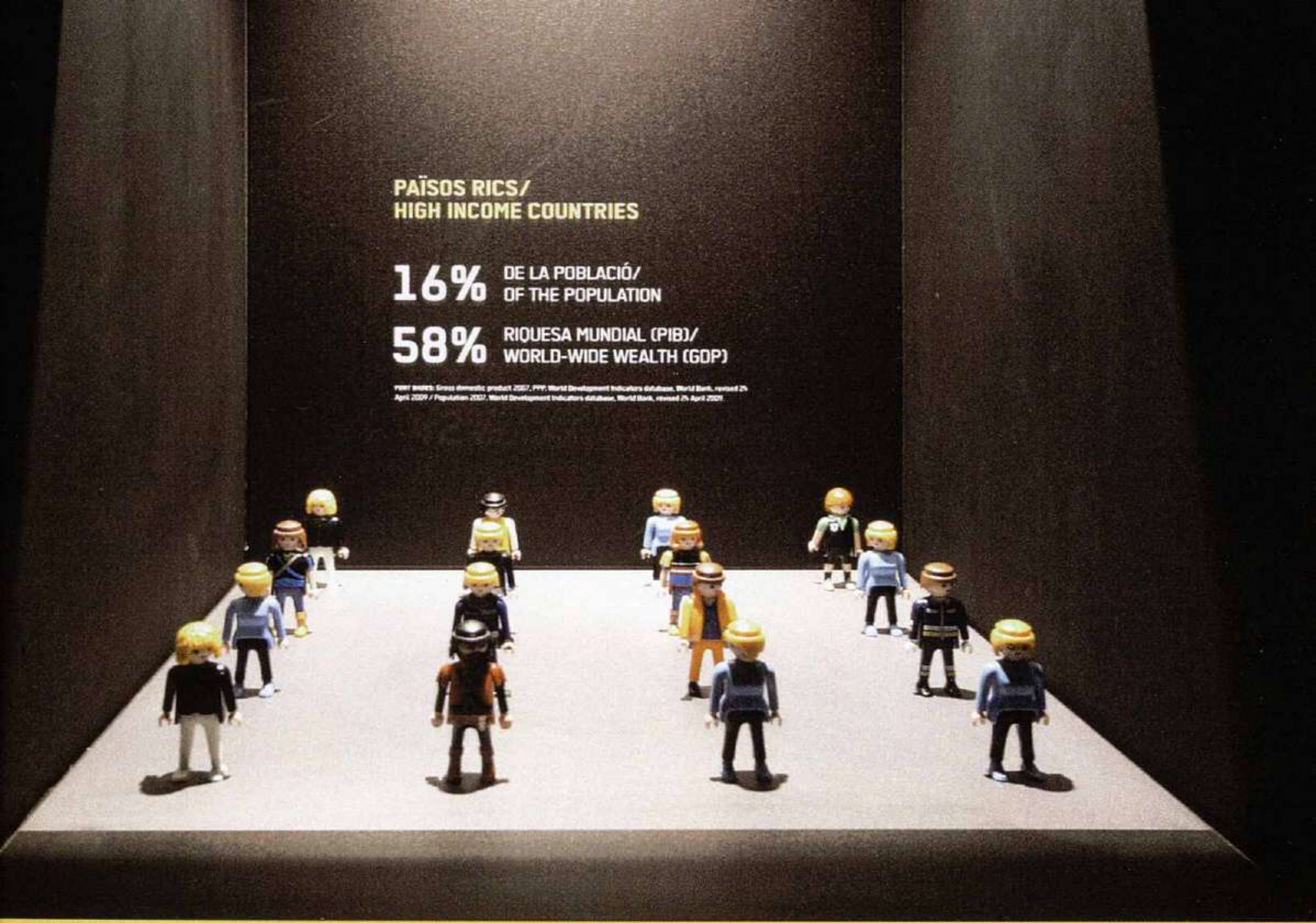
On the one hand, inequality has increased. In 1820 the GDP/per capita of today's richest country, the United States, was three times higher than that of all the African countries put together. In the year 1900 this difference was almost 7 to 1 and now it is approximately 20 to 1.

On the other hand, in the last few decades some countries that were poor not long ago have begun to shorten the difference between their standard of living and that of rich countries. These are known as emerging countries.



1.3. POORLY DISTRIBUTED WEALTH?

Poor and emerging countries: 84% of the population and 42% of the world GDP.

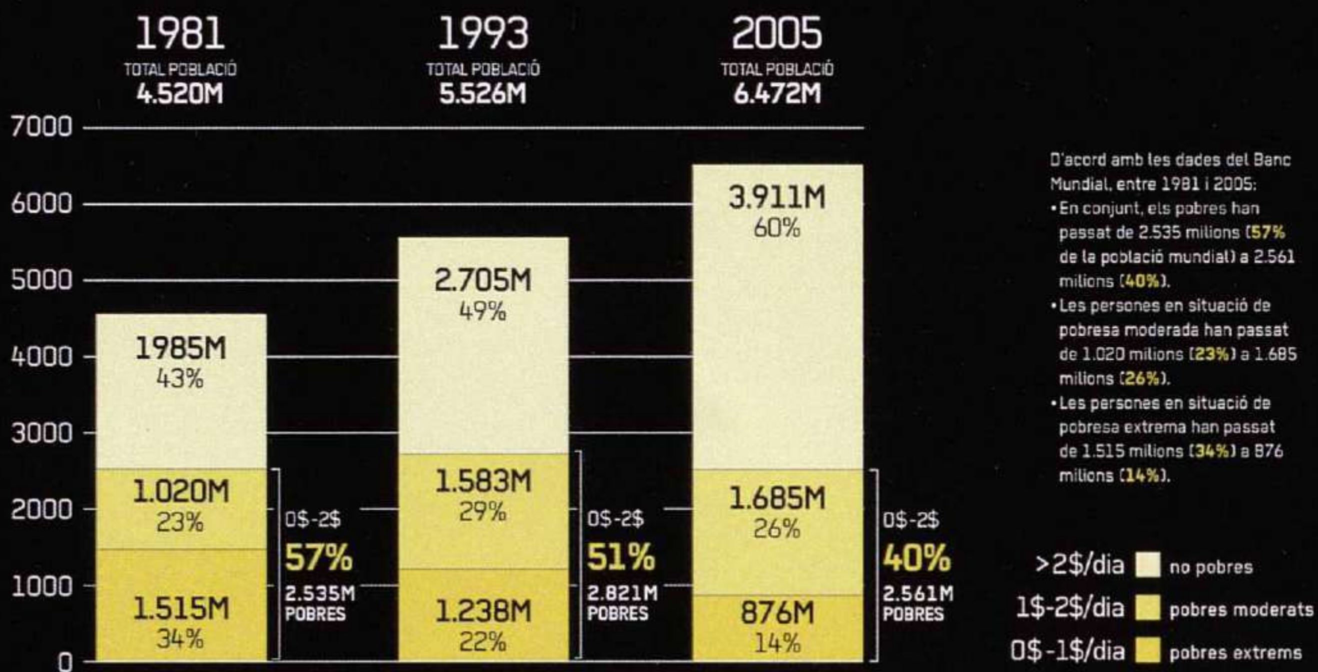


Rich countries: 16% of the population and 58% of the world GDP.

Source: Gross Domestic Product 2007, PPP. World Development Indicators database, World Bank, revised 24 April 2009 / Population 2007. World Development Indicators database, World Bank, revised 24 April 2009.

1.4. THE POOR IN THE WORLD

EVOLUCIÓ DE LA POBRESA MUNDIAL (INCLOSA LA XINA)



D'acord amb les dades del Banc Mundial, entre 1981 i 2005:

- En conjunt, els pobres han passat de 2.535 milions (**57%** de la població mundial) a 2.561 milions (**40%**).
- Les persones en situació de pobresa moderada han passat de 1.020 milions (**23%**) a 1.685 milions (**26%**).
- Les persones en situació de pobresa extrema han passat de 1.515 milions (**34%**) a 876 milions (**14%**).

Al món hi ha cada vegada més pobres o menys? Aquesta és una qüestió d'intens debat, des de fa anys, entre experts d'arreu del món.
Segons el Banc Mundial –la institució pública mundial encarregada de l'eradicació de la pobresa– els pobres són aquelles persones que viuen amb menys de 2$ al dia. D'entre els pobres, aquells que tenen entre 1 i 2$ diaris es considera que viuen en situació de pobresa moderada i aquells que tenen menys d'1$ diari es considera que viuen en situació de pobresa extrema. Tanmateix, els darrers anys el mateix Banc Mundial ha elevat el llindar de la pobresa extrema a 1,25$ diaris.

Are there more or fewer poor people in the world today? This has been the subject of heated debate among experts around the world for some many years now.

According to the World Bank – the world public institution in charge of eradicating poverty – the poor are people who live on less than $2 a day. Among the poor, those who have between $1 and $2 a day are considered to be living in moderate poverty and those who have less than $1 a day live in extreme poverty.

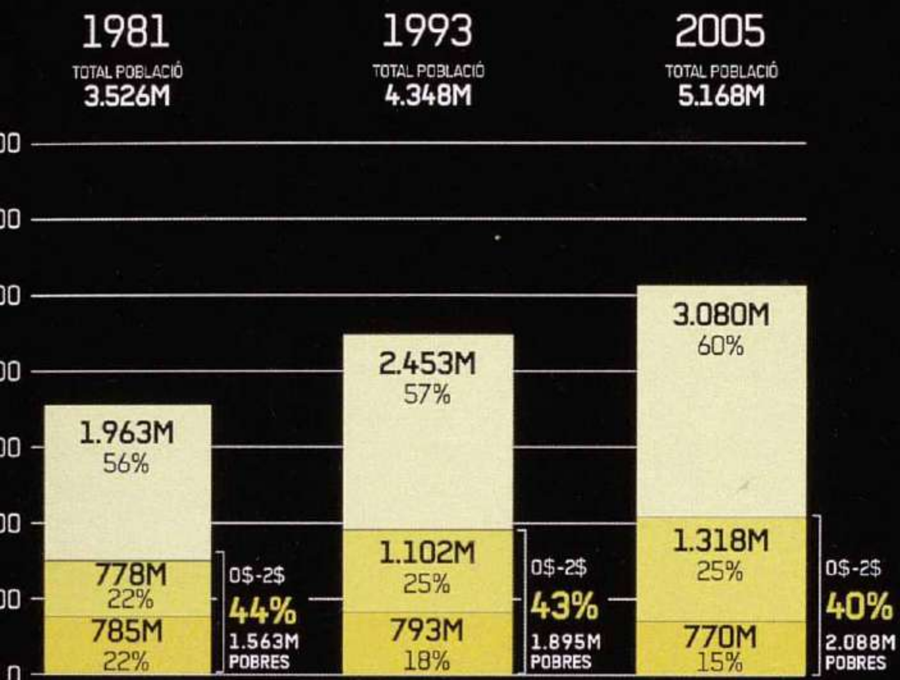
However, the World Bank has recently raised the threshold of poverty to $1.25 a day.

According to the World Bank's data, between 1981 and 2005:

- The total number of poor people went from 2.535 billion (57% of the world population) to 2.561 billion (40%).

- The number of people living in moderate poverty went from 1.020 billion (23%) to 1.685 billion (26%).

EVOLUCIÓ DE LA POBRESA MUNDIAL (SENSE XINA)



Si prescindim de la població xinesa, entre el 1981 i el 2005:

- En conjunt, els pobres han passat de 1.563 milions (44% de la població mundial exceptuant la Xina) a 2.088 milions (40%).
- Les persones en situació de pobresa moderada han passat de 778 milions (22%) a 1.318 milions (25%).
- Les persones en situació de pobresa extrema han passat de 785 milions (22%) a 770 milions (15%).

>2$/dia no pobres
1-2/dia pobres moderats
0-1/dia pobres extrems

Cal tenir en compte que una gran part de la reducció de la pobresa extrema s'ha aconseguit a la Xina. Per això, el Banc Mundial també ofereix les dades que permeten conèixer quina ha estat l'evolució de la pobresa al món si no tenim en compte el cas xinès.

Martin Ravallion y Shaohua Chen. "The Developing World Is Poorer Than We Thought, But No Less Successful in the Fight against Poverty". Policy Research Working Paper 4703. The World Bank Development Research Group. August 2008

- The number of people living in extreme poverty went from 1.515 billion (34%) to 876 million (14%).

We should consider the fact that a large part of this drop in extreme poverty has taken place in China. The World Bank also documents the evolution of poverty in the world without taking into account the case of China. If we exclude the Chinese population, between 1981 and 2005:

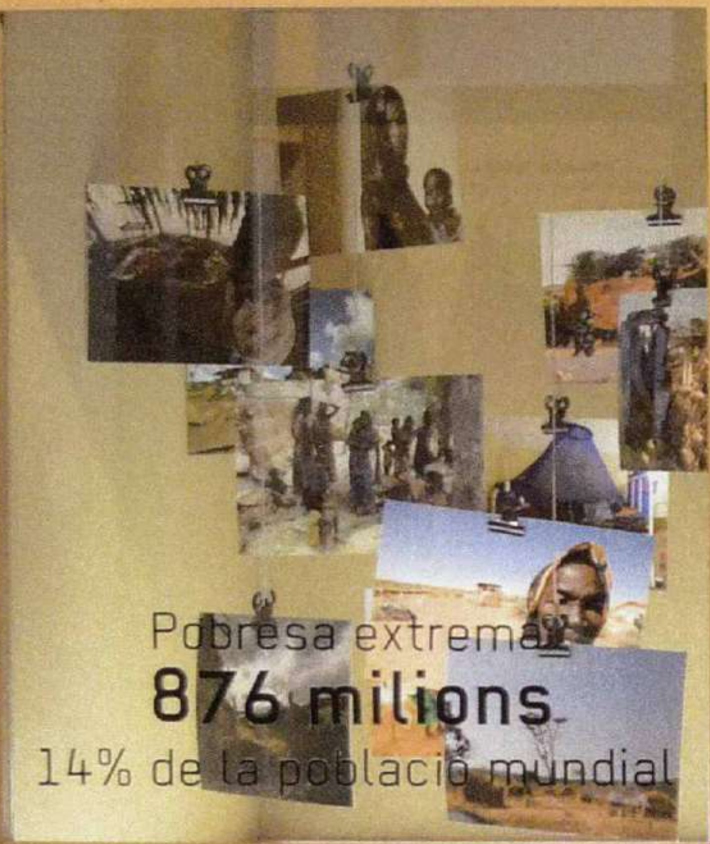
- The total number of poor people rose from 1.563 billion (44% of the world population) to 2.088 billion (40%).

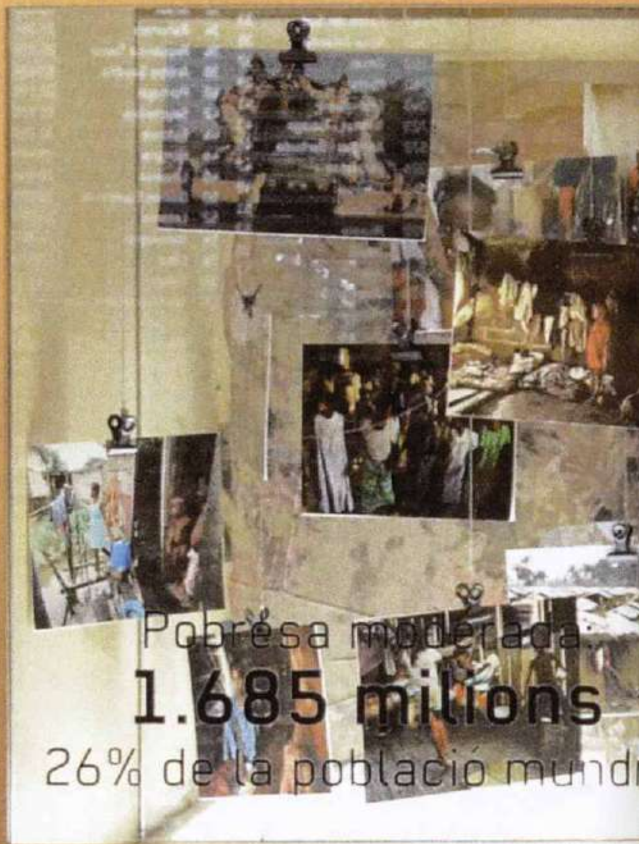
- The number of people living in moderate poverty rose from 778 million (22%) to 1.318 billion (25%).

- The number of people living in extreme poverty dropped from 785 million (22%) to 770 million (15%).

1.5 THE FOUR CLASSES OF WORLD POPULATION

Jeffrey Sachs in his book *The End of Poverty* classifies the world population in four different classes.





EXTREME POVERTY

876 million

14% of the world population

'If economic development is a ladder [...], there are roughly one billion people around the world, one sixth of humanity, who are too ill, hungry, or destitute even to get a foot on the first rung of the development ladder. These people are the 'poorest of the poor', or the 'extreme poor' of the planet. Not all of them are dying today, but they are all fighting for survival each day'.

MODERATE POVERTY

1,685 million

26% of the world population

'A few rungs up the development ladder is the upper end of the low-income world, where roughly another 1.5 billion people. These people are 'the poor'. They live above mere subsistence [...] Death is not at their door, but chronic financial hardship and a lack of basic amenities such as safe drinking water and functioning latrines are part of their daily lives'.

MIDDLE CLASS

Approx. 2,700 billion

42% of the world population

'Another 2.5 billion people are up yet another few rungs, in the middle income world. These are middle-income households, but they would certainly not be recognized as middle class by the standards of rich countries. Their incomes may be a few thousand dollars per year'.

UPPER CLASS

Approx. 1,200 billion

18% of the world population

'Still higher up the ladder are the remaining one billion people, roughly a sixth of the world, in the high-income world. These affluent households include the billion or so people in the rich countries, but also the increasing number of affluent people living in middle income countries'.

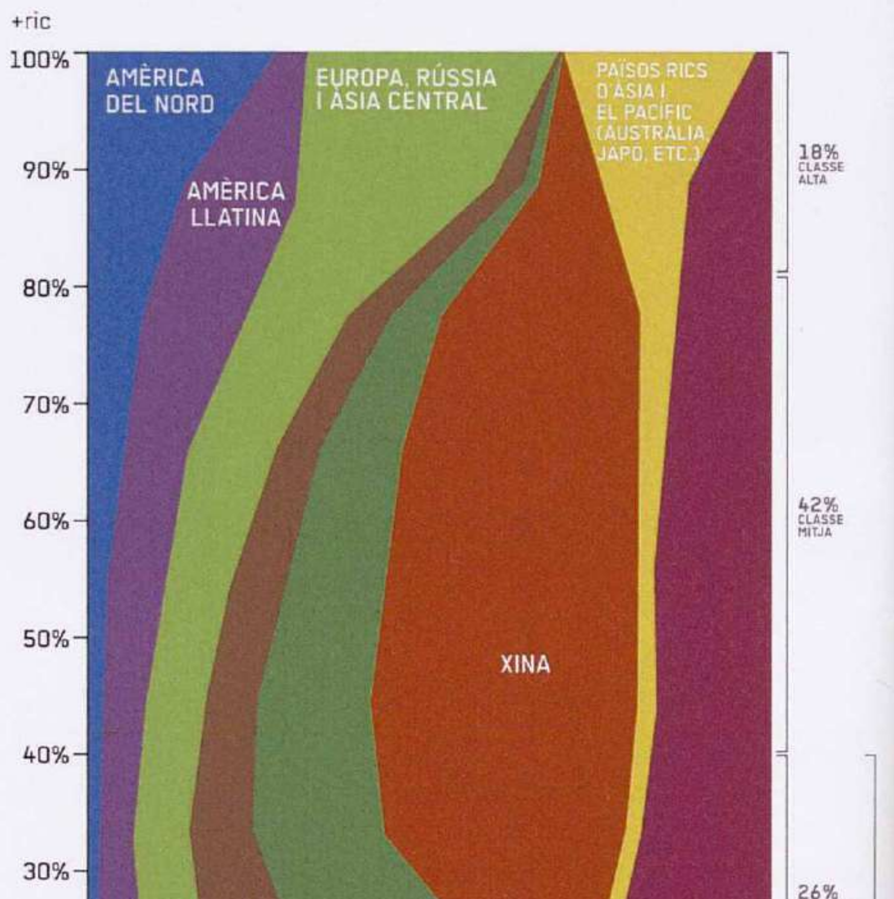
1.6. WHERE DO THE POOR LIVE? WHERE DO THE RICH LIVE?

Extreme poverty is mainly found in India, Africa and Southeast Asia. Moderate poverty is found mainly in India and China. A substantial part of the world's 'middle class' lives in China whereas the world's 'upper class' lives in the US, Europe and Japan.

Latin America is surprising: it is the continent with the most unequal distribution of wealth and its population is almost equally distributed into all four classes. Southeast Asia is a similar case.

Not everyone is rich in the rich regions nor is everyone poor in the poor regions. The United States and Europe also reach the lower line of the graph, which represents the poorest, whereas China, India and Africa reach the upper line, which represents the world's richest people.

POBLACIÓ MUNDIAL
(CLASSIFICADA SEGONS EL NIVELL DE RENDA)
ANY 2004



Source: *Poverty in Focus: The challenge of Inequality*. International Poverty Centre, June 2007

1.7. THE RICHEST AND THE POOREST

In 2009 the richest man in the world had a net worth amounting to 40 billion dollars (according to Forbes magazine).

According to the World Bank, there were 1.1 billion people living in extreme poverty in 2001 worldwide and their average income was $0.77 a day. According to those estimates, we can divide the extremely poor into three groups of 367 million people each. The people in the first group would have an average income of $0.55 a day; being the poorest among the extremely poor. The average income of the second group would be $0.77 a day, and $0.99 a day for the third group.

According to these calculations, the yearly earnings of the poorest among the extremely poor are approximately $200. Thus, the net worth of the world's richest man is equivalent to the annual income of the 200 million poorest people in the world.

1.8. CAN WE ALL LIVE LIKE IN COSTA RICA?

What would we live like if the wealth of the world was shared in equal parts among the planet's inhabitants?

If we divide the world GDP of a given year by the world's population of that same year, we will know the world's GDP/per capita. This way, we can know the average standard of living of humanity.

In 2008 – the most recent year for which we have comprehensive data – the world GDP/per capita was $10,364, very close to the GDP/per capita of Costa Rica.

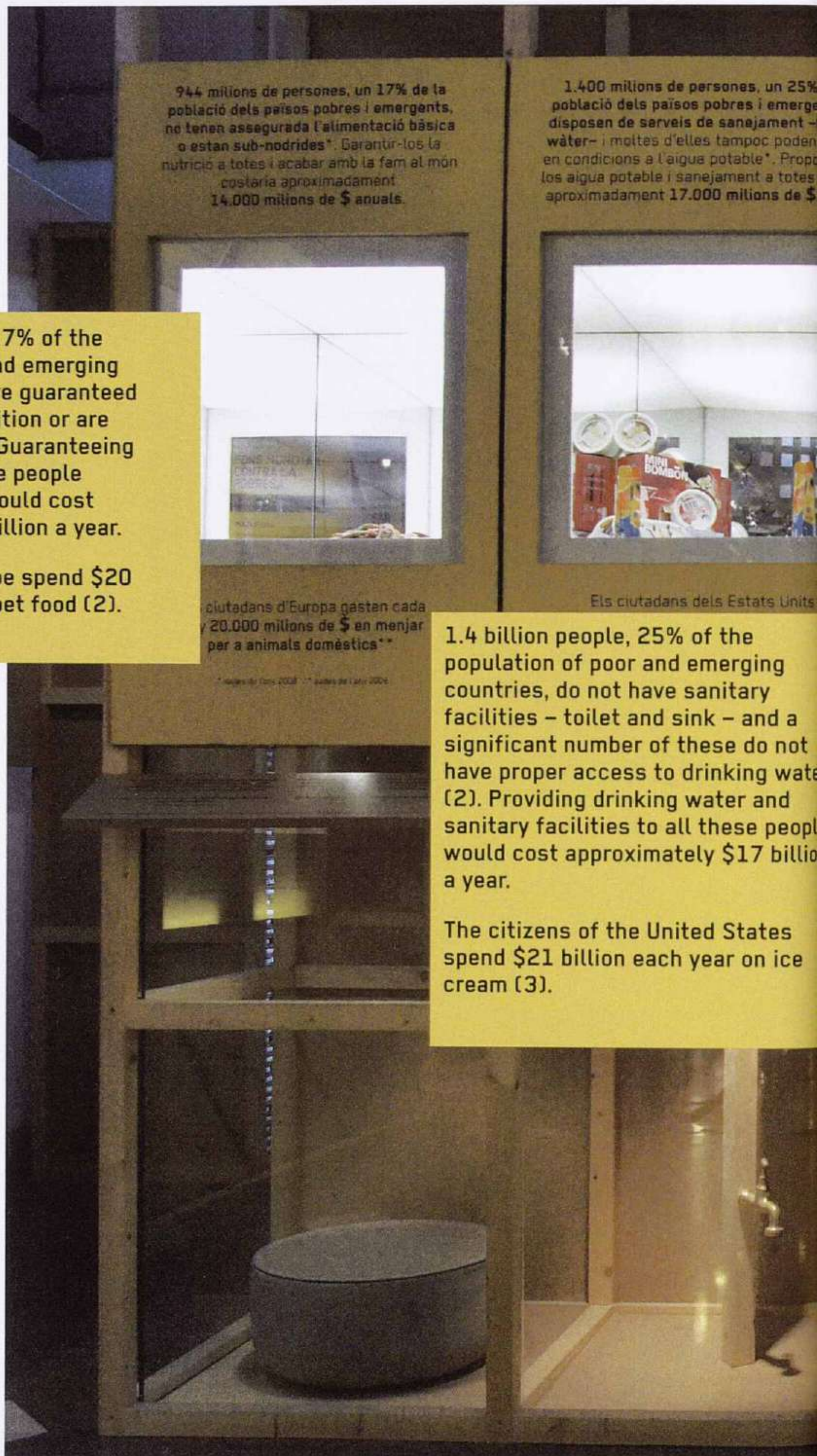
But what is it like to live in Costa Rica? The GDP/per capita of Spain that same year was approximately three times higher than that of Costa Rica. So the planet's average standard of living in 2008 was a third of that of Spain.

PIB/càpita (en $)		ANY 2008			PIB/càpita (en $)
85.868	Qatar	1	2	Luxemburg	82.306
53.451	Noruega	3	4	Singapur	51.142
50.117	Brunei	5	6	Estats Units	46.859
43.811	Hong Kong	7	8	Suïssa	42.783
42.539	Irlanda	9	10	Països Baixos	40.431
40.025	Islàndia	11	12	Kuwait	39.850
39.634	Àustria	13	14	Canadà	39.183
38.830	Emirats Àrabs Units	15	16	Austràlia	37.299
37.266	Dinamarca	17	18	Suècia	37.245
36.523	Regne Unit	19	20	Bèlgica	36.235
36.217	Finlàndia	21	22	Alemanya	35.442
34.605	Bahrain	23	24	França	34.208
34.100	Japó	25	26	Taiwan	30.881
30.621	Espanya	27	28	Itàlia	30.581
30.535	Grècia	29	30	Xipre	29.830
29.472	Eslovènia	31	32	Israel	28.206
27.647	Corea del Sud	33	34	Bahames	27.394
27.060	Nova Zelanda	35	36	República Txeca	25.395
24.153	Oman	37	38	Aràbia Saudita	23.834
23.760	Malta	39	40	Portugal	22.190
22.040	Eslovàquia	41	42	Seychelles	21.910
20.723	Trinitat i Tobago	43	44	Estònia	20.259
19.572	Antigua i Barbuda	45	46	Hongria	19.499
19.026	Barbados	47	48	Lituània	18.946
18.545	Croàcia	49	50	Guinea Equatorial	18.029
17.482	Polònia	51	52	Letònia	17.071
15.922	Rússia	53	54	Botswana	14.882
14.560	Mèxic	55	56	Líbia	14.533
14.510	Xile	57	58	Gabon	14.478
14.413	Argentina	59	60	Saint Christopher i Nevis	14.169
14.072	Malàisia	61	62	Uruguai	13.295
13.138	Turquia	63	64	Líban	13.032
12.785	Veneçuela	65	66	Romania	12.580
12.341	Bulgària	67	68	Bielorússia	12.291
11.992	Maurici	69	70	Kazakhstan	11.416
11.343	Panamà	71	72	Iran	11.250
11.092	Montenegro	73	74	Granada	10.843
10.819	Santa Lucia	75	76	Sèrbia	10.792
10.752	Costa Rica	77			
10.326	Brasil	78	79	San Vicente i les Gran.	10.150
10.119	Sud-àfrica	80	81	Dominica	10.046
9.157	Macedònia	82	83	Azerbaitjan	8.620
8.580	Perú	84	85	República Dominicana	8.571
8.324	Surinam	86	87	Tailàndia	8.225
8.215	Colòmbia	88	89	Tunis	7.963
7.882	Belize	90	91	Jamaica	7.766
7.685	Equador	92	93	Bòsnia i Hercegovina	7.611
7.552	El Salvador	94	95	Ucraïna	7.347
6.859	Albània	96	97	Algèria	6.698
6.578	Namíbia	98	99	Angola	6.331
6.112	Kiribati	100	101	Xina	5.963
5.898	Egipte	102	103	Samoa	5.733
5.711	Turkmenistan	104	105	Swazilàndia	5.635
5.373	Tonga	106	107	Jordània	5.314
5.273	Armènia	108	109	Bhutan	5.238
4.951	Maldives	110	111	Guatemala	4.899
4.863	Geòrgia	112	113	Paraguai	4.778
4.749	Síria	114	115	Sri Lanka	4.581
4.349	Marroc	116	117	Bolívia	4.330
4.268	Hondures	118	119	Vanuatu	4.244
4.185	Fiji	120	121	Guyana	4.035
3.987	Indonèsia	122	123	República del Congo	3.913
3.546	Filipines	124	125	Mongòlia	3.541
3.499	Cap Verd	126	127	Iraq	3.479
3.174	Moldàvia	128	129	Vietnam	2.784
2.762	Índia	130	131	Pakistan	2.739
2.688	Nicaragua	132	133	Uzbekistan	2.630
2.412	Iemen	134	135	Djibouti	2.392
2.365	Timor-Leste	136	137	Sudan	2.305
2.204	Laos	138	139	Kirguizistan	2.180
2.153	Camerun	140	141	Nigèria	2.134
2.105	Papua Nova Guinea	142	143	Cambodja	2.066
2.052	Mauritània	144	145	Illes Salomó	2.047
2.019	Tadjikistan	146	147	Sao Tome i Principe	1.749
1.736	Senegal	148	149	Kenya	1.713
1.657	Txad	150	151	Costa de Marfil	1.640
1.605	Benin	152	153	Ghana	1.520
1.399	Zàmbia	154	155	Gàmbia	1.389
1.389	Bangla Desh	156	157	Tanzània	1.352
1.316	Haití	158	159	Lesotho	1.302
1.266	Burkina Faso	160	161	Birmània	1.160
1.155	Comores	162	163	Uganda	1.152
1.142	Nepal	164	165	Mali	1.126
1.041	Ruanda	166	167	Guinea	1.003
976	Madagascar	168	169	Etiòpia	897
897	Moçambic	170	171	Malawi	834
810	Togo	172	173	Afganistan	758
747	Eritrea	174	175	Rep. Centreafricana	739
738	Níger	176	177	Sierra Leona	725
485	Guinea-Bissau	178	179	Burundi	389
373	Libèria	180			

Sources: International Monetary Fund, World Economic Outlook Database, April de 2008 / GDP 2007, PPP. World Development Indicators database, World Bank, revised 24 April 2009 / Population 2007. World Development Indicators database, World Bank, revised 24 April 2009.


Eslovàquia 37
Trinitat i Tobago 39
Antigua i Barbuda 41
Barbados 43
Croàcia 45
Polònia 47
Rússia 49
Mèxic 51
Xile 53
Argentina 55
Malàisia 57
Turquia 59
Veneçuela 61
Bulgària 63
Maurici 65
Panamà 67
Montenegro 69
Santa Lucía 71
Costa Rica 73
Brasil 75
Sud-àfrica 77
Macedònia 78
Perú 80
Surinam 82
Colòmbia 84
Belize 86
Equador 88
El Salvador 90
Albània 92
Namíbia 94
Kiribati 96
Egipte 98
Turkmenistan 100
Tonga 102
Armènia 104
Maldives 106
Geòrgia 108
Síria 110
Marroc 112
36 Bahames 29.830
38 República Txeca 28.206
40 Aràbia Saudita 27.394
42 Portugal 25.395
44 Seychelles 23.834
46 Estònia 22.190
48 Hongria 21.910
50 Lituània 20.259
52 Guinea Equatorial 19.499
54 Letònia 18.946
56 Botswana 18.029
58 Líbia 17.071
60 Gabon 14.882
62 Saint Christopher i Nevis 14.533
64 Uruguai 14.478
66 Líban 14.169
68 Romania 13.295
70 Bielorrússia 13.032
72 Kazakhstan 12.580
74 Iran 12.291
76 Granada 11.416
Sèrbia 11.250
79 San Vicente i les Gran. 10.843
81 Dominica 10.792
83 Azerbaitjan 10.150
85 República Dominicana 10.046
87 Tailàndia 8.620
89 Tunis 8.571
91 Jamaica 8.225
93 Bòsnia i Hercegovina 7.963
95 Ucraïna 7.766
97 Algèria 7.611
99 Angola 7.347
101 Xina 6.698
103 Samoa 6.331
105 Swazilàndia 5.963
107 Jordània 5.733
109 Bhutan 5.635
111 Guatemala 5.314
113 Paraguai 5.238
115 Sri Lanka 4.899
117 Bolívia 4.778
119 Vanuatu 4.581
121 Guyana 4.330
República del Congo 4.244
POBLACIÓ MUNDIAL
(CLASSIFICADA SEGONS EL NIVELL DE RENDA) / ANY 2004
+ric
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
+pobre
AMÈRICA DEL NORD
AMÈRICA LLATINA
EUROPA, RÚSSIA I ÀSIA CENTRAL
XINA
ÍNDIA
ÀFRICA
(PAÏSOS DEL SUD-EST ASIÀTIC, ETC.)

1.9. POOR PEOPLE'S NEEDS, RICH PEOPLE'S CONSUMPTION

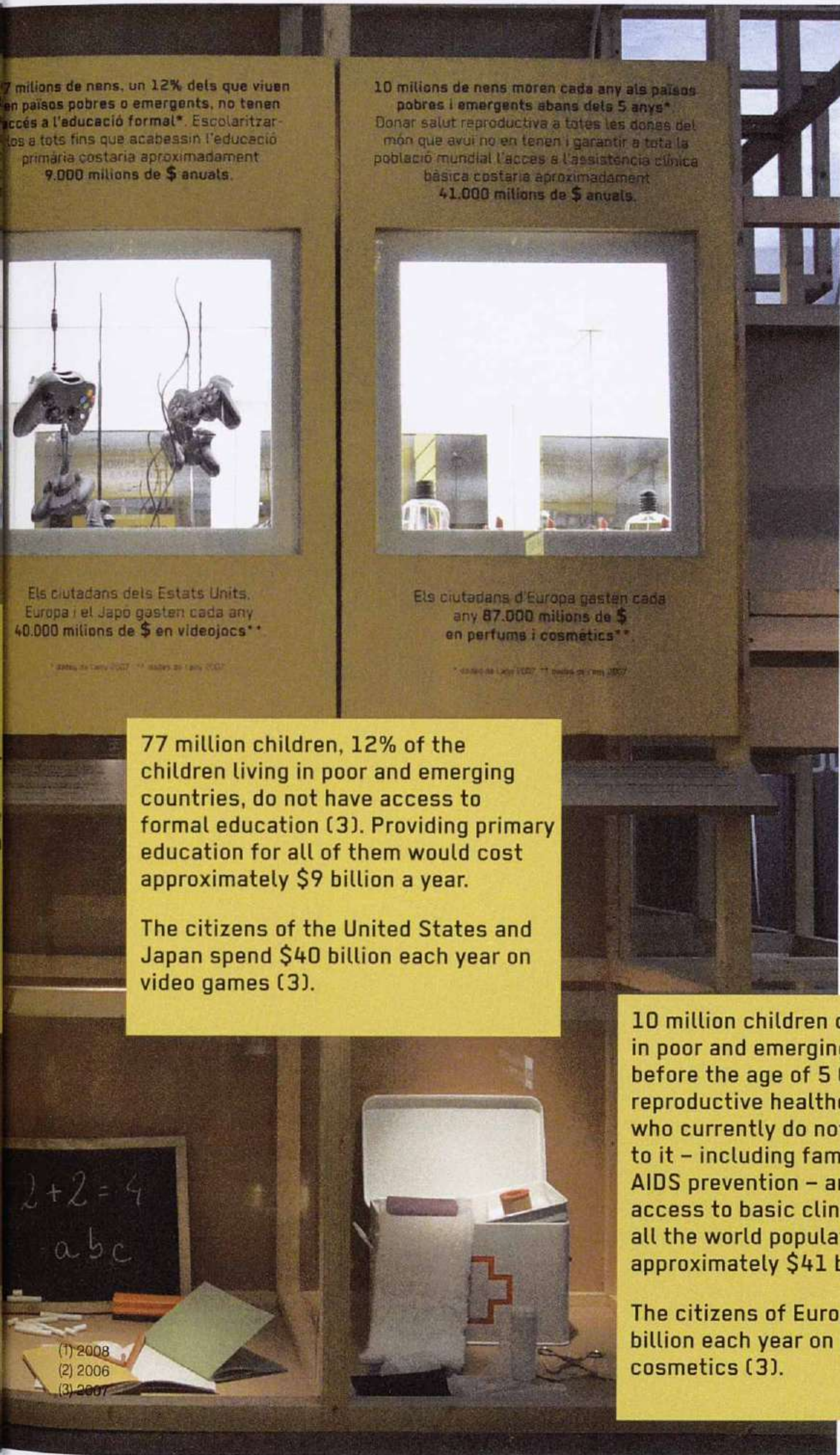


944 million people, 17% of the population of poor and emerging countries, do not have guaranteed access to basic nutrition or are undernourished (1). Guaranteeing nutrition for all these people and ending hunger would cost approximately $14 billion a year.

The citizens of Europe spend $20 billion each year on pet food (2).

1.4 billion people, 25% of the population of poor and emerging countries, do not have sanitary facilities – toilet and sink – and a significant number of these do not have proper access to drinking wate (2). Providing drinking water and sanitary facilities to all these peopl would cost approximately $17 billio a year.

The citizens of the United States spend $21 billion each year on ice cream (3).



77 million children, 12% of the children living in poor and emerging countries, do not have access to formal education (3). Providing primary education for all of them would cost approximately $9 billion a year.

The citizens of the United States and Japan spend $40 billion each year on video games (3).

10 million children die each year in poor and emerging countries before the age of 5 (3). Providing reproductive healthcare for all women who currently do not have access to it – including family planning and AIDS prevention – and guaranteeing access to basic clinical healthcare to all the world population would cost approximately $41 billion a year.

The citizens of Europe spend $87 billion each year on perfumes and cosmetics (3).

(1) 2008
(2) 2006
(3) 2007

1.10. BREAKING THE VICIOUS CIRCLE

All poor countries aim at overcoming their poverty. In order to do so, they need to create wealth – from their people, their companies and their natural resources – and to distribute it fairly among the population. Economic growth in these countries is an essential prerequisite to eradicate poverty, though it is not enough by itself.

However, there cannot be economic growth without some basic infrastructure, family income, education and healthcare, as well as stable and transparent public institutions. Without these basic prerequisites, it is very difficult for private investors to create wealth and, therefore, they avoid or leave countries that do not guarantee these conditions.

Without these minimum conditions, neither families nor companies can withstand the ups and downs that always accompany any production activity. The processes for accumulating capital – be it physical, financial or human – are thus rendered impossible, and these are the main engine of economic growth and progress.

Therefore, the poorest countries cannot overcome poverty on their own, trapped as they are in a vicious circle. Growth is the only stable way to overcome poverty but extreme poverty stops the activation of the mechanisms that make growth possible. We need to break this vicious circle. In order to eradicate extreme poverty, it is essential that poor countries have outside help from rich countries.

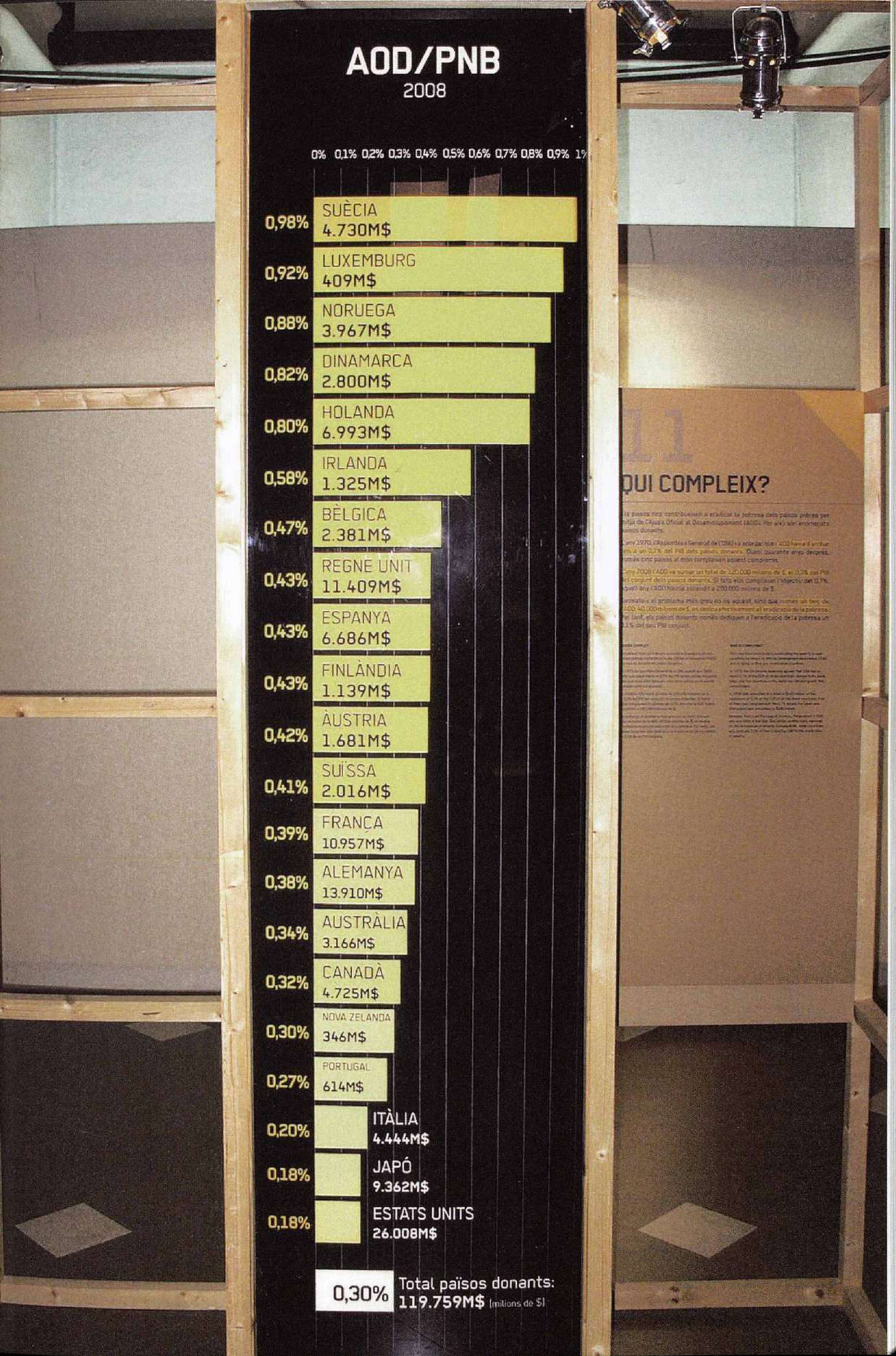
1.11. WHO STANDS UP FOR POOR COUNTRIES?

Rich countries contribute to the eradication of poverty in poor countries by means of the Official Development Assistance (ODA) and so they are called donor countries.

In 1970, the UN General Assembly agreed that ODA had to reach 0.7% of the GDP of donor countries. Almost forty years later, only five countries are complying with this commitment: Sweden, Luxembourg, Norway, Denmark and the Netherlands.

In 2008, ODA amounted to a total of 120 billion dollars; that was 0.3% of the GDP of all donor countries put together. If these countries had complied with the 0.7% target, that year's ODA would have been $280 billion.

However, this is not the biggest problem. Only one third of ODA, $40 billion, is effectively used for the eradication of poverty. Therefore, the contribution of all donor countries for the eradication of poverty is only 0.1% of their collective GDP.


AOD/PNB
2008
0% 0,1% 0,2% 0,3% 0,4% 0,5% 0,6% 0,7% 0,8% 0,9% 1%
0,98% SUÈCIA 4.730M$
0,92% LUXEMBURG 409M$
0,88% NORUEGA 3.967M$
0,82% DINAMARCA 2.800M$
0,80% HOLANDA 6.993M$
0,58% IRLANDA 1.325M$
0,47% BÈLGICA 2.381M$
0,43% REGNE UNIT 11.409M$
0,43% ESPANYA 6.686M$
0,43% FINLÀNDIA 1.139M$
0,42% ÀUSTRIA 1.681M$
0,41% SUÏSSA 2.016M$
0,39% FRANÇA 10.957M$
0,38% ALEMANYA 13.910M$
0,34% AUSTRÀLIA 3.166M$
0,32% CANADÀ 4.725M$
0,30% NOVA ZELANDA 346M$
0,27% PORTUGAL 614M$
0,20% ITÀLIA 4.444M$
0,18% JAPÓ 9.362M$
0,18% ESTATS UNITS 26.008M$
0,30% Total països donants: 119.759M$ (milions de $)
11
QUI COMPLEIX?

1.12. A THOROUGH FIGHT AGAINST POVERTY

OFFICIAL DEVELOPMENT ASSISTANCE (ODA)

The current Official Development Assistance (ODA) scheme will never achieve its target of eradicating extreme poverty because it has too many limitations:

INSUFFICIENT RESOURCES

In 2001 the World Bank estimated that a further $124 billion were needed in addition to that year's ODA to eradicate extreme poverty. Since then, ODA has increased but the threshold for extreme poverty is also higher – from $1 a day to $1.25 a day. Therefore, the annual investment needed to eradicate extreme poverty today is probably similar, or even higher, than in 2001.

BILATERAL

Donor and beneficiary countries come to different agreements depending on their needs. Therefore, ODA as a whole is made up of many and diverse bilateral agreements, each with its own goals and its own terms and conditions, often showing little coherence among them.

LOANS

Today, donations that do not need to be returned are less than half of the ODA. Most of ODA is made up of loans, usually on very good terms but which, sooner or later, must be repaid. These loans end up increasing the foreign debt of poor countries.

LOW DEGREE OF EFFECTIVENESS

The allocation of bilateral aid often does not correspond to the needs of beneficiary countries but to the geopolitical priorities of donor countries. Only a third of ODA is actually assigned to the reduction of poverty.

VOLATILITY

ODA increases or decreases depending on the available budget and on the political party in power in the donor country. This makes it very volatile and unpredictable. Volatility stops any long term planning of the essential services that are financed with ODA and it stresses the financial imbalances of beneficiary countries.

WORLD FUND AGAINST POVERTY

An alternative to the current ODA scheme is necessary to eradicate extreme poverty. For some years now, some civil society organisations have been demanding that it be replaced by a **World Fund Against Poverty**. The main reasons:

SUFFICIENT RESOURCES

The Fund should have about $180 billion a year. With this sum, all people living in extreme poverty today – on an average annual income of $281, less that $1 a day, according to the World Bank 2001 estimate – could live in moderate poverty instead – on an annual income of $394, more than $1 a day.

MULTILATERAL

It would have to work as a multilateral institution within the United Nations' system. This way, all country members would share common and coherent goals. This would avoid the dispersion and incoherence of the current assistance programmes.

DONATIONS

Aid should be provided in the form of donations, not loans. Donations contribute to the eradication of poverty without generating further foreign debt in beneficiary countries. This only works if these countries have stable and transparent institutions that enable them to make proper use of the aid.

HIGH DEGREE OF EFFECTIVENESS

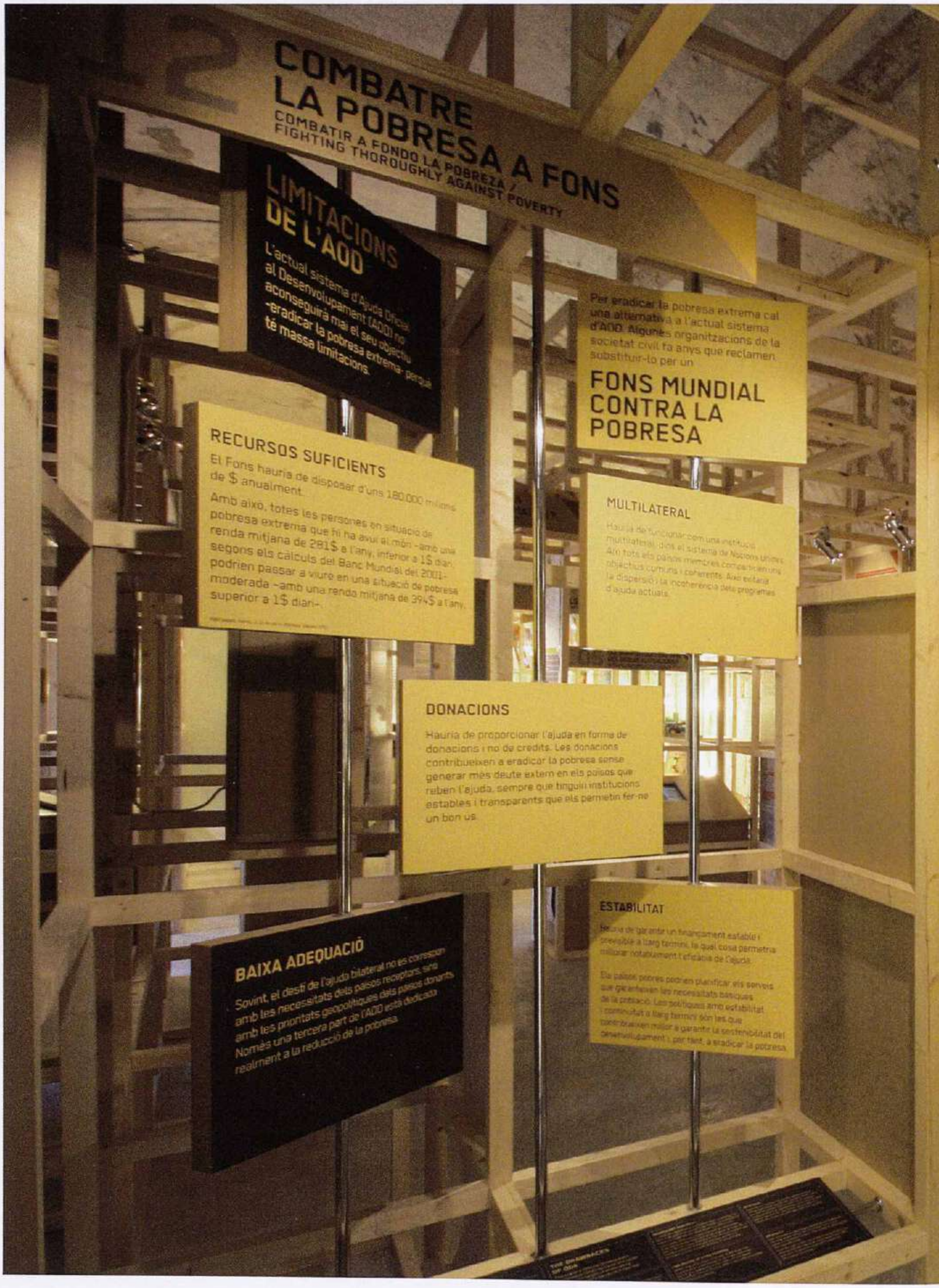
With a multilateral institution, it would be easier to guarantee that the aid addressed the actual needs of poor countries, not involving any individual interests of donor countries.

STABILITY

It should guarantee long-term stable and predictable financing as this would make the aid substantially more effective. Poor countries would be able to plan those services that cover basic needs of the population. Stable, long-term policies are the ones that better contribute to guaranteeing sustainable development and, thus, to the eradication of poverty.

COMBATRE
LA POBRESA A FONS
COMBATIR A FONDO LA POBREZA /
FIGHTING THOROUGHLY AGAINST POVERTY
LIMITACIONS
DE L'AOD
L'actual sistema d'Ajuda Oficial
al Desenvolupament (AOD) no
aconseguirà mai el seu objectiu
-eradicar la pobresa extrema- perquè
té massa limitacions.
Per eradicar la pobresa extrema cal
una alternativa a l'actual sistema
d'AOD. Algunes organitzacions de la
societat civil fa anys que reclamen
substituir-lo per un
FONS MUNDIAL
CONTRA LA
POBRESA
RECURSOS SUFICIENTS
El Fons hauria de disposar d'uns 180.000 milions
de $ anualment.
Amb això, totes les persones en situació de
pobresa extrema que hi ha avui al món -amb una
renda mitjana de 281$ a l'any, inferior a 1$ diari
segons els càlculs del Banc Mundial del 2001-
podrien passar a viure en una situació de pobresa
moderada -amb una renda mitjana de 394$ a l'any,
superior a 1$ diari-
MULTILATERAL
DONACIONS
Hauria de proporcionar l'ajuda en forma de
donacions i no de crèdits. Les donacions
contribueixen a eradicar la pobresa sense
generar més deute extern en els països que
reben l'ajuda, sempre que tinguin institucions
estables i transparents que els permetin fer-ne
un bon ús.
BAIXA ADEQUACIÓ
Sovint, el destí de l'ajuda bilateral no es correspon
amb les necessitats dels països receptors, sinó
amb les prioritats geopolítiques dels països donants.
Només una tercera part de l'AOD està dedicada
realment a la reducció de la pobresa.
ESTABILITAT


3. IMPOST SOBRE LES ACCIONS I LES OBLIGACIONS
10.000 milions de $
6. IMPOSTOS SOBRE EL TRANSPORT MARÍTIM
IMPOSTOS MUNDIALS
CONTRIBUCIÓ VOLUNTÀRIA APLICADA A LES TARGETES DE CRÈDIT


12
COMBATRE LA POBRESA A FONS
COMBATIR A FONDO LA POBREZA / FIGHTING THOROUGHLY AGAINST POVERTY
LIMITACIONS DE L'AOD
L'actual sistema d'Ajuda Oficial al Desenvolupament (AOD) no aconseguirà mai el seu objectiu -eradicar la pobresa extrema- perquè té massa limitacions.
Per eradicar la pobresa extrema cal una alternativa a l'actual sistema d'AOD. Algunes organitzacions de la societat civil fa anys que reclamen substituir-lo per un
FONS MUNDIAL CONTRA LA POBRESA
RECURSOS SUFICIENTS
El Fons hauria de disposar d'uns 180.000 milions de $ anualment.
Amb això, totes les persones en situació de pobresa extrema que hi ha avui al món -amb una renda mitjana de 281$ a l'any, inferior a 1$ diari, segons els càlculs del Banc Mundial del 2001- podrien passar a viure en una situació de pobresa moderada -amb una renda mitjana de 394$ a l'any, superior a 1$ diari-.
MULTILATERAL
DONACIONS
Hauria de proporcionar l'ajuda en forma de donacions i no de crèdits. Les donacions contribueixen a eradicar la pobresa sense generar més deute extern en els països que reben l'ajuda, sempre que tinguin institucions estables i transparents que els permetin fer-ne un bon ús.
ESTABILITAT
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3. IMPOST SOBRE LES ACCIONS I LES OBLIGACIONS
IMPOSTOS MUNDIALS
6. IMPOSTOS SOBRE EL TRANSPORT MARÍTIM
9. CONTRIBUCIÓ VOLUNTÀRIA APLICADA A LES TARGETES DE CRÈDIT

1.13. WORLD TAXES

How can a World Fund Against Poverty be funded? For some years now the idea of setting up an international taxation system – world taxes – has been gaining support among experts in the eradication of poverty. Is this an unviable utopia?

In 2003, various international experts drew up a report – commissioned by the president of France in alliance with Germany, Brazil, Spain and Chile – under the heading 'New international financial contributions'. This report presented several proposals for world taxes, among which were the 9 outlined below. The sum of some – or all – of these taxes would provide enough predictable and steady resources to finance the World Fund Against Poverty.

All these taxes are technically feasible and economically efficient. Not only would they not generate serious economic distortions but they would also set right previous distortions. They would be fair – the burden would be distributed among many taxpayers, fairly and impartially – and transparent – we would know who pays and how the funds are administered.

They would entail strong and permanent international tax cooperation, much more extensive than today's. They could be set up through an international treaty, which would constitute a historical breakthrough given that, up to this moment, only States have levied and gathered taxes and they have never accepted such strong limitations to their sovereignty in this field.

1. Tax on the profits of multinational companies: 5% tax added to the existing tax on national companies. This would make up for multinational companies taking advantage of their international status to pay fewer taxes than they would if they were national companies. Annual revenue: $40-$45 billion.

2. Tax on currency exchange transactions: 0.01% tax on all currency exchange transactions (most of them are dollar/euro, dollar/yen and dollar/pound). It should be applied to the world's main stock markets in order to be feasible. Annual revenue: $36-$40 billion.

3. Tax on shares and securities: 0.005% tax on all transactions of shares and securities, including government bonds. It should be applied to the world's main stock markets in order to be feasible. Annual revenue: $10 billion.

4. Tax on carbon emissions: $10 tax per tonne of carbon emitted. This would contribute to a reduction of the greenhouse effect, the direct consequence of these emissions. This is only feasible on a worldwide basis. Annual revenue: $10-$20 billion.

5. Tax on air transport: 5% tax on first and business class airfares. Air transport is currently an exception in not paying for fuel consumption. But it causes environmental damage that is estimated at €30 billion every year. Annual revenue: $8-$10 billion.

6. Tax on maritime transport: 10% tax on fuel consumption. Annual revenue: $1 billion. Alternatively, a tax could be established to compensate for the risk of oil spills.

7. Toll on traffic through maritime straits: A toll equivalent to 33% of the amount that ships save by passing through certain straits that shorten their routes. Applicable to straits such as Calais, Gibraltar, Malacca and Taiwan, among others. Annual revenue: $3-$5 billion.

8. Tax on arms sales: 10% tax on the purchase of arms, whether they are internal purchases or imports. The United States, Russia, the United Kingdom, France, China and Israel are currently the world's main arms producers. Annual revenue: $20 billion.

9. Voluntary contribution applied to credit cards: 1% tax on payments or cash withdrawals using credit cards. Annual revenue: only in Europe, at least €8 billion.

1.14. WE CAN. DO WE WANT TO?

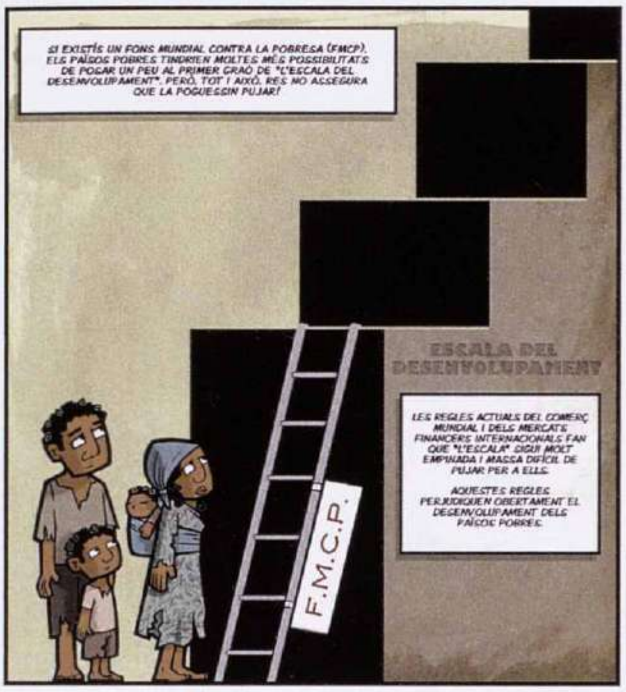
Nowadays, the eradication of extreme poverty is possible. It is an ambitious goal, but one within our reach. The necessary funding is less than many would expect: $180 billion would be enough.

This amount is less than 0.3% of the current world GDP and it is nearly five times what rich countries spend today on the eradication of poverty with the ODA. However, $180 billion is not even 0.5% of the joint GDP of rich countries.

The eradication of extreme poverty is a question of political will. If it were a permanent priority for all the governments of the world, it could soon become a reality. A worldwide tax system could collect enough funding. Poor countries would have to guarantee that they are willing – and know how – to use the donations properly.

Will humanity be able to assign 0.03% of its wealth towards addressing its main challenge at this point in history?

1.15. THE LADDER TO DEVELOPMENT



Si existiera un Fondo Mundial Contra la Pobreza, los países pobres tendrían más posibilidades de poner un pie en el primer peldaño de "la escalera del desarrollo". Pero, aun así, nada nos asegura que pudieran subirla!

Las reglas actuales del comercio mundial y de los mercados financieros internacionales hacen que la "escalera" sea muy empinada y demasiado difícil de subir para ellos. Estas reglas perjudican abiertamente el desarrollo de los países pobres.

With a World Fund against Poverty, poor countries would have a much better chance at setting foot on the first rung of "the ladder of the development". However, even then they might not be able to climb it!

The current rules in world trade and international financial markets make this "ladder" too steep and too hard to climb. These rules expressly damage the development of poor countries.

Tenemos que cambiar las reglas del comercio mundial y de los mercados financieros internacionales para que sean más justas y dejen de impedir que los países pobres y emergentes prosperen económicamente.

Sólo así estos países tendrán posibilidades reales de subir la "escalera", desarrollarse y erradicar la pobreza de forma efectiva y sostenible.

We need to change the rules of world trade and international financial markets to make them fairer so that they do not stop poor and emerging countries from prospering economically.

This is the only way for these countries to have a real chance at climbing the "ladder", developing and eradicating poverty in an effective and sustainable way.

With a World Fund against Poverty, poor countries would have a much better chance at setting foot on the first rung of 'the ladder of development'. However, even then they might not be able to climb it!

The current rules in world trade and international financial markets make this ladder too steep for poor countries to climb. These rules are openly detrimental to the development of poor countries.

We need to change the rules of world trade and international financial markets to make them fairer so that they do not stop poor and emerging countries from prospering economically.

This is the only way for these countries to have a real chance at climbing the ladder, developing and eradicating poverty in an effective and sustainable way.

2

Labour Rights

Globalization has dramatically change the rules of the world's economy. Poor and emerging countries need foreign investment to boost their economic growth and this means that they have to compete against each other in order to attract capital. Sometimes they do so by softening labour regulations, lowering social protection thresholds, and down shifting tax systems. Globalization has thus thrown poor and emerging countries into a deregulation-of-labour race which has entailed multiple cases of exploitation, decreasing wages, and rising inequality of salaries. So much so, that today the difference in salaries and social protection levels between different countries is much larger that that would be acceptable within any one country. There is a need for unions to go global, as social protection alone may prevent the traumas caused by productive changes linked to globalization. In this sense, a commitment to 'decent work' is crucial to legitimise globalization.

2.1. LABOUR IS NOT A COMMODITY

Globalization has dramatically changed the rules of world economy. For the last four decades, the mobility of capital has been increasing unstoppably. Today, financial capital moves with almost complete freedom through the stock markets of the world, thanks to new technologies. Physical capital goes through constant delocalisation and re-localisation through direct foreign investments.

Therefore, in the last few decades, the power of negotiation of capital owners has been constantly increasing while that of workers has been weakened: it became easier for capital to impose conditions in the organization of productive processes. In many countries the labour market has gone through significant deregulation, precarious employment has increased and trade unions have lost much of their capacity to protect workers.

Thus, it is hardly surprising that, in many countries, the weight of capital income within the total national income has been ever increasing, while the weight of labour income has been decreasing.

Most poor and emerging countries need foreign investment to boost their economic growth. Nowadays, capital is easily moved and these countries have to compete among them to attract it. In order to do this, they often reduce their labour regulations, their threshold of social protection, or their tax system. Private capital aims mainly at maximizing profit and these deregulation measures enable a high improvement of gains.

This way, globalization has often thrown poor and emerging countries into a 'race of labour deregulation' that weakens labour rights: cases of exploitation have multiplied, low salaries – sometimes miserable – have spread, and the inequality between the salaries of directors and manual workers has increased exponentially. Now, the difference in the salaries and levels of social protection among different countries is much larger than what would be tolerated within any of them.

Industrial free trade zones – tax-free areas – of many poor and emerging countries are an example of the 'race of deregulation of labour', but an ambiguous one. On the one hand, foreign multinational companies allocated in these areas – also known as 'maquilas' – are usually allowed to ignore the country's labour regulations, or to prevent the practice of some labour rights. On the other hand, salaries paid in these areas are often over the average wages of the country. These free trade zones are highly connected to global economy but generate little profit for the local area.

These 'races of deregulation of labour' also occur rather often within the framework of subcontracting chains that multinational companies establish with small and medium companies of poor and emerging countries. International subcontracting chains – both formal and informal – have a considerable impact in the labour market of many of these countries. The competition among local companies to get jobs from these multinational companies at any cost worsens the social and labour conditions of their workers.

In order to stop the cuts on labour regulations to better compete in global economy, some international rules applying to all workers should be established to guarantee basic social protection, freedom and dignity.

From its creation in 1919, the International Labour Organization (ILO) has been working on some basic international rules – with a universal scope – that establish some essential principles and rights for labour. These have turned into a series of international legally binding treaties called Conventions. Eight of them are considered 'fundamental'; they concern the following:

- Freedom of association for workers and freedom to join trade unions (1948)

- Effective acknowledgment of the right to collective bargaining (1949)

- Abolition of forced or compulsory labour in all its forms (1930 and 1957)

- Effective abolition of child labour (1973 and 1999)

- Equal remuneration and non discrimination regarding labour and occupation (1951 and 1958)

These are some basic social rules, essential to take part in global economy. These rules need to be applied equally in all countries so that countries that respect them do not see their efforts undermined by those who ignore them. The greatest part of these Conventions has been endorsed by most countries but the ILO established a monitoring system to face any problems that may arise from their implementation.

Furthermore, it is important that these rules also apply to workers in informal economy – rather numerous in poor and emerging countries – as most of them live in a situation of poverty. These rules have been proved to be efficient in leading them to a formal economy and reducing poverty.

Further to international labour rules, there should be an established world system of minimum salaries if we are to prevent the aforementioned 'deregulation of labour races'. If each country had its own minimum salary and all minimum salaries were linked in a flexible manner, we could prevent countries from engaging in dynamics based on 'lowest salary competition'. This is the only way to make workers' prosperity grow as countries prosper economically themselves.

However, trade unions need to face the challenge of globalization by becoming global organizations themselves. There is a need for World Union Federations that are able to bargain framework agreements with multinational companies at world level. More than twenty-five have already been negotiated to date. Every day there are more international company committees created to operate at either regional or world levels. The journey to globalized unions has already started but there is still a long way to go. Despite the existence of some international labour rules, nowadays:

- 246 million children are subjected to different forms of child labour.

- 150 million of these are employed in jobs that are considered dangerous.

- 8 million children under 17 are victims of human trafficking to work in domestic service, or held in involuntary servitude to pay a debt (in agriculture or brick factories), or forced to work in illicit drug dealing, prostitution, or turned into 'child soldiers'.

- In poor and emerging countries, there are many cases of imprisonment, murder or disappearance of union affiliates who try to implement the most basic labour rights.

- 80% of families in the world have few or no available mechanisms for social protection (unemployment, invalidity or pension benefits, minimum salary, regulated dismissal, etc.).

- 50 million people in the world work in maquilas.

The ILO now promotes the decent work for all programme to spread and strengthen, all around the world, those labour rights that make labour a source of welfare, security and personal development. 'Decent work' also requires economic policies that prioritize the creation of sustainable jobs, aimed at full employment. Economic growth cannot be an end in itself but the way to create decent jobs that allow people to overcome poverty.

Only social protection may prevent productive changes caused by globalisation from causing a trauma to those workers who suffer them. Therefore, a commitment to decrease labour insecurity is crucial to legitimise globalization.

Only 'decent work' can guarantee the growth of global economy to be beneficial for everyone and focus in improving people's lives and human dignity.

2.2. SPOT THE 12 DIFFERENCES

Labour rights are not obvious even in developed countries. Being formulated is not equal to being implemented. The differences between rich countries and poor countries are striking. An image shows it all. Still, even in Western countries we should be aware that neoliberal policies and un-ruled globalisation tend to undermine already given for granted rights.

These are the basic rights of workers as stated in the Spanish Constitution (1978) and the Ley del Estatuto de los Trabajadores (1980).

01. Right to free choice of employment

02. Right to a fair remuneration

03. Right to non-discrimination on the basis of gender, race, ethnicity, religion, social origin, age, sexual orientation, marital status or political ideology

04. Right to maximum labour-day, weekly rest and paid holidays

05. Right to safety and hygiene in the workplace

06. Right of association and right to collective bargaining

07. Right to strike

08. Right to a regulated dismissal

09. Right to social security (benefits for unemployment, injury, sickness, etc.)

10. Right to retirement benefits

11. Right to vocational training

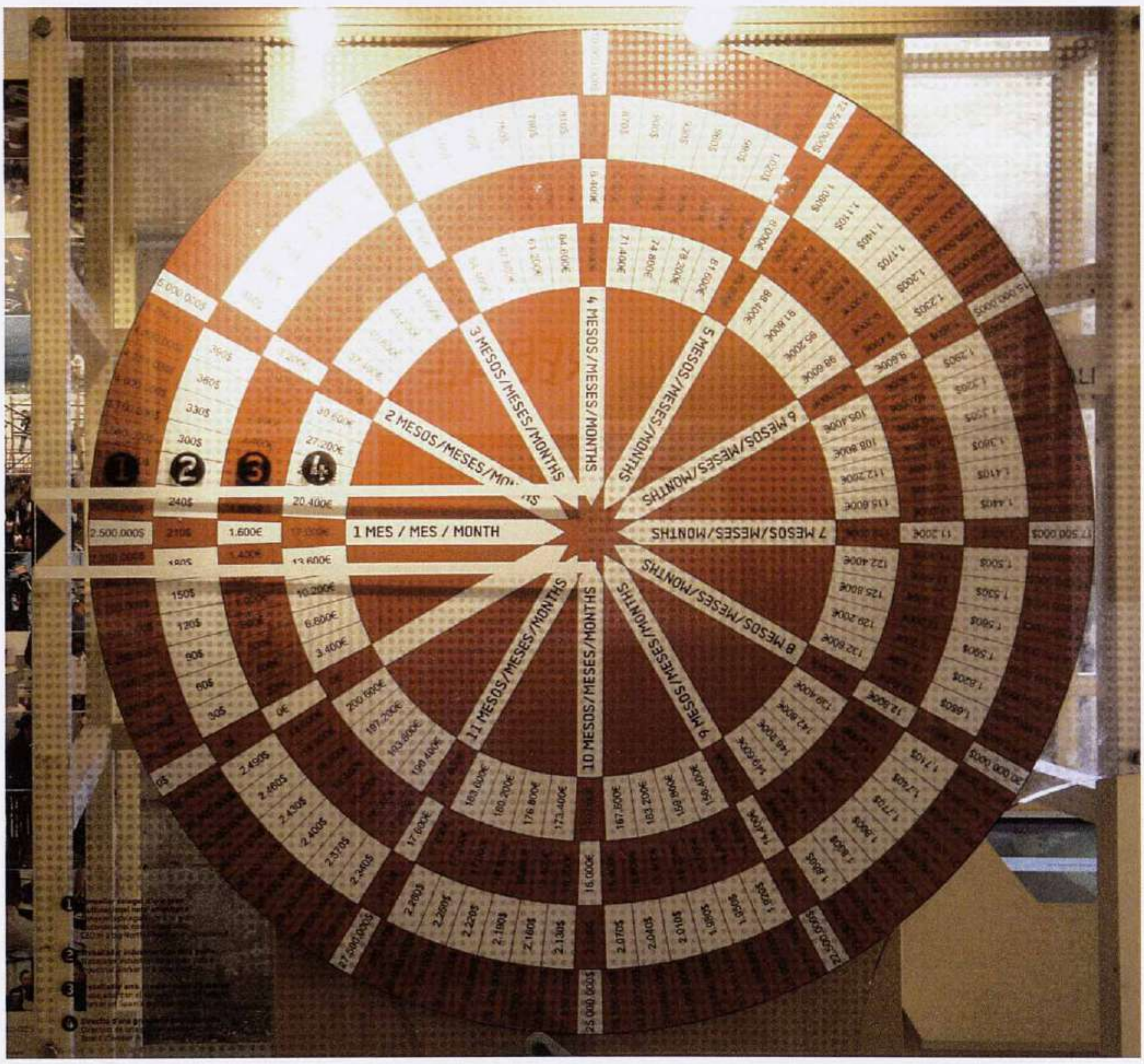
12. Right to information, consultation and participation


01 DRET A ESCOLLIR LLIUREMENT EL PROPI TREBALL
02 DRET A UNA REMUNERACIÓ JUSTA
03 DRET A NO SER DISCRIMINAT PER RAONS DE SEXE, RAÇA, ÈTNIA, RELIGIÓ, ORIGEN SOCIAL, EDAT, ORIENTACIÓ SEXUAL, ESTAT CIVIL O IDEES POLÍTIQUES
04 DRET UNA JORNADA LABORAL MÀXIMA, AL DESCANS SETMANAL I A VACANCES REMUNERADES
05 DRET A LA SEGURETAT I A LA HIGIENE EN EL TREBALL
06 DRET A LA SINDICACIÓ I A LA NEGOCIACIÓ COL·LECTIVA
07 DRET DE VAGA
08 DRET A UN ACOMIADAMENT REGULAT
09 DRET A LA PROTECCIÓ SOCIAL (SUBSIDI D'ATUR, BAIXA PER ACCIDENT O MALALTIA, ETC.)
10 DRET A UNA PENSIÓ DE JUBILACIÓ
11 DRET A LA FORMACIÓ PROFESSIONAL
12 DRET A INFORMACIÓ, LA CONSULTA I LA PARTICIPACIÓ EN L'EMPRESA
5.000.000$
390$
360$
330$
300$
1
2
3
240$
2.500.000$
210$
1.600€
150$
120$
90$
60$
30$
2.490$
0$

2.3. HOW LONG WOULD IT TAKE ME TO EARN THE SAME AS....?

What is the difference between the highest and the lowest salary within one multinational company? Let's take one specific case that could be easily extrapolated to many similar companies. The CEO for Walt Disney Co. had an income of $30,617,352 in 2008. The subcontracting chain of this company usually outsources to the maquilas in Central American countries. The wages of a worker in the manufacturing industry in Guatemala were $2,737 a year in 2008.

The difference between the salaries of the best and worst paid workers in this productive chain – representative of most multinational companies – is 11,186 to 1. This means it would take the maquila worker about 1000 years – 932 years exactly – to earn what the CEO earns in one month.

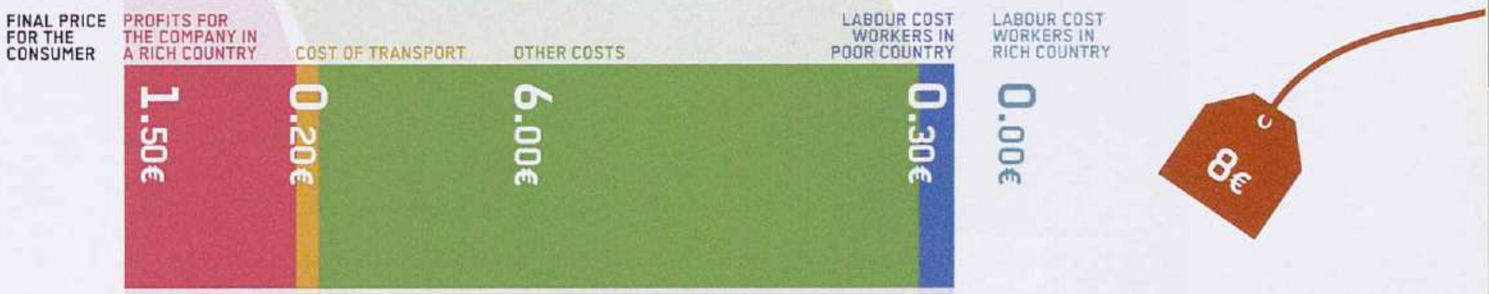


2.4. WHO WINS AND WHO LOSES WITH DELOCALIZATION?

WHEN I BUY A BRAND SHIRT (MADE BY A COMPANY IN A RICH COUNTRY), HOW IS THE MONEY I PAY FOR IT DISTRIBUTED?

BEFORE DELOCALIZATION

AFTER DELOCALIZATION WITHOUT LABOUR RIGHTS



WHO WINS? WHO LOSES?

▲CONSUMER

Price goes from 10 Euro to 8 Euro

▲COMPANY IN RICH COUNTRY?

Its profits increase in 50% (twice what they would increase if delocalization was carried respecting labour rights).

▲WORKER IN POOR OR EMERGING COUNTRIES

They get a job at the company that was delocalised from a rich county. They are exploited but their current wages are probably better then in their last job (especially if they come from working in fields).

▼WORKERS IN RICH COUNTRY

They lose their jobs. However, their country has social protection systems (regulated dismissals, unemployment benefit, professional training, etc.) so they can try to withstand and overcome the situation.

AFTER DELOCALIZATION WITH LABOUR RIGHTS

WHO WINS? WHO LOSES?

▲CONSUMER

Price goes from 10 Euro to 8.10 Euro

▲COMPANY IN RICH COUNTRY?

Its profits increase in 25% (half increase if delocalization was carried without respecting labour rights)

▲WORKER IN POOR OR EMERGING COUNTRIES

Due to the presence of labour rights, they do not get exploited by their employers. Their wages are more than twice what they would get paid if labours rights were not respected.

▼WORKERS IN RICH COUNTRY

They lose their jobs. However, their country has social protection systems (regulated dismissals, unemployment benefit, professional training, etc.) so they can try to withstand and overcome the situation.

HOW MUCH WOULD A WORKER IN THE TEXTILE INDUSTRY MAKE IN... ?

TURKEY: 4.3$ /HOUR
VIETNAM: 0.6$/HOUR
CHINA (INTERIOR): 1.4$/HOUR
INDIA: 0.9$/HOUR
CHINA (COAST AREA): 1.9$/HOUR
MOROCCO: 2.9$ /HOUR
BANGLADESH: 0.4$ /HOUR
SPAIN: 18.4$/HOUR

3

World Trade

Free trade, in theory, could benefit all countries – wealthy, poor and emerging. In practice, it is only exercised one way: poor and emerging countries open their market to products manufactured in rich countries, but rich countries remain closed to the majority of products from poor and emerging countries. This is how agreements to promote free trade have worked so far. Rich countries undermine free trade by providing substantial subsidies for their agriculture, which means that agricultural producers in poor and emerging countries are faced with falling prices in global markets and a loss of expert competitiveness, and eventually are driven out of business. That is a flagrant contradiction with the principles of free trade, where there are supposed to be no barriers to trade. Subsidies are also bad for small farmers in rich countries, for they benefit mostly large-scale farms, often linked to large agrobusiness corporations. Rich countries, moreover, make sure that rules for global trade ban tariffs and subsidies for industrial products, thus severely limiting the possibilities of success of industrialization processes in poor and emerging countries.

3.1. TRADE IS GOOD FOR EVERYONE...

A country's capacity to export the products it manufactures or grows more efficiently than other countries – and without any difficulties – can significantly contribute to its economic growth.

Many economists defend free trade as a source of prosperity for the entire planet and, in theory, all countries – rich, poor, emerging – could profit from free trade at the same time. World trade could stimulate social and economic development in emerging countries... if it were really free! Or rather, if it were actually regulated by fair rules.

...Only if everyone can engage in trade

The history of trade liberalism shows that the rules of world trade are not fair. In the last thirty years, the agreements to promote free trade served to have poor and emerging countries opening their markets to products manufactured in rich countries. However, these have remained closed to most products made in poor and emerging countries.

As rich countries are more competitive in industry, in recent decades trade barriers for industrial products have been drastically reduced worldwide. Meanwhile, poor and emerging countries are more competitive in agriculture and so commercial barriers for rich countries on agricultural trade have stayed the same – or even increased. Rich countries advocate free trade, but only as long as it suits them. Whenever free trade might not be to their benefit, they engage in a more or less covert protectionism.

3.2. WHO PAID THE 'ROUND'?

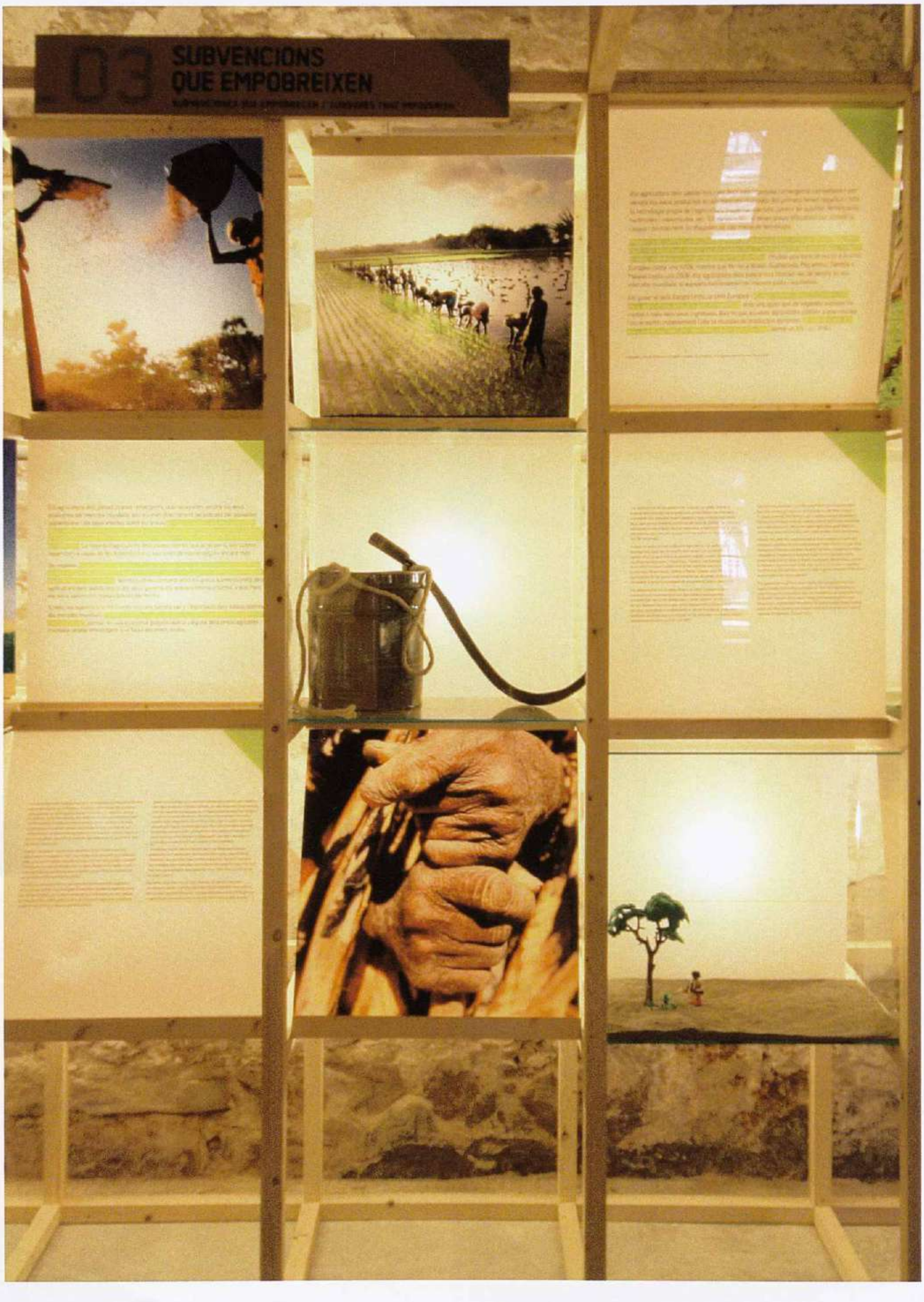
The most significant agreement for trade liberalism in recent years was known as the 'Uruguay Round' and signed in 1994; it has led to a worldwide annual growth in wealth of around $500 billion a year. How were these profits distributed?

- Rich countries (16% of the world's population) had 70% of the earnings.

- Poor and emerging countries (85% of the world's population) had the remaining 30%.

- Sub-Saharan Africa – where most of the world's poorest countries are located – lost about $1.2 billion a year as a result of the 'Uruguay Round'.


barrera molt particular
Com més valor afegit té el producte, més elevat és l'aranzel. D'aquí el nom d'"aranzels progressius".
Aquests aranzels
Així, els països rics permeten l'entrada a baix preu de les matèries primeres sense elaborar dels països pobres i emergents –com per exemple la fruita–. Però perjudiquen obertament les seves indústries basades en l'agricultura –com per exemple les que fan confitura–.
Els aranzels progressius protegeixen les indústries agroalimentàries dels països rics. Però dificulten els processos d'industrialització incipient dels països pobres i emergents, cosa molt negativa per al seu desenvolupament econòmic.
Si un país amb una economia agrària exporta fruites obtindrà molts menys ingressos que si exporta aquestes mateixes fruites convertides en confitura o en sucs.
De la mateixa manera, genera més riquesa exportar sopes de verdura que verdures fresques, exportar xocolata que cacau o exportar cafè torrefacte que cafè sense processar.
Si l'objectiu del comerç internacional fos el desenvolupament dels països pobres i emergents,
I podrien impulsar una indústria basada en l'agricultura, molt beneficiosa per al seu desenvolupament econòmic.
Cacao


03
SUBVENCIONS
QUE EMPOBREIXEN

3.3. SUBSIDIES THAT IMPOVERISH AS...?

Agricultural farmers from rich countries compete with those from poor and emerging countries to sell their products in global markets. The former have irrigation systems and all the modern farming technology: tractors, quality seeds, fertilizers, herbicides and insecticides etc. while the latter often have great difficulty to access water and usually don't have any technology.

Nonetheless, producing agricultural products in poor and emerging countries is still cheaper than in rich countries. Despite poverty, agricultural production in poor and emerging countries is highly competitive. Producing a tonne of sugar in the EU costs roughly €670 but it only costs €280 in Brazil, Guatemala, Zambia or Malawi. Agricultural farmers in rich countries would certainly stand to lose in global markets if these worked under fair and equitable rules.

The governments of the United States, the European Union and Japan provide substantial subsidies for their own agriculture in order to keep it competitive, with aid sometimes accounting for half or even more of farmers' income. As a result, such farmers produce at a very large scale, significantly increasing the global supply of agricultural products and thus causing a noticeable decline in their prices in global markets (from 5% to 35%).

Agricultural farmers in poor and emerging countries, who need to sell their products in global markets, are the ones who feel the negative effects of these subsidies on prices. Sometimes the profits from their exports suffer a drastic fall, or they just have to stop exporting to some countries because they cannot beat the subsidized prices of their competitors. The standard of living of agricultural farmers in poor countries – which was already low – worsens as a result of these subsidies.

Sometimes, global prices fall so dramatically that these agricultural farmers can't even cover their production costs – low as these are – and they are forced to abandon their crops. These producers would only be able to compete with the subsidized prices of rich countries' producers if their own governments provided them with subsidies as well. However, their countries are too poor to do this.

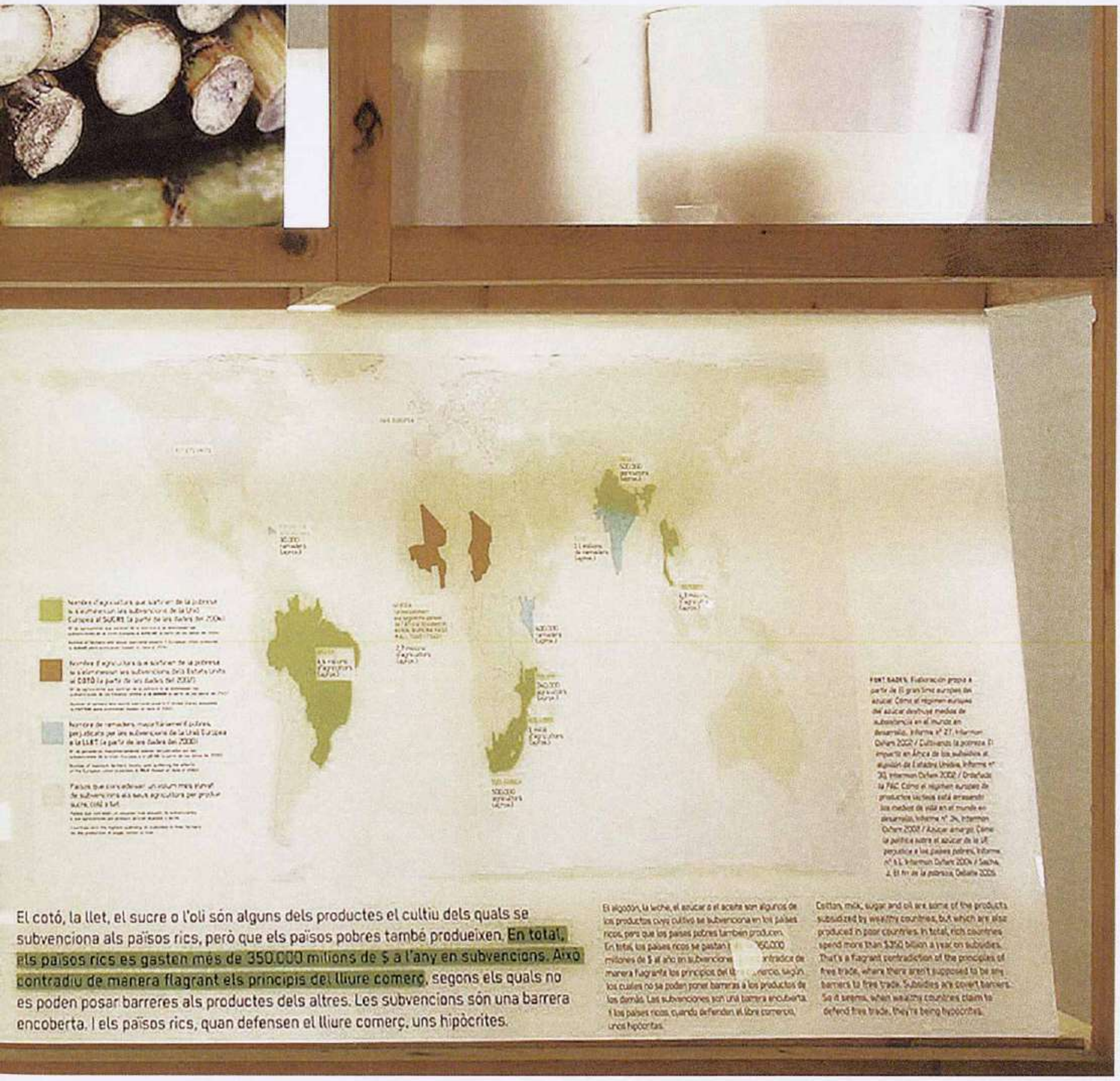
Furthermore, subsidies are not only a barrier for export from poor countries to global markets, but they also affect poor farmers who want to sell in local markets because, in a globalised economy, a decrease in agricultural prices in the global market makes local prices go down as well.

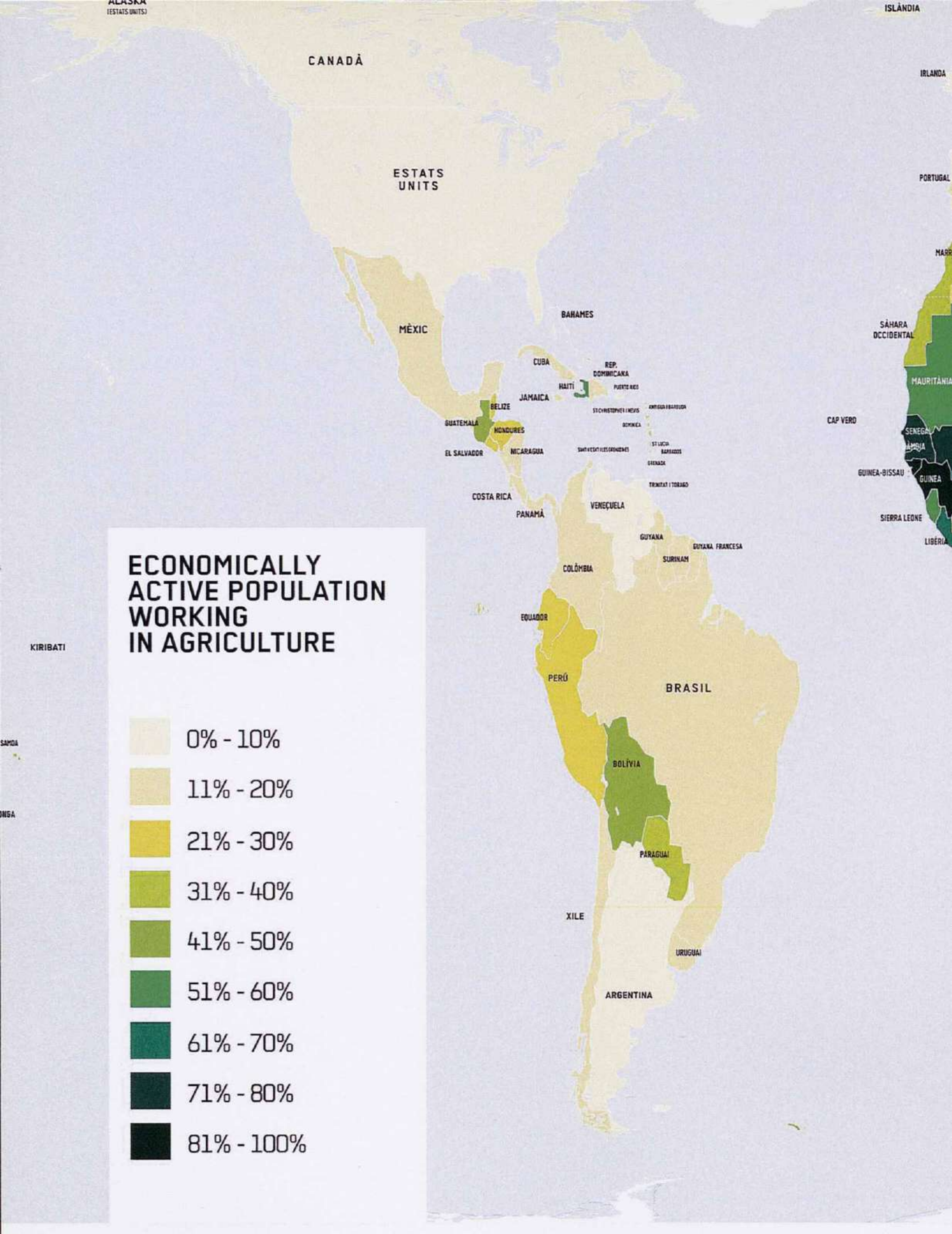
3.4. HYPOCRISY

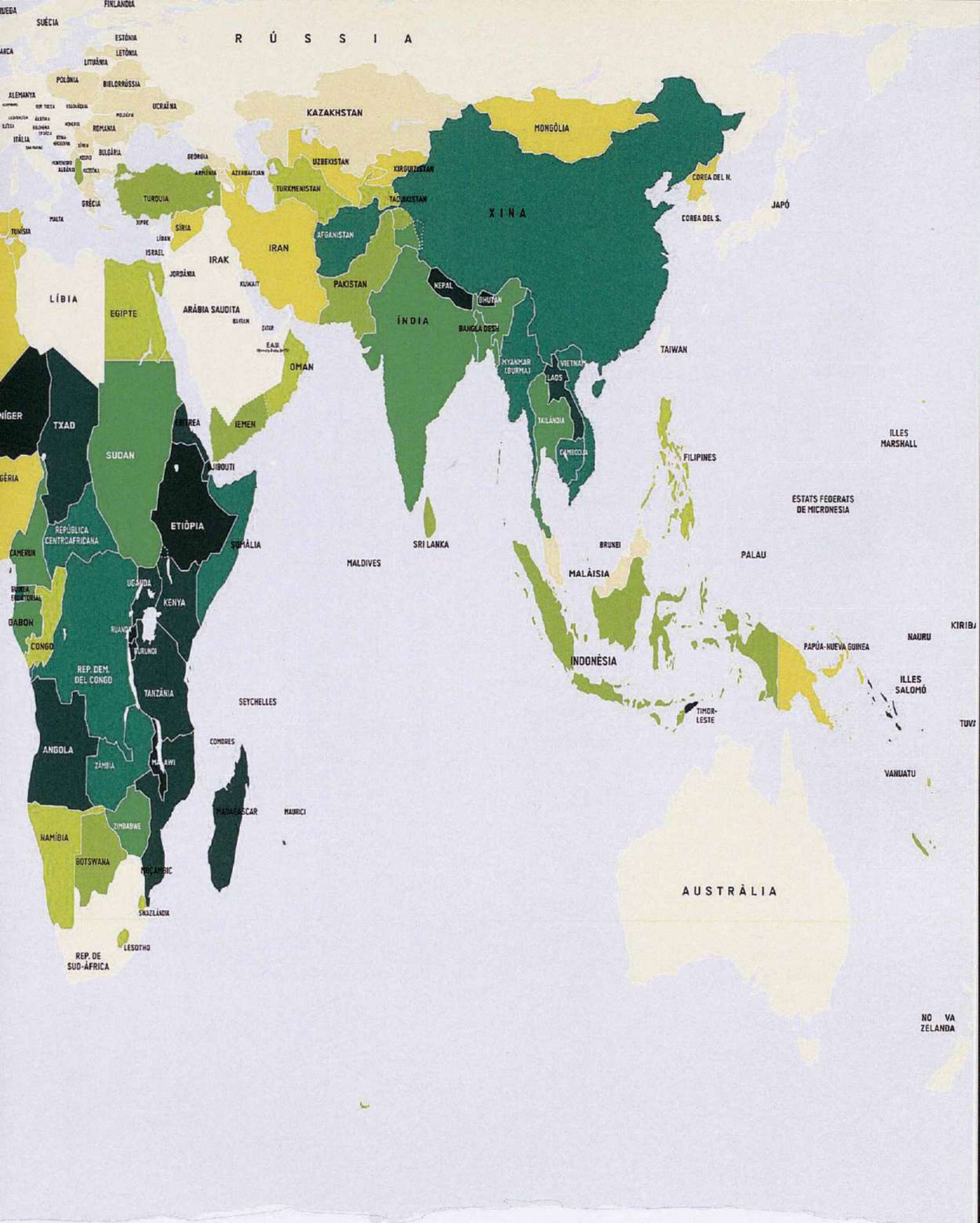
The vast majority of people living in poor countries are directly or indirectly dependent on agriculture. Eliminating subsidies would benefit them all substantially as it would raise prices and open new markets.

Cotton, milk, sugar and oil are some of the products subsidized by wealthy countries, but which are also produced in poor countries. In total, rich countries spend more than $350 billion a year

on subsidies. That's a flagrant contradiction of the principles of free trade, where there aren't supposed to be any barriers to free trade. Subsidies are covert barriers. So it seems, when wealthy countries claim to defend free trade, they're being hypocrites.




ECONOMICALLY ACTIVE POPULATION WORKING IN AGRICULTURE
0% - 10%
11% - 20%
21% - 30%
31% - 40%
41% - 50%
51% - 60%
61% - 70%
71% - 80%
81% - 100%
ISLÀNDIA
CANADÀ
IRLANDA
ESTATS UNITS
PORTUGAL
MÈXIC
BAHAMES
SÀHARA OCCIDENTAL
CUBA
REP. DOMINICANA
HAITÍ
JAMAICA
BELIZE
GUATEMALA
HONDURES
EL SALVADOR
NICARAGUA
MAURITÀNIA
CAP VERD
GUINEA-BISSAU
GUINEA
SIERRA LEONE
LIBÈRIA
COSTA RICA
PANAMÀ
VENEÇUELA
GUYANA
GUYANA FRANCESA
SURINAM
COLÒMBIA
EQUADOR
KIRIBATI
PERÚ
BRASIL
BOLÍVIA
PARAGUAI
XILE
URUGUAI
ARGENTINA

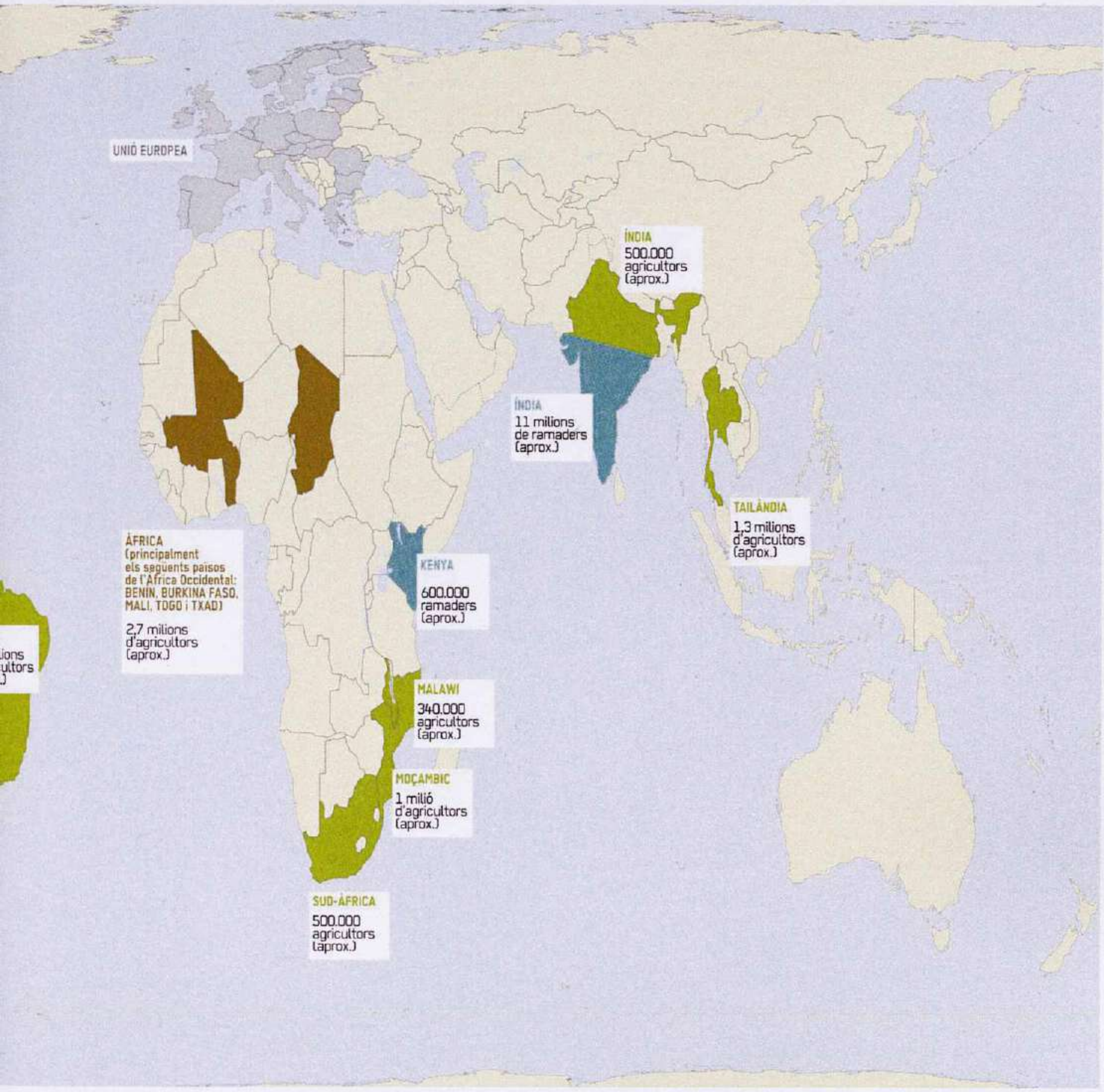

FINLANDIA
SUÈCIA
RÚSSIA
ESTÒNIA
LETÒNIA
LITUÀNIA
POLÒNIA
BIELORRÚSSIA
ALEMANYA
UCRAÏNA
ROMANIA
ITÀLIA
BULGÀRIA
GEÒRGIA
ARMÈNIA
AZERBAITJAN
KAZAKHSTAN
MONGÒLIA
UZBEKISTAN
KIRGUIZISTAN
TURKMENISTAN
TADJIKISTAN
COREA DEL N.
COREA DEL S.
JAPÓ
XINA
GRÈCIA
TURQUIA
MALTA
TUNÍSIA
XIPRE
SÍRIA
LÍBAN
ISRAEL
IRAK
IRAN
AFGANISTAN
JORDÀNIA
KUWAIT
PAKISTAN
NEPAL
BHUTAN
ÍNDIA
BANGLA DESH
LÍBIA
EGIPTE
ARÀBIA SAUDITA
QATAR
E.A.U.
OMAN
TAIWAN
MYANMAR (BURMA)
VIETNAM
LAOS
TAILÀNDIA
CAMBODJA
NÍGER
TXAD
SUDAN
ERITREA
IEMEN
DJIBOUTI
ILLES MARSHALL
FILIPINES
ETIÒPIA
SOMÀLIA
REPÚBLICA CENTREAFRICANA
SRI LANKA
ESTATS FEDERATS DE MICRONESIA
CAMERUN
MALDIVES
BRUNEI
PALAU
MALÀISIA
UGANDA
KENYA
GABON
RUANDA
BURUNDI
CONGO
KIRIBA
NAURU
PAPÚA-NUEVA GUINEA
INDONÈSIA
REP. DEM. DEL CONGO
TANZÀNIA
SEYCHELLES
ILLES SALOMÓ
TIMOR-LESTE
TUVA
COMORES
ANGOLA
ZÀMBIA
MALAWI
MADAGASCAR
MAURICI
VANUATU
ZIMBABWE
NAMÍBIA
BOTSWANA
MOÇAMBIC
AUSTRÀLIA
SWAZILÀNDIA
LESOTHO
REP. DE SUD-ÀFRICA
NOVA ZELANDA

Number of farmers who would overcome poverty if European Union subsidies to SUGAR were eliminated (based on data of 2004)

Number of farmers who would overcome poverty if United States subsidies to COTTON were eliminated (based on data of 2002)

Number of livestock farmers, mostly poor, suffering the impact of European Union subsidies to MILK (based on data of 2000)

Countries with the highest spending on subsidies to their farmers for the production of sugar, cotton or milk,


UNIÓ EUROPEA
ÍNDIA
500.000 agricultors (aprox.)
ÍNDIA
11 milions de ramaders (aprox.)
TAILÀNDIA
1,3 milions d'agricultors (aprox.)
ÀFRICA (principalment els següents països de l'Àfrica Occidental: BENÍN, BURKINA FASO, MALI, TOGO i TXAD)
2,7 milions d'agricultors (aprox.)
KENYA
600.000 ramaders (aprox.)
MALAWI
340.000 agricultors (aprox.)
MOÇAMBIC
1 milió d'agricultors (aprox.)
SUD-ÀFRICA
500.000 agricultors (aprox.)

3.5. WHAT ABOUT OUR OWN FARMERS?

One of the typical arguments used by rich countries to justify their agricultural subsidies is that these are necessary to preserve small family farms, farming, rural labour and traditional ways of life. However, data shows this is not true. Most of the subsidies go to large farms, often linked to large agro-industrial companies.

Take a look at the data for US subsidies from 1995 to 2004*:

TYPE OF AGRICULTURAL FARMER	NUMBER OF AGRICULTURAL FARMERS	% OF TOTAL AGRICULTURAL FARMERS	% OF TOTAL SUBSIDIES	SUBSIDY AMOUNT (PER AGRICULTURAL FARMER)
Large	30,000	1%	25%	More than $1,000,000
Medium	570,000	19%	65%	Approx. $200,000
Small	2,440,184	80%	13%	Less than $7,000

Subsidies can even have negative effects for small farmers. As subsidies make agriculture more lucrative, they may increase the demand for land and, therefore, raise its price. When land increases in value, it is necessary to make bigger investments in technology in order to keep farming profitable. Eventually, it is more profitable for small farmers to sell their land to large producers than it is to make such investments.

3.6. BETTER OFF BEING A COW THAN BEING POOR

'The average European cow gets a subsidy of $2 a day (the World Bank measure of poverty); more than half the people in the developing world live on less than that. It appears that it is better to be a cow in Europe than to be a poor person in a developing country'.

Joseph E. Stiglitz, *Making Globalization Work*.

Source: Environmental Working Group's Farms Subsidy Database, 'Total USDA Subsidies in United States'.

“Una vaca europea rep una subvenció mitjana de 2$/dia (el llindar de la pobresa segons el Banc Mundial); més de la meitat de la població del món en vies de desenvolupament viu amb menys que això. Segons sembla, és millor ser una vaca a Europa que ser una persona pobra en un país en vies de desenvolupament.”

Stiglitz, J. E.: *Com podem fer funcionar la globalització*

MEJOR VACA QUE POBRE

“La vaca media europea obtiene una subvención de 2$/día (la magnitud donde sitúa la pobreza el Banco Mundial); más de la mitad de la población del mundo en vías de desarrollo vive con menos de esto. Según parece, es mejor ser una vaca en Europa que ser una persona pobre en un país en vías de desarrollo.”

Stiglitz, J.E.: Cómo hacer que funcione la globalización

BETTER A COW THAN POOR

“The average European cow gets a subsidy of $2 a day (the World Bank measure of poverty); more than half of the people in the developing world live on less than that. It appears that it is better to be a cow in Europe than to be a poor person in a developing country.”

Stiglitz, J.E.: Making Globalization Work

3.7. FRUIT OR JAM?

If a country with an economy based in agriculture exports fruit, its income will be much lower than if it exports the same fruit in the form of conserves or juice. These products have a significantly higher added value than fruit has and, therefore, their prices in global markets are higher. Likewise, it is more profitable to export vegetable soup than to export fresh vegetables, chocolate than cacao or ground coffee than unprocessed coffee.

If international trade aimed at the development of poor and emerging countries, it would have to make it easier for them to sell products with the highest added value possible in international markets. As a result, the profits from such exports would increase significantly and these countries would be able to boost agricultural industries, which would improve their economic development.

Nevertheless, rich countries have designed a rather unique kind of barrier for poor and emerging countries. They set low tariffs for raw material and higher tariffs for the goods that are manufactured from those same materials. The more added value a product has, the higher the tariffs for it. Thus the term 'progressive tariffs'.

These tariffs mean that products coming from poor and emerging countries with higher added value will be more expensive when they get to rich countries' markets and, therefore, not very competitive. So, rich countries let non-manipulated raw materials from poor and emerging countries enter at low prices – as is the case of fruit – but they openly jeopardise the agro-industry in these countries – such as the conserve industry.

Progressive tariffs protect the agro-industry in rich countries, but they obstruct growing industrialisation processes in poor and emerging countries, having an extremely negative impact on their economic development.

3.8. PENALIZING VALUE

Progressive Tariffs

PRODUCT	TARIFF (per kilo of product)
Oranges	$1.90 cents
Oranges conserves	$3.5 cents
Frozen orange juice	$7.85 cents
Orange pulp	$11.20 cents

Source: US Harmonized Tariff Schedule (2005).


07
FRUITES O CONFITURA?

3.9. YOU SHALL NOT PROTECT THE INDUSTRY

If subsidies and progressive tariffs disappeared, the income of poor farmers would improve significantly. Even so, a country that lives off of agriculture – competitive as it may be in that sector – will always have very limited prospects for economic growth. Salaries for rural jobs are invariably lower than those for industrial ones. If a country wants economic progress, it needs a developed industrial sector.

However, poor countries will never be able to create and develop their own industry if it is not protected in the initial phases. For poor countries to enter world markets and sell in sectors currently dominated by rich countries, they need to protect the markets from the already existing industrial giants (typically Western) until their industries are strong enough to compete with them.

How can an emerging industry be protected? There are two ways: Putting tariffs on foreign products with which they must compete, or through public subsidies. Through tariffs, new industries can put higher prices on their products making it possible for them to cover their costs, which in the initial phases are always higher than for already established foreign industries. With subsidies, they can make investments and carry out research so they can become more efficient and, as a result, be competitive in the future without the need for tariffs.

However, the 'Uruguay Round' – the agreement that will establish the rules of the game for global trade – banned tariffs and subsidies for industrial products. Thus, the industrialization process for poor and emerging countries is severely limited and, consequently, become a serious roadblock for economic growth. If we want poor and emerging countries to develop, we have to allow their industries to be protected in the early stages so they can be competitive in global markets.

3.10. KOREA: A CASE TO REMEMBER

'[Until the 1960s] the comparative advantage of Korea was growing rice. But even if Korean farmers became the most efficient rice producers in the world, their incomes would still be limited. The Korean government realized that if it was to succeed in becoming developed, it had to transform its economy from agriculture to industry'.

Joseph E. Stiglitz, *Making Globalization Work*.

In 34 years, Korea's growth has equalled that of England's in 160 years. As Paul Krugman explains: 'In 1963 South Korea was probably poorer than Britain had been in 1800 – poorer, perhaps, that Britain had been since the seventeenth century. By 1997 the Koreans had reached more or less the per capita income of Britain in the early 1960s.'


10
COREA: UN CAS PER NO OBLIDAR
COREA: UN CASO PARA NO OLVIDAR / KOREA: A CASE NOT TO FORGET
"[Fins als anys seixanta], l'avantatge comparatiu de Corea era el cultiu d'arròs. Però encara que els agricultors coreans es convertissin en els productors d'arròs més eficaços del món, els seus ingressos continuarien sent limitats. El govern coreà va ser conscient que per aconseguir amb èxit el desenvolupament, la seva economia havia de passar de basar-se en l'agricultura a fer-ho en la indústria."
En 34 anys Corea va créixer tant com els britànics en 160. Com explica Paul Krugman:
No obstant l'èxit econòmic, aquest procés va esdevenir-se sota una dictadura militar, severament repressora de les llibertats polítiques, i en un context geopolític fortament marcat per la guerra freda. Avui, tanmateix, Corea és una democràcia i té una distribució de la renda bastant equitativa.
"Al finalitzar la guerra, Corea era més pobra que l'Índia, a principis dels anys 90 havia ingressat a l'OCDE, el club de les nacions industrialitzades més avançades. (...) Després del naufragi de la Guerra de Corea, el país va formular una estratègia de creixement que va augmentar la renda per capita vuit vegades en 30 anys, va reduir la pobresa dràsticament, va aconseguir l'alfabetització universal i va avançar molt a tancar la bretxa tecnològica amb els països avançats."
INDÚSTRIA DESPROTEGIDA

That economic growth – one of the fastest in history – was possible due to a clever protection strategy for emerging industries that started in 1963, and to a very high investment in education. After just a few years, Korean high-tech industrial brands were already competing with large Western companies for prominence in global markets.

Despite this, Korea's economic success took place under a military dictatorship that brutally repressed political freedoms and in a geo-political context largely defined by the cold war. However, Korea is now a democracy and its income distribution is rather equitable.

'At the end of the War, Korea was poorer than India; by the beginning of the 1990s, it had joined the OECD, the club of the advanced industrialized countries. [...]As it emerged from the wreckage of the Korean War, South Korea formulated a growth strategy which increased per capita income eight-fold in thirty years, reduced poverty dramatically, achieved universal literacy, and went far in closing the gap in technology between itself and the more advanced countries.'

Joseph E. Stiglitz, *Globalization and its Discontents*.

3.11. WORLD TRADE: WHAT RULES DOES IT NEED TO BE FAIR?

World trade is ruled by three different situations: free market access, preferential market access and non-preferential market access (tariffs).Markets in rich and emerging countries should be completely open to products coming from poor countries and the latter should not have to do the same with products from rich and emerging countries. This free access – as opposed to the current situation – should be unilateral, non-reciprocal and without any economic or political conditions.

Emerging countries should be able to establish preferential access among them for their products. They should be able to extend this access to include as many products as they think convenient and they should not be required to grant this preferential access to other countries, including rich countries – as opposed to what the rules of the World Trade Organization currently state.

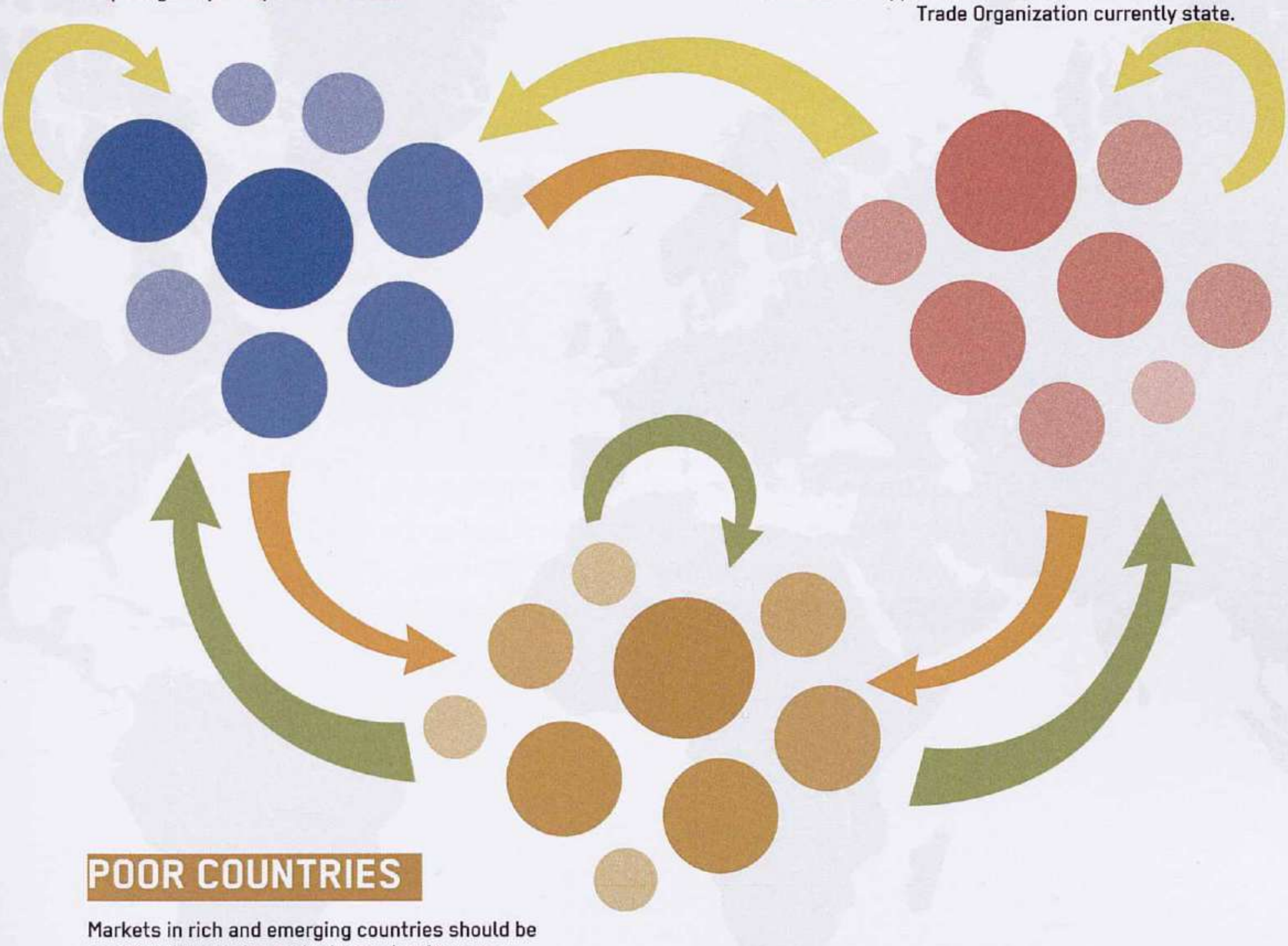
Rich countries should be free to lower tariffs on the products they trade among them as they wish. However, they should apply the same reduction – or a bigger one – on tariffs on products from emerging countries. They should also eliminate altogether the tariffs on products from poor countries, not requiring reciprocity in either case.

RICH COUNTRIES

Rich countries should be free to lower tariffs on the products they trade among them as they wish. However, they should apply the same reduction –or a bigger one– on tariffs on products from emerging countries. They should also eliminate altogether the tariffs on products from poor countries, not requiring reciprocity in either case.

EMERGING COUNTRIES

Emerging countries should be able to establish preferential access for their products among them. They should be able to extend this access to include as many products as they think convenient and they should not be required to grant this preferential access to the other countries, including the rich countries –as opposed to what the rules of the World Trade Organization currently state.



POOR COUNTRIES

Markets in rich and emerging countries should be completely open to products coming from poor countries and the latter should not have to do the same with products from rich and emerging countries. This free access –as opposed to the current situation– should be unilateral, non-reciprocal and without any economic conditions.

Free Market Access

Preferential Market Access

Non Preferential Market Access

'This reform replaces the principle of reciprocity for and among all countries regardless of circumstances with the principle of reciprocity among equals, but differentiation between those in radically different circumstances (...) The reforms would cost the developed countries little (...) and developing countries would benefit enormously'

Joseph E. Stiglitz. Making Globalization Work.

4

Natural Resources

A substantial part of the poverty in the world could be eradicated if we were to put an end to the so called 'curse of natural resources' – the long stream of calamities that afflict countries blessed with abundant natural resources. The flight to control them often ends in civil wars and dictatorships, widespread corruption, and environmental disasters.


POBRESA I DESIGUALTAT
DRETS LABORALS
COMERÇ MUNDIAL
RECURSOS NATURALS
_01 La paradoxa de l'abundància
PATENTS FARMACÈUTIQUES
FINANCES I INSTITUCIONS GLOBALS
RECURSOS NATURALS
_01
LA PARADOXA DE L'ABUNDÀNCIA

4.1. THE PARADOX OF ABUNDANCE

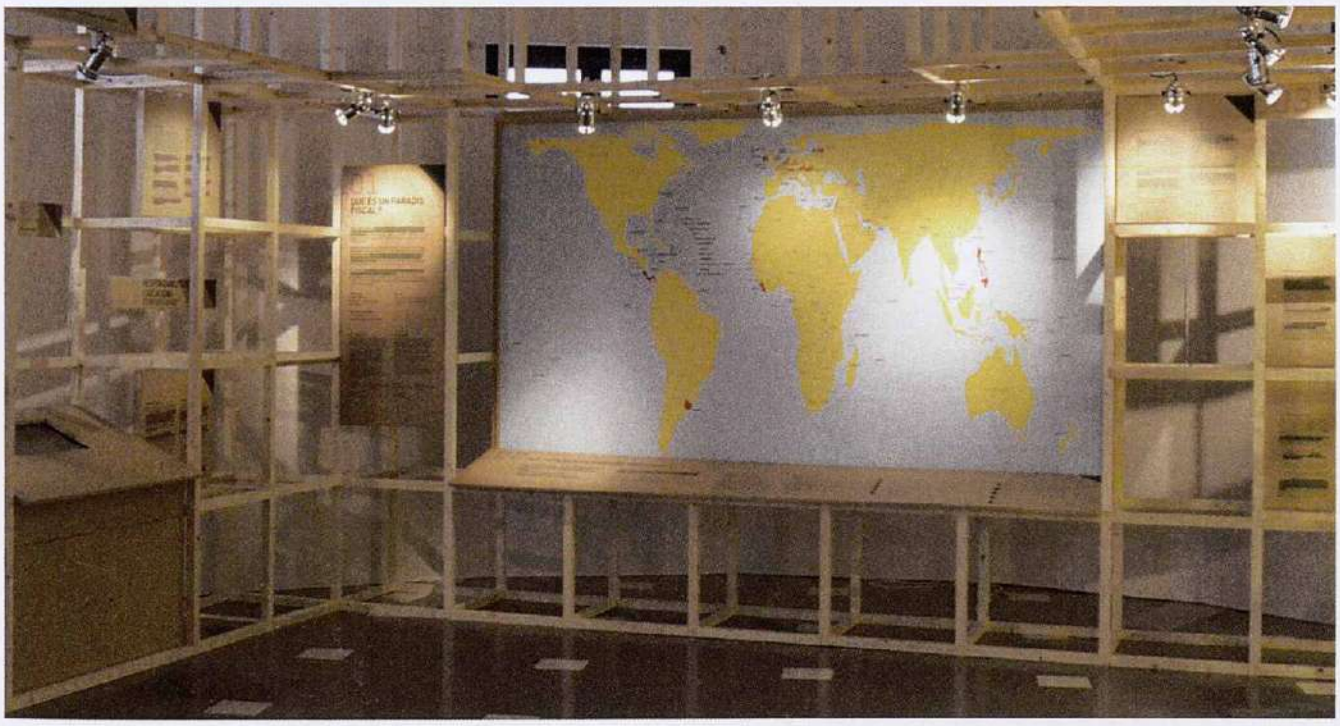
Diamonds, gold, coltan, tin, copper, gas, petroleum... Very poor countries abound in these highly prized minerals and fossil fuels countries that are often poorer than others with no mineral resources. Why is it that societies with richer natural resources are those with a more miserable economy?

There is a sad logic to this state of affairs, known as the 'paradox of abundance'. When exported, these natural resources create huge fortunes but, at the same time, they can be easily controlled – by means of force – by a minority in the country of origin. Thus, the fight to control them often ends in civil wars and dictatorships.

Multinational companies in rich countries that are interested in the exploitation of these resources sometimes support these conflicts or dictatorships from behind the scenes. Such companies may also obtain their exploitation rights by means of bribes, something easy due to the corrupt administrations that have their roots in the colonial system. Sometimes these companies also cause environmental disasters during the extraction process.

Furthermore, the prices of these resources on international markets are normally very unstable and their export increases the value of the local currency, thus damaging other export sectors.

All these problems have led some to talk about the 'curse of natural resources'. Is this an inevitable fate? Or is it the consequence of bad decisions that could be avoided? A substantial part of the poverty in the world could be eradicated if we were able to put an end to this 'curse'.




_02
BUSCA MINERALS:
TROBA CONFLICTES
BUSCA MINERALES: ENCUENTRA CONFLICTOS/
LOOKING FOR MINERALS: FINDING CONFLICTS
DIAMANTS / DIAMANTES / DIAMONDS
OR / ORO / GOLD
PETROLI / PETRÓLEO / OIL
COURE / COBRE / COPPER
URANI / URANIO / URANIUM
FERRO / HIERRO / IRON
COLTÀ / COLTAN / COLTAN
FOSFATS / FOSFATOS / PHOSPHATES
ALTRES RECURSOS MINERALS
OTROS RECURSOS MINERALES
OTHER MINERAL RESOURCES

4.2. LOOKING FOR MINERALS: FINDING CONFLICTS

4.3. THE PRICE OF ABUNDANCE AS THE PRICE OF WAR

In many countries that produce petrol, minerals or precious stones, it is not odd for a minority to get control of the state and institute a dictatorship with the aim of appropriating these resources and the benefits of its exports. It is no coincidence that countries rich in natural resources are more likely than others to fall into dictatorial regimes, which are often very cruel in order to maintain their power.

Furthermore, these countries have exaggerated and unjustifiable levels of inequality. Very progressive taxes are required for a country to achieve a very egalitarian distribution of income. Yet according to economic theory, such taxes may impair the kind of incentives that support economic growth and end up impoverishing the country that establishes them. However, for countries rich in natural resources, growth does not depend on these kinds of incentives at all. They could have the most redistributive tax system in the world and be the most egalitarian and they would grow the same. However, dictatorships make them the most unequal on the planet.

The most dramatic situation occurs when two minorities clash violently to control the state and a civil war breaks out, which in reality is simply a conflict over the control of resources. This has happened repeatedly in Africa since its decolonisation.

If natural resources are concentrated in a certain region of the country, civil war often takes the form of a struggle between local movements pursuing secession and the government, which fights to maintain control over those resources and normally prevents the inhabitants of the region from benefitting from them.

Nor is it a coincidence that most of the poor countries that have experienced a civil war or separatist conflict in recent decades are also countries rich in resources.

In a civil war as well as in a dictatorship, the control of natural wealth is a source of funding for acquiring weapons, whether to continue fighting or to maintain dictatorial repression. In a way, it is a vicious circle: the natural resources are both the reason and the objective of the conflict and the source for funding it and prolonging it.

To prevent dictatorships and civil wars, poor countries that are rich in resources must work to build democratic states, with solid institutions, multiparty systems, a free press and an independent judiciary. To avoid spending on weapons, they should pledge to devote a significant portion of their export earnings to health, education and infrastructure.

Meanwhile, rich countries, that hold the biggest arms industry in the world, should strictly regulate trade to prohibit the purchase of military equipment by dictatorial states or parties to a civil war. Moreover, mineral products should be certified to ensure that they do not come from a country in civil war and the sale of uncertified products should be banned so that nobody in rich or poor countries may obtain any economic benefit from an armed conflict.

If countries refuse to take on these basic commitments, whether rich or poor, there is a powerful mechanism to overcome their resistance: trade sanctions. The world trading system should serve to isolate states, whether rich or poor, that turn natural resources into a curse. Only in this way will they be of benefit to all the inhabitants of the countries that possess them.

Multinational companies and bribes: corruption takes always two

Dictatorships and civil wars in poor countries often collude with multinational companies that use disputed natural resources as raw materials for their production. Most of these companies are headquartered in Western countries.

If these countries had democratic governments and stability, they would try to obtain the maximum revenue to fund policies serving the general welfare of the population. In this case, the interests of the poor country's government (the seller) and of the rich country's company (the buyer) would be at odds. Therefore, the price of the resources would be determined by the logic of supply and demand.

However, if a dictatorial or corrupt minority governed these countries, it would be quite willing to sell its natural resources at a more favourable rate for multinational companies if it could keep a significant amount of the profits from these sales in return and thereby accumulate immense private fortunes.

In this case, the interests of the corrupt governments and the multinational companies concur: the governments have no problem selling below the market price in order to enrich themselves and stay in power and the companies have no problem supporting dictatorial governments or even fomenting civil wars in order to buy cheaper and attain immense profits that they would never obtain in a democratic and peaceful situation.

Something similar happens with bribes. A multinational company can make huge profits if a state official of a country possessing natural resources lowers the price to be paid in exchange for their exploitation. This state official may become rich from what is nothing more than a small bribe for the company. The company pays little and wins a lot. The official becomes rich at the price of impoverishing the country's population.

Furthermore, today when the price of natural resources rises in world markets, producing countries often continue to receive the same revenue as before and multinational companies appropriate the difference in price.

In addition, in their quest to maximise profits, Western multinational companies that exploit the natural resources of poor countries sometimes tend to have a rather lax environmental policy. As a result, countries that have been treated better by nature are those that run a greater risk of suffering serious environmental damage and ecological disasters.

What can rich countries do about this, since most multinational companies come from them? To prevent a corrupt or dictatorial minority from appropriating resources, they must make development aid conditional upon the states' proper use of the revenue they obtain from exporting their natural resources.

To ensure a fair price, international institutions should guarantee that Western multinational extractive companies generally pay more to countries where they are established in exchange for extraction rights. When prices rise, the difference in revenue should go to the country, and not to the company.

To prevent corruption, we must promote international standards for transparency, including tax penalties for companies that have paid dubious commissions and bribes, the abolition of tax havens and the enactment of anti-bribery laws. Meanwhile, countries with natural resources must build states of law with solid institutions and guarantee their citizens' right to information, which is the best antidote against corruption.

Finally, to prevent environmental damage, rules should be established requiring multinational companies to pay the costs of and repair environmental damage stemming from their actions and some sort of international agency should be created to enforce them.

Economic disadvantages

There are some strictly economic problems that are also regularly associated with an abundance of natural resources. Two are the most frequent: instability and the so called "Dutch disease".

INSTABILITY. Although they are determined by the law of supply and demand and come from politically stable countries, the prices of natural resources in international markets often vary widely. For prices to oscillate unpredictably, there is no need to be bribery or a dictatorial government in a country, or even civil war. Petrol is the best known example: in recent years, its price has risen and fallen sharply in just a few months. However, the same has happened with copper and tin.

If the price of these products varies constantly, the countries that obtain a very important part of their income from exporting their natural resources run the risk of seeing their economy go from boom to a permanent decline. They do not have the chance to enjoy stable and sustained economic growth. This is why "managing economies rich in natural resources is difficult due to the variability of the revenue coming from exports".

The "DUTCH DISEASE" is the name that economists have given to the other problem that affects countries rich in natural resources. Typically, these countries are paid for their exports in dollars. When these dollars are exchanged for local currency, it appreciates, meaning that its value increases compared to the dollar. This hurts economic sectors devoted to exports, because when a country's currency appreciates, its products become more expensive in international markets. Therefore, at the same time that natural resources make a country richer, the drop in the rest of its exports makes it poorer.

What can countries rich in natural resources do to combat price volatility? When prices are high, they should save part of their income and allocate it to a "stabilisation fund". Then, when prices fall, they will be able to spend this "fund" to prevent the economy from declining.

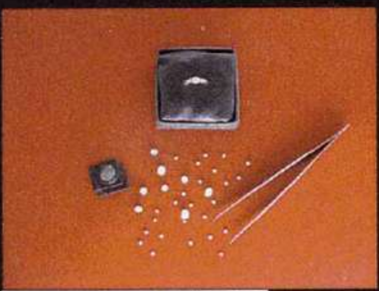
COLTAN

REPÚBLICA DEMOCRÀTICA DEL CONGO

3.800.000 morts / muertos / dead

1.480.000 desplaçats interns / desplazados internos / internally displaced persons

430.625 refugiats / refugiados / refugees



DIAMONDS

SIERRA LEONE
75.000 morts / muertos / dead — 20.000 mutilats / mutilados / maimed — 2.000.000 desplaçats interns / desplazados internos / internally displaced persons

REPÚBLICA DEMOCRÀTICA DEL CONGO
3.800.000 morts / muertos / dead — 1.480.000 desplaçats interns / desplazados internos / internally displaced persons — 430.625 refugiats / refugiados / refugees

LIBÈRIA
50.000 morts / muertos / dead

REPÚBLICA CENTREAFRICANA
212.000 desplaçats interns / desplazados internos / internally displaced persons — 71.685 refugiats / refugiados / refugees

ANGOLA
1.000.000 morts / muertos / dead — 4.500.000 desplaçats interns / desplazados internos / internally displaced persons

OIL

SUDAN
2.000.000 morts / muertos / dead — 4.300.000 desplaçats interns / desplazados internos / internally displaced persons

REPÚBLICA DEL CONGO
15.000 morts / muertos / dead

ANGOLA
1.000.000 morts / muertos / dead — 4.500.000 desplaçats interns / desplazados internos / internally displaced persons

NIGÈRIA
1.820 morts / muertos / dead — 13.902 refugiats / refugiados / refugees

What can they do to avoid the "Dutch disease"? The solution is simple: they must not exchange the dollars obtained from exports for local currency. In that case, however, what will the countries do with all those dollars? For instance, they can pay for their imports or make investments abroad. Dollars obtained abroad are best spent abroad, whether through purchases or investments.

Given these two risks, the lesson is clear: only through their intelligent management can natural resources become an real source of wealth and prosperity for the countries possessing them and not a curse – though in this case, a strictly economic one.

4.4. WHO DO WE SUPPORT?

'There is one overriding problem: the well-being of the resource-rich developing countries depends on how much they get for their resources; the well-being of the rich corporations of the advanced industrial nations depends on how little they pay for them. This is the natural and inevitable conflict that we have identified at the center of the paradox of plenty. Where will the people of the developed countries and their governments stand? In support of the few in those countries who own and run the rich corporations, or in support of the billions in the developing nations whose well-being, in some cases, whose very survival, is at stake?'.

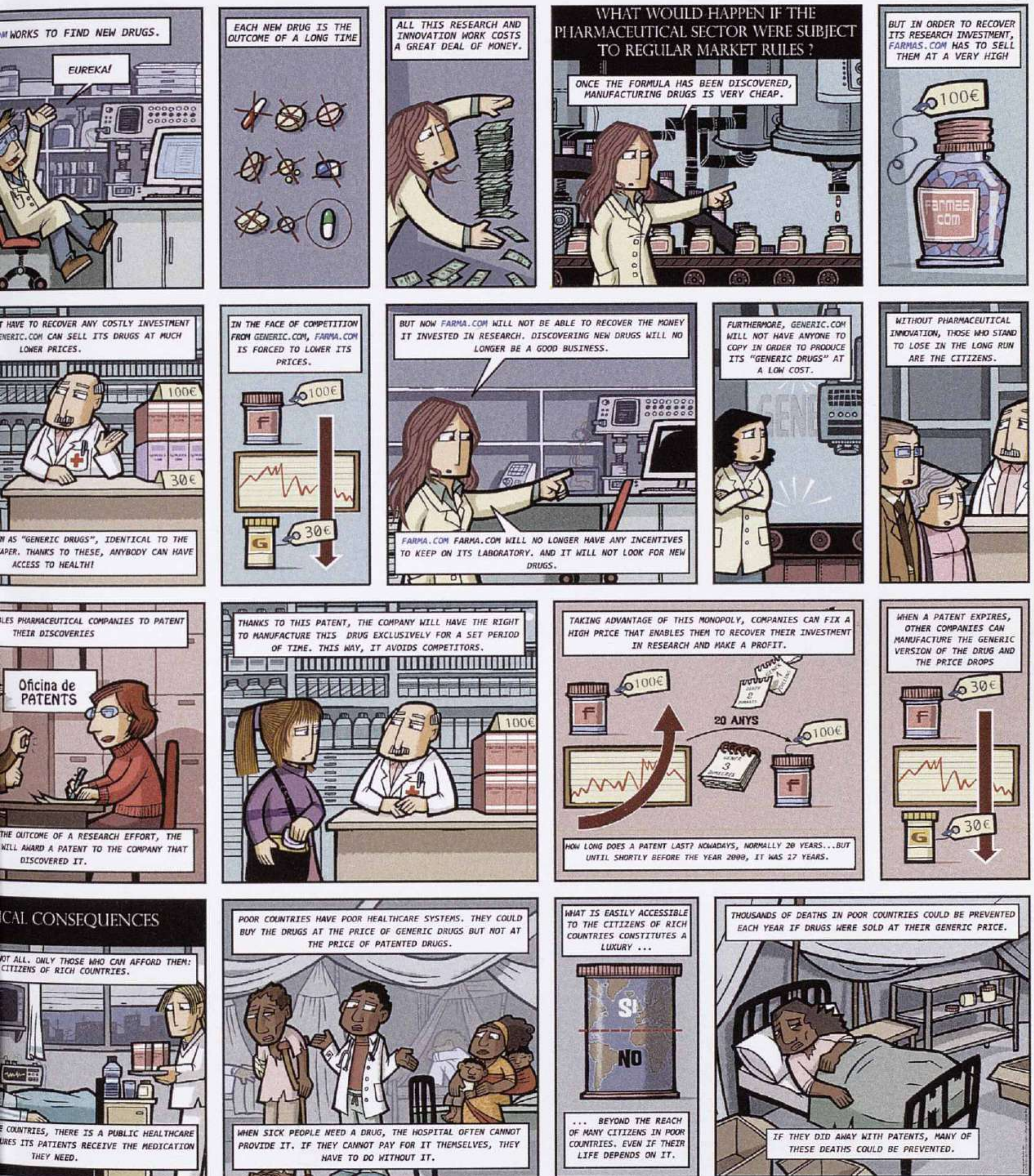
Joseph E. Stiglitz, *Making Globalization Work*.

5

Pharmaceutical Patents

The pharmaceutical industry is the most profitable industry in the world. Its profits, which are greater than those of the rest of the business community, are based on patents. It is claimed that patents are a guarantee that new drugs will be developed, but the facts tell a completely different story – and, again, it is poor and developing countries which stand to lose in many ways, not least because pharmaceutical companies hardly do any research on the world's most deadly diseases, which the poor countries suffer from. It is also claimed that patents foster innovation, but here again reality contradicts the theory: patents prevent the spread and use of knowledge and thus, since almost all innovations build on earlier innovations, slow down overall technological progress. This is not to say that intellectual property should be abolished altogether but, rather, that there is a need for a better balanced intellectual property regime. And that measures should be devised – such as the World Patents Rescue Fund proposal – to make generic drugs available to poor countries which cannot afford them because of patents.

5.1. THE STORY OF PATENTS



...M WORKS TO FIND NEW DRUGS.
EUREKA!
EACH NEW DRUG IS THE OUTCOME OF A LONG TIME
ALL THIS RESEARCH AND INNOVATION WORK COSTS A GREAT DEAL OF MONEY.
WHAT WOULD HAPPEN IF THE PHARMACEUTICAL SECTOR WERE SUBJECT TO REGULAR MARKET RULES ?
ONCE THE FORMULA HAS BEEN DISCOVERED, MANUFACTURING DRUGS IS VERY CHEAP.
BUT IN ORDER TO RECOVER ITS RESEARCH INVESTMENT, FARMAS.COM HAS TO SELL THEM AT A VERY HIGH
100€
farmas.com
...T HAVE TO RECOVER ANY COSTLY INVESTMENT ...ENERIC.COM CAN SELL ITS DRUGS AT MUCH LOWER PRICES.
100€
30€
...N AS "GENERIC DRUGS", IDENTICAL TO THE ...APER. THANKS TO THESE, ANYBODY CAN HAVE ACCESS TO HEALTH!
IN THE FACE OF COMPETITION FROM GENERIC.COM, FARMA.COM IS FORCED TO LOWER ITS PRICES.
100€
30€
BUT NOW FARMA.COM WILL NOT BE ABLE TO RECOVER THE MONEY IT INVESTED IN RESEARCH. DISCOVERING NEW DRUGS WILL NO LONGER BE A GOOD BUSINESS.
FARMA.COM FARMA.COM WILL NO LONGER HAVE ANY INCENTIVES TO KEEP ON ITS LABORATORY. AND IT WILL NOT LOOK FOR NEW DRUGS.
FURTHERMORE, GENERIC.COM WILL NOT HAVE ANYONE TO COPY IN ORDER TO PRODUCE ITS "GENERIC DRUGS" AT A LOW COST.
WITHOUT PHARMACEUTICAL INNOVATION, THOSE WHO STAND TO LOSE IN THE LONG RUN ARE THE CITIZENS.
...LES PHARMACEUTICAL COMPANIES TO PATENT THEIR DISCOVERIES
Oficina de PATENTS
...THE OUTCOME OF A RESEARCH EFFORT, THE ...WILL AWARD A PATENT TO THE COMPANY THAT DISCOVERED IT.
THANKS TO THIS PATENT, THE COMPANY WILL HAVE THE RIGHT TO MANUFACTURE THIS DRUG EXCLUSIVELY FOR A SET PERIOD OF TIME. THIS WAY, IT AVOIDS COMPETITORS.
100€
TAKING ADVANTAGE OF THIS MONOPOLY, COMPANIES CAN FIX A HIGH PRICE THAT ENABLES THEM TO RECOVER THEIR INVESTMENT IN RESEARCH AND MAKE A PROFIT.
100€
20 ANYS
100€
HOW LONG DOES A PATENT LAST? NOWADAYS, NORMALLY 20 YEARS...BUT UNTIL SHORTLY BEFORE THE YEAR 2000, IT WAS 17 YEARS.
WHEN A PATENT EXPIRES, OTHER COMPANIES CAN MANUFACTURE THE GENERIC VERSION OF THE DRUG AND THE PRICE DROPS
30€
30€
...ICAL CONSEQUENCES
...OT ALL. ONLY THOSE WHO CAN AFFORD THEM: CITIZENS OF RICH COUNTRIES.
...E COUNTRIES, THERE IS A PUBLIC HEALTHCARE ...URES ITS PATIENTS RECEIVE THE MEDICATION THEY NEED.
POOR COUNTRIES HAVE POOR HEALTHCARE SYSTEMS. THEY COULD BUY THE DRUGS AT THE PRICE OF GENERIC DRUGS BUT NOT AT THE PRICE OF PATENTED DRUGS.
WHEN SICK PEOPLE NEED A DRUG, THE HOSPITAL OFTEN CANNOT PROVIDE IT. IF THEY CANNOT PAY FOR IT THEMSELVES, THEY HAVE TO DO WITHOUT IT.
WHAT IS EASILY ACCESSIBLE TO THE CITIZENS OF RICH COUNTRIES CONSTITUTES A LUXURY ...
SI
NO
... BEYOND THE REACH OF MANY CITIZENS IN POOR COUNTRIES. EVEN IF THEIR LIFE DEPENDS ON IT.
THOUSANDS OF DEATHS IN POOR COUNTRIES COULD BE PREVENTED EACH YEAR IF DRUGS WERE SOLD AT THEIR GENERIC PRICE.
IF THEY DID AWAY WITH PATENTS, MANY OF THESE DEATHS COULD BE PREVENTED.

5.2. WEIGHTING UP THE PHARMACEUTICAL INDUSTRY

How many lives can a drug save?

If it is generic and accessible to all?

If it is patented?

5.3. LIFT THE CARPET!

Is it true that patents are always a guarantee for the development of new drugs? In many cases, the legitimacy and need for patents are clearly questionable.

Do not step on others' toes

Every year 120,000 patents are registered in the world. It is impossible for researchers to know which ideas are patented and which are not. Researchers progressing in their study may breach protected patents by another researcher without even knowing about it, not because the new researcher copies old findings but because s/he finds something without knowing it has already been patented.

For this reason, many researchers do not want to work in fields where there already are many patents, even if there are also many discoveries to be made. This means there are many gaps left unstudied and this innovation affects as a consequence.

Innovation without patents

Historical experience shows that there can also be research without patents. In Switzerland, intellectual property did not exist until 1907 and in Holland until 1912. Despite this, there were a great number of very important scientific and technical discoveries in these countries prior to this date. Patents are only a part of the necessary guarantees for research.

Public research

There are two types of research: basic research mainly carried out by public universities and institutions produces many of the new discoveries; and applied research, which intends to turn these general discoveries into specific drugs.

'The current system for funding research is inequitable and inefficient. Under the current system, basic research is funded by the government and the private sector brings the drugs to market. Once the drugs come to market, the companies make a huge profit. ' (Joseph E. Stiglitz)

Bio-piracy

In the last few decades, some western pharmaceutical companies have patented plants and the products derived from them from southern countries, which are used to prepare traditional ancestral remedies. By doing so, they are claiming rights to knowledge they have not discovered, just because nobody had patented it before. This knowledge already existed many centuries before the appearance of the expensive western laboratories.

Almost half of the 4,000 patents of plants in the United States are taken from the traditional knowledge of poor countries. These types of patents do not in any way promote innovation and scientific progress. Rather the other way around, they end up preventing traditional peoples from being able to continue to use cures they have used over centuries. The current patents system 'gave U.S. and European corporate interests a license to steal their intellectual property – and then charge them for it –'. (Joseph E. Stiglitz)

False innovation

When an already existing drug is improved, it is considered a new product – an incremental innovation –, which gives the company the right to renew the patent for a further twenty years. But if these improvements are superficial changes that do not entail any therapeutic benefits – such as changing over from a tablet to a soluble formula – there is no incremental innovation but simply a perpetuation, which should not give a company the right to renew the patent. Pharmaceutical companies often try to camouflage these perpetuations as true innovations in order to extend patents that are about to expire.

Diseases of the poor, forgotten diseases

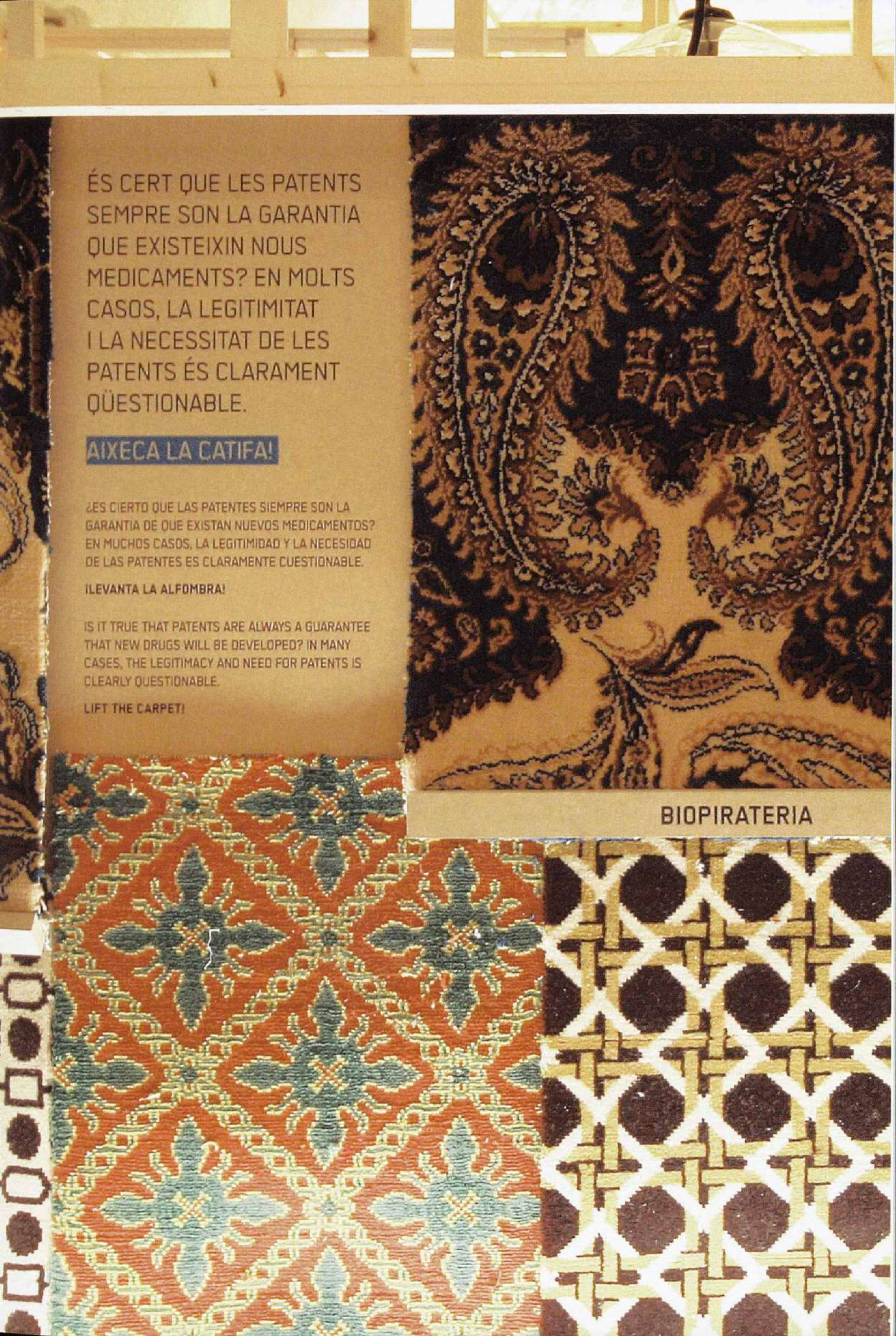
Poor countries suffer from the world's most deadly diseases. However, to pharmaceutical companies research in health is a business and therefore they hardly do any research on these diseases. They rather focus on the health problems affecting rich countries: impotence, obesity, depression, etc. It is the purchasing power of the population, and not the seriousness of their illnesses, that dictates the research of private companies.

Pharmaceutical companies allocate only 10% of their research budget to diseases that cause 90% of the deaths in the world each year. Finding a vaccine against malaria – a disease causing 1,800,000 deaths every year – has been requiring hundreds of millions of dollars for some years now. All this money is coming from governments and non-profit foundations – among which that of Bill Gates, one of the richest men in the world.

Pulling ahead of public research

Publicly funded universities and centres carry out research that, when fruitful, may have great impact on scientific and technological progress. However, private companies sometimes compete with public institutions by carrying out identical research simultaneously in a race to be the first to discover something new. If they succeed, they can patent their finding.

This competition has very negative effects. After all, the innovation would be the same without private participation. But if the findings are patented, they remain out of society's reach. Private companies should abstain from researching the same fields public institutions do, so as to allow the inventions discovered by public initiatives to be within everyone's reach.


ÉS CERT QUE LES PATENTS SEMPRE SON LA GARANTIA QUE EXISTEIXIN NOUS MEDICAMENTS? EN MOLTS CASOS, LA LEGITIMITAT I LA NECESSITAT DE LES PATENTS ÉS CLARAMENT QÜESTIONABLE.
AIXECA LA CATIFA!
¿ES CIERTO QUE LAS PATENTES SIEMPRE SON LA GARANTIA DE QUE EXISTAN NUEVOS MEDICAMENTOS? EN MUCHOS CASOS, LA LEGITIMIDAD Y LA NECESIDAD DE LAS PATENTES ES CLARAMENTE CUESTIONABLE.
¡LEVANTA LA ALFOMBRA!
IS IT TRUE THAT PATENTS ARE ALWAYS A GUARANTEE THAT NEW DRUGS WILL BE DEVELOPED? IN MANY CASES, THE LEGITIMACY AND NEED FOR PATENTS IS CLEARLY QUESTIONABLE.
LIFT THE CARPET!
BIOPIRATERIA

Advertising

The largest part of pharmaceutical companies' expenses is not on research but on advertising. And most of their research budget is not invested in inventing new drugs to cure diseases but rather in new drugs that are related to life style: hair loss, impotence, etc. Therefore, the money that pharmaceutical companies get from patents is not invested in socially needed innovation but in advertising and research on things that are hardly priorities. Should we pay the cost of patents if we do not receive true healthcare improvement innovation in exchange?

Record profits

According to the World Health Organisation, ' from 1995 to 2002 the pharmaceutical industry was the most profitable industry in the United States, measured by the median net profit after tax as a percentage of revenues. In 2003 [...] [it] retained profitability at a margin of 14%, three times higher than the median for all Fortune 500 companies that year. '* What are patents for? Are they supposed to make research viable or to ensure the pharmaceutical sector has the greatest profits in the business world?

5.4. PATENTS: ENEMIES OF INNOVATION?

A patents system that does not offer enough protection to discoveries will slow down innovation and research. But a patents system that overprotects discoveries will also be detrimental. Obviously, achieving this balance is not easy, but many people believe – some economists, the governments of poor and emerging countries or social movements around the world – that this system is now unbalanced and it favours private companies, on which part of the research depends.

As Stiglitz explains, 'There will always be a need to balance the desire of inventors to protect their discoveries, and the incentives to which such protection gives rise, and the needs of the public, which benefits from wider access to knowledge, with a resulting increase in the pace of discovery'. In fact the author himself firmly states that: 'Because patents impede the dissemination and use of knowledge [...] and since almost all innovations build on earlier innovations, overall technological progress is then slowed'.

Joseph E. Stiglitz, *Making Globalization Work*.

'Innovation is important; it has transformed the lives of everyone in the world. And intellectual property laws can and should play a role in stimulating innovation. [...] However, poorly designed intellectual property regimes not only reduce access to medicine but also lead to a less efficient economy, and may even slow the pace of innovation. The enervating effects are particularly acute in developing countries'.

*WHO, Public health Innovation and Intellectual Property Rights, Report of the Commission on Intellectual Property Rights, Innovation and Public Health (April 2006)


FARMACÈUTICA
M = MILIONS DE VIDES SALVADES / MILLONES DE VIDAS SALVADAS / MILLION SAVED LIVES
?
→Pon diferentes cajas de medicamentos
sobre la bandeja grande de la balanza.
→Put different drug boxes

'Universities thrive on a free flow of information, each researcher quickly building on the work of others, typically even before it is published. If every time a researcher had an idea, he ran down to the patent office, he would spend more time there – or with his lawyers – than in his lab'.

Joseph E. Stiglitz, *Making Globalization Work.*

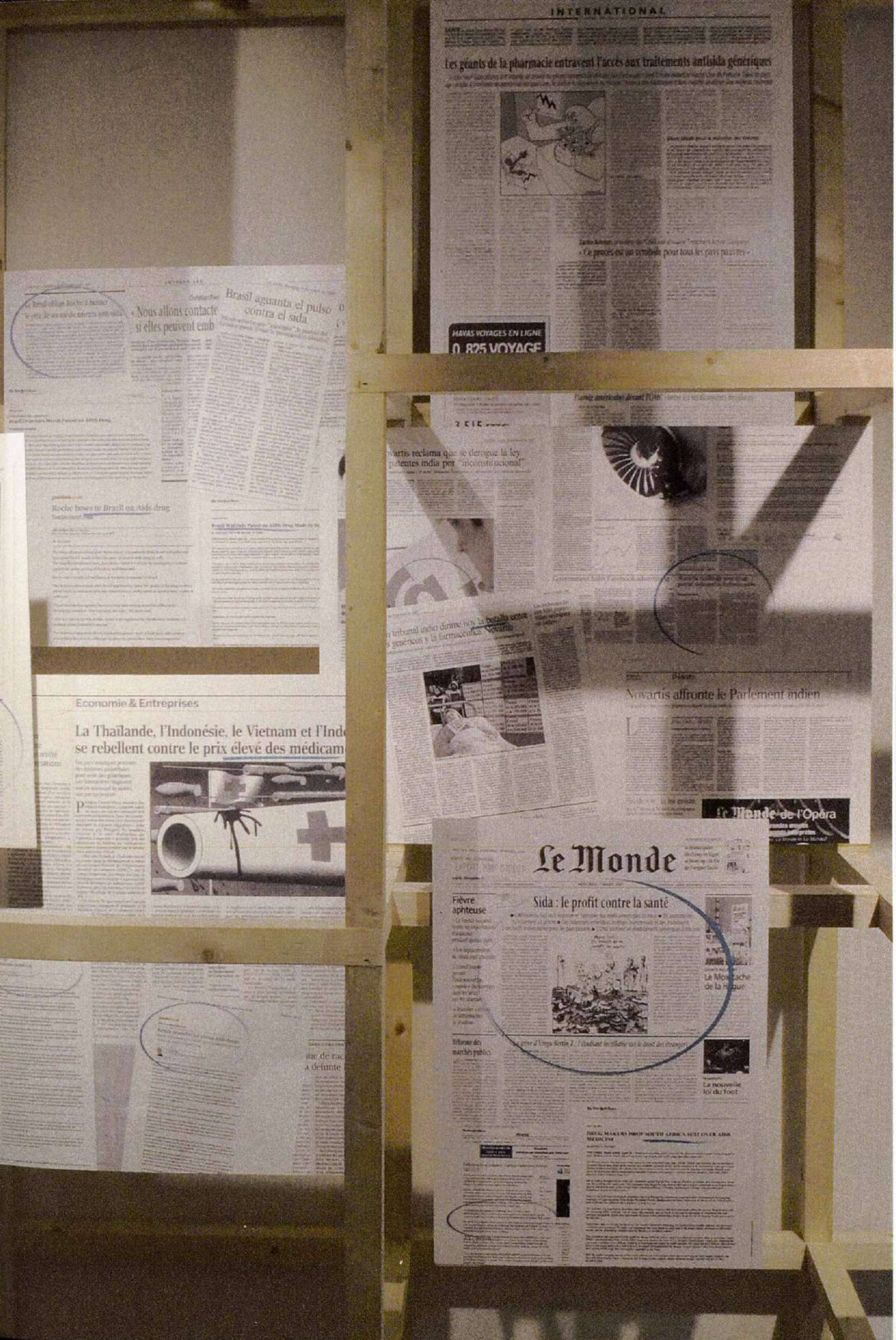
'A balanced intellectual property regime is one that pays attention not only to corporate interests but to academia and consumers. Drug companies claim that without strong intellectual property protection, they would have no incentive to do research. And without research, the drugs that companies in the developing world would like to imitate would not exist. But the drug companies, in arguing this way, are putting up a straw man. Critics of the intellectual property regime are, by and large, not suggesting the abolition of intellectual property. They are simply saying that there is a need for a better balanced intellectual property regime'.

Joseph E. Stiglitz, *Making Globalization Work.*

5.5. WHO IS AFRAID OF MULTINATIONAL COMPANIES?

As an exception, when poor countries have a health emergency they must be able to produce or import generic drugs, even when their patents are still in effect. All the governments of the world agreed to this at the World Trade Organisation in 1994. The aim of this agreement was to prevent sick people in those countries from dying because they do not have access to medicines that exist and can cure them but which are too expensive.

However, since this agreement came into effect, the large pharmaceutical companies have taken to court all those countries that have dared to put it into practice. South Africa, Malaysia, the Philippines, Kenya, India, Brazil... all of them have had to bear the onslaught from the pharmaceutical industry and the governments of rich countries which respond to their influence.



INTERNATIONAL
Les géants de la pharmacie entravent l'accès aux traitements antisida génériques
« Ce procès est un symbole pour tous les pays pauvres »
HAVAS VOYAGES EN LIGNE
Brasil aguanta el pulso contra el sida
« Nous allons contacte
si elles peuvent emb
Roche bows to Brazil on Aids drug
Economie & Entreprises
La Thaïlande, l'Indonésie, le Vietnam et l'Ind
se rebellent contre le prix élevé des médicam
Novartis affronte le Parlement indien
Le Monde de l'Opéra
Le Monde
Sida : le profit contre la santé
Fièvre aphteuse
Réforme des marchés publics
La nouvelle loi du foot
DRUG MAKERS DROP SOUTH AFRICA SUIT OVER AIDS MEDICINE

5.6. RESCUING PATENTS

Patents make many drugs unaffordable for poor countries. There, sick people die because they do not have access to drugs that exist but which they cannot pay for. However, were it not for patents, many drugs would not have been discovered and sick people in these countries would die just the same.

Is there a solution to this sad paradox poor countries are immersed in when intellectual property rights apply to pharmaceutical research? There is, and it is a relatively simple proposal: a **World Patent Rescue Fund.**

This Fund – which would need to be public and could be linked to the World Health Organisation – would do two things. To begin with, it would enable patents for drugs that are already on the market to be bought from the companies that invented them. Once 'rescued', these patents would no longer be in effect and generic drug companies would be free to manufacture these same drugs at a lower price.

Furthermore, this would enable pharmaceutical research to address diseases that occur exclusively in poor countries, those that affect hundreds of thousands of people but that are not investigated because the drugs that could cure them would not be commercially profitable. If the Fund promised to pay in exchange for these patents before they were invented, research on this would become a profitable business even if sick people who would benefit from it could not afford to buy the results.

This way of eliminating patents by means of a 'rescue' would not deter innovation but further it. It would be innocuous for the big pharmaceutical companies that carry out research: they would receive a sum all at once instead of getting a gradual return on their investment through the market. The Fund could be financed with some newly created world taxes – the same as the World Fund against Poverty – that would guarantee predictable, stable, and sufficient funding.

6

Foreign Debt

Poor countries ask for loans from rich countries in order to finance their economic growth. These loans are what is known as 'external debt'. If the borrowing countries' investment do not work out, or if their pay-back capacity is undermined by factors they cannot control (such as unpredictable changes in the interest or exchange rates due to extremely unstable global financial markets), their external debt becomes unsustainable. When this happens, the burden falls on the debtors but not in the creditors, although arguably the latter can evaluate loans risks with greater accuracy than the former: a responsible creditor would never give too risky loans. However, debtor countries are forced to pay at any cost, while rich countries' bans do not contribute in any way to ease the problem. So, as Joseph E. Stiglitz puts it 'Taxpayers of a poor country end up paying for the miscalculations of moneylenders of the rich country': Since external debt is a serious obstacle to economic growth and to poverty eradication in the indebted countries, and since a large part of this debt will never be paid because debtor countries are too poor. Condonation (that is, the waiving of the debts) seems the only reasonable option.

6.1. LOANS FOR GROWTH, DEBT FOR POVERTY

Poor countries don't have enough money to finance the necessary investments to boost economic growth and overcome poverty. Through history, these countries have reached out to rich countries – to their private banks, their governments or to the international organizations under their control – in order to obtain loans. This is the origin of the foreign debt of poor countries.

However, these investments haven't always been a success and sometimes the economy of poor countries has not experienced growth. Sometimes the local economy has actually improved but population has increased and the per capita income is lower as a result. In such cases, these countries are as poor as they were before receiving a loan but now they are in debt and don't know how to pay it off.

Consequently, poor countries often feel forced to assign an important part of their budgets to pay the interest of their loans. When poor countries spend their – very scarce – public revenue on paying off their foreign debt, they cannot invest it in guaranteeing a basic standard of healthcare or education for their population. Furthermore, when the most basic social needs are not covered, economic growth is impossible. This creates a paradox: international loans that were supposed to be a source for economic development end up slowing it down.

6.2. CHEAP THINGS COST YOU MORE IN THE LONG RUN

You could think that foreign debt only becomes a problem if countries are careless when getting into debt. However, history shows that a loan that was reasonable when contracted can become unsustainable due to factors that indebted countries can't control – namely the evolution of interest rates and exchange rates.

Financial markets, which establish the interests of loans, can cause drastic and unpredictable changes in interest rates. If interest rates are doubled, the interests to pay for loans will be doubled as well. Therefore, a loan that was reasonable can become dramatically expensive. Moreover, poor countries usually contract international loans in dollars. When the exchange rate between the dollar and the local currency changes and dollars become more expensive, loans also become more expensive and there is nothing the indebted country can do about that.

When global financial markets were stable, foreign debt was not a serious problem. However, since the 1970s, these markets advanced towards liberalization and deregulation and became extremely unstable as a result. Since then, fluctuations in interest rates and exchange rates have been constant. This is why foreign debt in poor countries became unsustainable: it is the result of a financial deregulation they cannot control.

6.3. WHO SHOULD ASSESS THE RISK?

If poor countries – and many emerging countries – accumulate a huge amount of foreign debt they cannot pay off, it is because they have been granted too many loans for years. It may seem that responsibility for excessive debt always falls on the indebted country but creditors granting the loans – banks of rich countries, their governments or international financial institutions – are also to blame.

There is a key difference between countries that need a loan and those who grant loans: creditors can assess the risk involved in a loan much more accurately than debtors would.

Poor countries are always in a tragic situation and, therefore, they will rarely resist the chance of a loan: 'they are an easy victim for anyone who is willing to let money' (Joseph E. Stiglitz).

Although a responsible creditor should never grant loans that are too risky, western banks focus only on the profits to be made when granting loans without considering whether the beneficiary country can pay them back. Thus, excessive debt is also a consequence of the inability of banks and creditor countries to properly assess the risk involved when granting loans to poor and emerging countries.

However, responsibility for foreign debt currently falls exclusively on countries receiving the loan, never on those granting it. Indebted countries must pay their loans back at any cost and rich countries and their banks don't contribute to finding a solution. As Joseph E. Stiglitz explains, '[t]axpayers of a poor country end up paying the calculation mistakes of moneylenders (banks) of the rich country'.

6.4. ODIOUS DEBT

What happens when poor countries requesting loans are under a dictatorial government? During the Cold War, Mengistu's Ethiopia, Mobutu's Congo or the corrupt military in Niger – just to mention three examples – received millions in loans from banks and governments of rich countries. This money was used to finance their repressive policies of atrocity against human rights, or to accumulate huge personal fortunes.

After the fall of these dictatorships, new democratic governments inherited the debt contracted by the dictators. Supposedly, the loans should be repaid with the taxes citizens pay, but it is rather immoral to demand that people pay back the money that was used to repress them. Thus, this is known as 'odious debt'. Chileans are currently paying back debts contracted by Pinochet, and South Africans are paying back debts from the Apartheid governments.

When countries transition from a dictatorship to a democracy, 'odious debt' should be canceled automatically and unconditionally and this should be formally established by the United Nations. Doing this would not only put an end to the current 'odious debt' but it would also stop new ones being contracted in the future as creditors would not risk granting loans to dictators knowing the debt will not be paid back if the dictatorship falls.

6.5. CONDONATION OR CONDONATION

There is a very simple and effective solution to the problem of foreign debt in poor countries: condonation. This means that creditors write off the debt and it is cancelled. There are two powerful reasons in favour of condonation. The first one is that foreign debt is a serious obstacle to economic growth and the eradication poverty in indebted countries. The second one is that a large part of this debt will never be paid off because indebted countries are too poor to do so. Condonation is not only good for social progress: it is the only reasonable option.

For years, there has been a movement of advocates for debt condonation, which gathers thousands of civil society organizations, political, intellectual and academic leaders, etc. In 1996, the international community boosted a programme of condonation for Heavily Indebted Poor Countries (HIPC). However, the record of this programme is not fully satisfactory:

1999: Only three HIPC were approved for debt condonation because the requirements imposed by the IMF were very strict and didn't apply to most countries.

2000: Jubilee 2000 begins its mobilizations; it is a big international movement demanding unconditional debt condonation for HIPC.

2005: G-8 decided to condone 100% of debt of the 18 poorest countries of the world (14 of these were African)

Despite all this, the HIPC Programme is not advancing fast enough. The problem with foreign debt needs to be addressed more efficiently and the HIPCPprogramme extended to more countries.

7

Tax Havens

Some countries in the world are known as 'tax havens'. These countries harbour financial institutions and banks (often created by the big global banks) where non-residents can deposit funds under conditions of secrecy and tax-free arrangements. This being so, they are an open door to massive tax evasion from individuals, companies and criminal networks: yearly uncollected taxes from the tax-haven deposits amount to 25% more that what would be needed to eradicate extreme poverty in the world. There are about 60 such tax havens in the world, 12 of which in Europe. Technically, to abolish tax havens is not complicated: it just requires political will and financial corporations.

7.1. SUNNY PLACES FOR SHADY PEOPLE

There are some states in the world where citizens and companies from other countries can establish their legal residence – even when they do not live or carry out any activity there – and which allow these 'non-residents' to enjoy the state's financial legislation as well as its tax law.

These countries have two closely linked characteristics that make them different from other countries. On the one hand, there is legal opacity: bank secrecy is guaranteed. That is, the possibility of having a completely anonymous account in any of the financial entities established there, often created by the leading world banks – namely the large western banks.

On the other hand, their tax laws are either limited or non-existent regarding non-residents, who don't have to pay taxes for their economic activities or the money they have in the local banks. Thus the name 'tax havens'. There are currently 60 tax havens around the world: 20 are little islands in the Caribbean and 12 are in Europe.

Cayman Islands
45,000 inhabitants
600 banks and 60,000 residing companies

British Virgin Islands
22,000 inhabitants
360,000 residing companies

Switzerland
Its banks hold 35% of the world's private funds.

7.2. NOT ALL TAX HAVENS ARE THE SAME

The Tax Justice Network is the main world network working on the study and denunciation of tax havens. In 2009, this group created a scoring system that enables the identification and classification of tax havens in order of importance.

This system – called Financial Secrecy Index (FSI) – is based on two measurements:

- Secrecy score of each tax haven (from 1 to 100), which is determined by its financial and tax legislation

- Their weight within the global financial markets; that is, their share in global financial activities

The two measurements are combined by multiplying the secrecy score and the weighting to produce the FSI. With the FSI (between 0.01 and 1,500 points), we can know each tax haven's contribution to the global financial secrecy activities – illicit, evasion or criminal – carried out every year.

Let's see an example. United Kingdom (with heavy weight of the City of London) is moderately secretive (scoring 42 over 100), but it has a huge weight in the global financial system. The Bahamas is very secretive (scoring 83 over 100) but its weight in global finances is very low. Therefore, the City scores much higher than the Bahamas in the FSI because the total number of secretive financial activities carried out each year in the City is much higher than in the Bahamas.

Financial Secrecy Index (FSI)

Rank	Jurisdiction	FSI - Value	Secrecy Score	Global Scale Weight
1	Switzerland	1879,2	78	0,061
2	Cayman Islands	1646,7	77	0,046
3	Luxembourg	1621,2	68	0,131
4	Hong Kong	1370,7	73	0,042
5	USA	1160,1	58	0,208
6	Singapore	1118,0	71	0,031
7	Jersey	750,1	78	0,004
8	Japan	693,6	64	0,018
9	Germany	669,8	57	0,046
10	Bahrain	660,3	78	0,003
11	British Virgin Islands	617,9	81	0,002
12	Bermuda	539,9	85	0,001
13	United Kingdom	516,5	45	0,200
14	Panama	471,5	77	0,001
15	Belgium	467,2	59	0,012
16	Marshall Islands	457,0	90	0,000
17	Austria	453,5	66	0,004
18	United Arab Emirates (Dubai)	439,6	79	0,001
19	Bahamas	431,1	83	0,000
20	Cyprus	406,5	58	0,010
21	Guernsey	402,3	65	0,003
22	Lebanon	397,3	82	0,000
23	Macao	389,8	83	0,000
24	Canada	366,2	56	0,009
25	India	344,0	53	0,013
26	Uruguay	331,0	78	0,000
27	Malaysia (Labuan)	319,3	77	0,000
28	Korea	317,2	54	0,009
29	Liberia	316,9	81	0,000
30	Barbados	266,6	79	0,000
31	Ireland	264,2	44	0,030
32	Mauritius	261,6	74	0,000
33	Philippines	253,9	73	0,000
34	Liechtenstein	239,2	81	0,000
35	Italy	231,2	49	0,008
36	Isle of Man	230,4	65	0,001
37	Israel	230,3	58	0,002
38	Turks & Caicos Islands	218,9	90	0,000
39	Netherlands	199,7	49	0,005
40	Belize	198,4	90	0,000
41	Costa Rica	177,2	77	0,000
42	Guatemala	174,8	81	0,000
43	Gibraltar	174,6	78	0,000
44	Ghana	146,8	79	0,000
45	Andorra	133,6	73	0,000
46	Netherlands Antilles	129,4	83	0,000
47	Aruba	124,9	74	0,000
48	Denmark	121,7	40	0,008
49	Botswana	121,3	79	0,000
50	Portugal (Madeira)	119,4	51	0,001
51	US Virgin Islands	104,2	68	0,000
52	St Vincent & Grenadines	100,9	78	0,000
53	Spain	98,8	34	0,016
54	Malta	98,6	48	0,001
55	Seychelles	95,0	88	0,000
56	Hungary	94,8	47	0,001
57	Latvia	88,9	45	0,001
58	Antigua & Barbuda	88,5	82	0,000
59	St Lucia	78,7	89	0,000
60	Maldives	78,5	92	0,000
61	Grenada	57,6	83	0,000
62	Montserrat	50,1	86	0,000
63	Brunei Darussalam	45,8	84	0,000
64	Monaco	37,7	75	0,000
65	Anguilla	36,0	79	0,000
66	St Kitts & Nevis	31,2	81	0,000
67	San Marino	30,9	79	0,000
68	Samoa	27,5	85	0,000
69	Vanuatu	14,3	88	0,000
70	Cook Islands	13,4	75	0,000
71	Dominica	12,5	80	0,000
NA	Nauru	0	93	NA
NA F	France*	0,0	NA	0,008

*Temporarily withdrawn pending legal interpretation
Source: Tax Justice Network

7.3. AVOIDING INSPECTORS

Tax havens are an open door to mass tax evasion: foreign companies and citizens establishing their residence there stop paying their taxes to the Internal Revenue of their own countries. Often, the world's large companies transfer their profits there – through their bank networks, lawyers and advisers – to create shady and complex financial structures that enable them to avoid their tax obligations.

Estimates indicate that a third of the world's assets are in tax havens, avoiding taxation and half of the global trade transactions go through them. Therefore, there is a mass tax evasion carried out every year from these tax havens against the rest of countries.

Losses in tax collection due to tax havens are estimated in $250 billion every year, much more than the amount needed to eradicate extreme poverty all over the world. Financing the World Fund Against Poverty would take about $180 billion a year.

7.4. LAUNDERING DIRTY MONEY

Due to bank secrecy – that is, to the opacity endorsed by the very legislation used in tax havens – the governments of these states do not know the identity of the account holders using the banks of the country, nor where the money hidden there comes from. Tax evasion is possible due to this lack of transparency.

Furthermore, bank secrecy makes tax havens a common hiding spot for 'dirty money' – money obtained illegally – and for the profits of criminal activities: arms and drug dealing, human traffic, international terrorism or political corruption and bribery. Tax havens are often used to 'launder' this kind of money, that is, to put it back into the economic flows as legal money.

7.5. FAREWELL TO TAX HAVENS

Technically, the eradication of tax havens is not very complicated. Bank secrecy should be eliminated: all the states of the world should guarantee a complete and automatic exchange of financial and tax information among their tax and judicial authorities. Information such as the economic beneficiaries of all bank or investment accounts, or verified accounts of all significant economic institutions, showing turnover and taxes paid in each fiscal jurisdiction.

If the states that currently are tax havens don't renounce to bank secrecy, other countries should impose sanctions on them. They should completely ban any financial activity of its companies or citizens with the banks established in such states.

Furthermore, unfair tax competition should be stopped, applying the 'residence principle' everywhere regarding fiscal obligations of companies and people, or otherwise applying tax harmonization on a global scale for high-mobility capital, both for large corporations and for large fortunes.

7.6. LISTS CREATED TO ABSOLVE

Nowadays, nobody would dare to defend tax havens publicly. Most governments claim to be in favor of the disappearance of tax havens, but then give in to the pressure from large financial and business groups that exercice their power from the shadows.

As a result of the 2008 financial crisis, countries in the G-20 group claimed they would advance the abolition of tax havens. In 2009, the OECD, at the request of G-20, elaborated a classification system of tax havens into three lists:

- Black list: countries that have not yet committed to respecting the international standards of financial and tax information exchange.

- Grey list: countries that have committed to respecting the standars, but still have not had any significant progress inputting them into practice.

- White list: countries committed to respecting the standards and who are already doing so.

However, these international standards are so basic that they do not actually entail the effective disappearance of bank secrecy. Therefore, it is extremely easy to get to the grey list from the black one, or from this one to the white list. On April 2009, the OECD had 4 countries in the black list, 38 in the grey list and 40 in the white. On August 2011, the black list was empty, there were only 6 countries in the grey list, and 87 in the white one.

8

Financial Markets

Free movement of capital is a constant source of instability for the world economy. Investors arrive one day in a country they think is attractive enough to invest in and leave the next day if they think it is unsafe to stay: they stampede in and they stampede out. Undoubtedly, the world would be a more prosperous and safer place if financial markets were regulated rather than unregulated, which is what neoliberal economics have been promoting since the 1970's. Not surprisingly, the story of financial markets over the last two decades in the story of a long series of crisis. Some or most of these crises are 'self-fulfilling prophecies': when investors believe that a country with economic problems will end up in a bad way, they run away and the country's economy crashes; on the contrary, if they think a country is going to do well despite the difficulties, they stay and the country can come through. Financial markets tend to confirm their own expectations, so countries that have established controls of their international flows of financial capital (such as China) have been overall the most successful economically. An alternative solution is the Tobin tax: a financial-transaction tax that penalizes short-term speculative investments and promotes investment in the productive economy. The fact that the Great Recession of 2008 has hit rich countries may mean that demands for deep reforms in global financial markets could now have a better chance of succeeding.

8.1. FINANCIAL GLOBALIZATION

Financial capital should be used to finance a productive economy. However, since the 1970s international financial markets entered a new era of deregulation. From then on – due to new communication technologies and protected by neoliberal economic policies – financial capital is completely free to move through the different stock markets in the world, aiming only at achieving the greatest profits in the shortest time possible.

An immeasurable amount of money administered by banks, mutual funds and high-risk funds – called hedge funds – moves within this global financial network, buying and selling currency, shares, public debt, derivatives or futures, often at light speed. Most of the time this money is not used for productive investments but rather for merely speculative operations that will provide great profits without generating any wealth.

Free circulation of capital has been a constant source of instability for world economy as a whole for decades. Just as investors arrive in mass to countries that seem attractive to invest in, they also flee in mass when there is an episode of financial panic. Their behaviour is similar to a herd of buffalos: at the first unsettling sign, they stampede out, usually in an irrational way. Clearly, global economy would grow at a faster and more stable pace – and the world would be safer and more prosperous – if financial markets were properly regulated.

8.2. TWO DECADES OF PANIC

The story of the financial markets in the last two decades is the story of a long list of crises, one after the other, and the governments and international institutions have not been able to stop them. These crises begin in a specific country, but often inevitably spread on a global level to the whole financial system. This is why they are considered systemic crises: crises of the global financial system as a whole.

Most often, financial crises harshly stroke the economy of poor and emerging countries but, sometimes, rich countries have also suffered the consequences of financial markets that are unstable, and badly or low regulated. The most significant financial crises of the last 20 years were the following:

1992: United Kingdom (forced to exit the European Monetary System)
1994: Mexico
1997: Thailand, Malaysia, Indonesia, Korea, Philippines, Taiwan and Hong Kong
1998: Russia
1998: Brazil
1998: Crisis of one of the main hedge funds (LTCM) of the United States
2002: Argentina
2008 - 2011: Great Recession, with its epicenter in the United States and Europe

8.3. TWO WAYS OF ORGANIZING THE GLOBAL FINANCIAL SYSTEM

There are two options to organize the financial system and the international monetary system – two closely linked systems.

The first one is allowing the free circulation of financial capital through different countries of the world, without the need for an authorization from the governments of the countries where capital will be invested. For this to be possible, investors acting in financial markets must be able to buy and sell currency of different countries with complete freedom. Consequently, the exchange rate for the affected currencies will change constantly, depending on how much investors want to invest in a given country and, therefore, depending on the demand for the currency of that country. This model – known as floating exchange rate regime – is the predominant one in most countries, led by the United States, since the 1970s.

The second option prioritizes monetary stability by preventing the constant and uncontrollable variation of exchange rates, given that this lack of stability does not help economic growth. However, unless further steps are taken, the currency of the countries that favour this option will be an easy prey to speculators. Therefore, these countries need to establish restrictions to the inflow and outflow of international financial capital. This entails that financial capital will not flow freely; it will be controlled by the government when it is invested. This model of fixed but adjustable exchange rates was predominant in the world from 1944 to 1971, a period known as the 'Golden Age of Capitalism', and is currently used in some countries such as China.

8.4. WHAT OPTION IS 'THE LEAST BAD'?

Given that, theoretically, the inflow of financial capital is the key to economic growth and the model of fixed but adjustable exchange rates makes this inflow more difficult, this model would be detrimental to economic growth. Furthermore, the control on capital inflow may favour corruption on some political systems. Therefore, the model of floating exchange rates clearly seems to be more beneficial to help the growth of a country.

However, though this model of floating exchange rates may be more or less beneficial for rich countries, it entails disastrous risks for poor and emerging countries, as they easily become victims of the wicked dynamics of 'self-fulfilling prophecies': when investors believe that a country with economic problems will crash, they flee and the economy of that country ends up actually crashing. However, if investors believe a country will do well despite its difficulties, they won't leave and that country will come through thanks to this. Financial markets seem to self-fulfill their own expectations.

That is exactly what happened in the financial crisis of Southeast Asia in 1997. Countries that had been the favourite destination of international financial capital were abandoned overnight: in

Indonesia, Thailand, the Philippines and South Korea, the GDP collapsed and unemployment rates in some cases tripled in a few months. Malaysia was the country that better survived the crisis, imposing controls on capital to fight it.

8.5. A FIREFIGHTER EXPANDING

The model of floating exchange rates shouldn't necessarily be so catastrophic for poor and emerging countries. When a country has problems and investors begin to leave, the local currency should start to devaluate. This should make business appealing to foreign investors again as investments would be cheaper with a devaluated currency. Therefore, devaluation will stop and economic growth will restart. Thus, the monetary and financial systems will automatically stabilize.

However, the role of the IMF in the 1997 Asian crisis prevented this automatic stabilization mechanism from working properly. When the crisis started, the IMF intervened with rescue plans that were aimed at ensuring minimum losses for the fleeing foreign investors, rather than at avoiding a recession in the countries involved. The countries in crisis were forced to keep exchange rates artificially high: this is the only way to guarantee that capital leaving a country will not lose value. However, despite avoiding a moderate devaluation, the IMF stopped the return of investments and growth.

The crisis was ultimately much worse than it would have been without the intervention of the IMF. It is unacceptable that, when a financial crisis explodes, the IMF aims its rescue plans at saving foreign investors – banks from rich countries – rather than at helping companies and workers from the emerging country in crisis.

8.6. CONTROLS OF CAPITAL

The history of financial crises offers some lessons. The Asian crisis (1997) revealed that the model of floating exchange rates is rather reckless: emerging countries become victims of the 'self-fulfilling prophecies'. However, crises as the one in Argentina (2002) or the one in the United Kingdom (1992) showed that when countries use the model of fixed exchange rates – unless it is used together with restrictions on the movement of capital – local currency becomes cannon fodder for speculators. Therefore, many economists believe the best option is establishing controls on international flows of financial capital. The supposed disadvantages of this model – making the access to foreign investment difficult and facilitating corruption – are much less than its advantages.

Economies that have used this model have been the most successful ones. China still doesn't allow the free circulation of financial capital and it is the country with the highest growth in the last few decades. During the 1990s, investors sending foreign capital to Chile had to make a deposit in the country's Central Bank, which they would only get back if they left after a specific period of time; this guaranteed that only long-term investments – productive ones – and not short-term investments – merely speculative – would enter the country.

Financial capital is a source of economic growth only when it is invested at the service of a productive economy: when it is used with speculative purposes, it often becomes a source of crisis and ruin. This is why many call for another measure for the regulation of capital markets known as **Tobin Tax**: a tax on financial transactions that penalises short-term investments and, therefore, reduces speculation.

8.7. REGULATING EVERYTHING

In autumn 2008, the collapse of Lehman Brothers – one of the largest investment banks of the world – was the trigger of the worst financial crisis of capitalism since the Crash of 1929. If that crisis caused the Great Depression, the current one has been the cause of what is already known as the Great Recession.

After the Crash of '29, capitalist countries carried out a thorough reform of their financial system in order to avoid the possibility of a similar catastrophe. However, many of the regulations established at the time were abandoned in the 1980s, when the hegemony of neoliberal thought imposed a complete deregulation of financial markets. The 2008 crisis has proved the need for a new and comprehensive regulation of markets, but within the new framework – very different from the 1930s – of highly globalized finances.

In the 1930s, the solution was a severe division of commercial banking from investment banking. The former would rely on the protection of the government – if the institution collapsed, the government would guarantee any savings deposited there – but, in exchange for this, it would be severely regulated to prevent irresponsible risk-taking. Investment banking could still take excessive risks, but it would never be rescued by the government if it went bankrupt.

The reversal of this division in 1999 was one of the causes of the crisis of 2008. The division should be restored but it is not enough in itself. The current role of investment banking – which is not regulated – in the financial system as a whole is so essential, that it is almost impossible not to rescue it when it collapses. This being the case, these banking 'from the shadows' should be subjected to similar regulations as those applied to commercial banking in exchange for state support. As Krugman explains: 'All that is rescued in time of crisis, must be regulated in normal times'.

8.7. REGULATIONS AGAINST

Reckless executives and suicidal derivatives

The crisis of 2008 has hit rich countries just as hard – or even harder – than poor and emerging countries. The Great Recession has caused a drastic fall on their tax revenue and governments do not know how to pay the public services of the welfare state. Therefore, if citizens of rich countries want to protect their social rights, they should be the first ones to claim thorough reforms in international financial markets. What should such reforms entail? Stiglitz argues the following are pressing:

1. Executives in the financial sector usually have a careless retribution system for their salaries: they earn huge bonuses when their entity has good short-term profits and its shares rise in the stock market. This generates wicked incentives: in order to obtain these bonuses, executives often take irresponsible risks that may cause serious long-term losses to their banks – probably when they no longer work there – and contribute to the unfolding of a crisis like the one in 2008. In order to avoid this, the salaries of bankers should be linked to long-term returns of the bank they manage: if their salaries reflect both profits and losses, they will be encouraged to be more prudent.

2. Derivatives are assets that, in theory, are supposed to decrease financial risks, but they have actually become 'financial weapons of mass destruction' (Warren Buffet). They are the most propitious financial products for speculation. Derivatives such as credit default swaps (CDS) had a key role in the crisis of 2008. They are used as a sort of insurance against the failure of certain banks. However, any investor can buy them – and speculate with them – not only affected banks. Therefore, CDS owners would want insured banks to go into bankruptcy, so they can make a profit. Derivatives markets – and especially CDS markets – need to be strictly regulated to prevent them from putting the whole financial system at risk.

Protected customers, smaller banks and free regulators

3. The history of subprime mortgages has proved that banks were willing to give their credits even to people who could hardly pay them back in order to improve their short-term profits. Sometimes they even concealed the real terms of the contract to achieve higher profits. Thousands of people with mortgages lost their houses when they found out they couldn't pay. Protection mechanisms are necessary to protect customers contracting financial products from not being properly informed.

4. Some banks are so big and so intertwined with other banks that, if they were to fail, they would drag down the whole financial system with them. They are banks 'too big to fail'. If such entities are at risk of collapsing, the government will have to rescue them in order to avoid a general collapse of credit. Being aware of this, these banks take reckless risks to reach higher profits,

not considering whether such risks are leading them into bankruptcy. It's the so-called 'moral hazard': the fact that some guarantees generate irresponsibility. There is a very simple solution to this: dividing these large banks into several smaller banks. 'If it is too big to fail, it is too big to exist'. (Joseph E. Stiglitz)

5. States rely on public institutions that are in charge of regulating the financial system. However, the capacity of the financial sector to influence public regulators is immense, often because those in charge come from the financial sector or end up working there. It is the clearest case of the 'regulatory capture' (by the regulated sector). For the last few decades, the financial sector has repeatedly prevented regulators from approving rules that would damage their interests, but would favour general interest and could have avoided the crisis. Stopping the 'regulatory capture' is vital to properly regulate financial markets.

9

Offices Governing the World

There are a number of world economic and financial institutions that could help decisively in the fight to eradicate poverty in the world. The World Bank (WB) and the International Monetary Fund (IMF) were both created shortly after the Second World War and have since acted together in many countries. The avowed aim of the WB is to provide financing to countries which, due to crises or poverty, do not have enough internal saving to finance investments aimed at their economic development – which is the reason why they do not attract private investment in the first place. The aim of the IMF is to ensure the overall exporting/importing capacity of countries, so that employment is maximised. Both institutions, however, are tightly controlled by a number of (Western) countries through weighted voting systems, they both fell under the spell of neoliberal economic thought in the 1980's and have since promoted budgetary balance, a decrease in public spending and public-sector privatisation, and even forced onto their would-be debtors a series of political and institutional measures. These contradictory policies, instead of boosting economic growth, have hindered it. The World Trade Organisation (WTO), on the other hand, is heir to GATT (General Agreement on Tariffs and Trade), created also after the Second World War. Its aim is to establish the general rules for world trade and to act as a referee in member countries' trade disputes. But here again, although the WTO's decisions are taken by consensus, in practice discussions are dominated by Western countries and Japan. Reform is here again called for, along the lines of re-establishing its founding spirit.

WORLD BANK

The World Bank is a group of five international organizations in charge of providing funding to states for projects on development and reduction of poverty and for promoting international investment. Indeed, the motto of the World Bank is 'Our dream: a world without poverty'. Most of the states of the world – from 170 to 187, depending on the organization within the World Bank – are part of these organizations.

As with the International Monetary Fund, the World Bank was created at the Bretton Woods Conference held in 1944, at the end of the Second World War, and it started running two years later, in 1946. Actually, these two institutions are closely linked and they have usually worked jointly in many of the states where they have intervened.

The World Bank was created with the aim of providing public funding to countries that, given their situation of crisis or poverty, did not have enough internal savings to finance investments to boost their economic development and, for the same reasons, were not very appealing to international private investment.

World Bank activities are currently concentrated on poor and emerging countries and mainly focused on the improvement of education, agriculture and industry. The agencies at the World Bank provide soft loans – loans with low-interest rate and very long-term repayment periods – to member countries. In exchange, the Bank demands of the governments of beneficiary countries that they carry out some policies, such as promoting democracy and fighting corruption.

Given its institutional and ideological proximity with the IMF, during the 1980s the World Bank jumped on the neoliberal shift of the Fund. Therefore, further to demanding political and institutional compensations, the Bank often linked its loans to the specific conditions of the new economic paradigm: budget balance and reduction of public spending, or the privatization of the public sector.

Voting system

The votes for each country are proportional to their quota, that is, the capital they contribute to the different institutions of the World Bank. The quota of each country depends on its weight within global economy and, given this weight changes through time, quotas – and votes – for each country are reviewed periodically.

Currently, the United States control 19.39% of the votes, Japan 7.86%, Germany 4.49%, France 4.30%, Italy 4.30% and the United Kingdom 4.30%. In contrast to this, 24 African countries together control only 2.85% of the total votes. This vote system guarantees the World Bank is mainly controlled by developed countries, while its clients are mostly poor and emerging countries.

Regular decisions require a majority of 70% of the votes, but the most important decisions demand a 'super qualified' majority of 85% of the votes. Given that the United States is the only country that holds more than 15% of the votes, this means it has the power to veto any of the most important decisions: it is impossible to obtain a majority of 85% of the votes without it.

Reforming the World Bank

1. Democratizing the voting system of the World Bank.

In a democratic society, the following principle should be followed: those who are affected by a decision must be able to take part in the process through which that decision is made.

Currently, the World Bank makes decisions that affect all poor and emerging countries. Therefore, these countries should be allowed to take part in the decision-making process of the Bank.

The only way to achieve this is for the voting system to be more democratic: it should not depend exclusively on the quota each country contributes to the World Bank's capital, but also on other criteria, not necessarily financial.

2. Promote the World Fund Against Poverty

If the World Bank could fund poor countries through transfers instead of soft loans, the Bank itself would function as a World Fund against Poverty. Indeed, in this case the World Bank would work as a multilateral system, based on transfers and with sufficient funds to finance the basic needs of poor countries.

However, in order for the Bank to take on these funding policies based on transfers, it would have to establish an international tax system. Therefore, the transformation of the Bank into a World Fund against Poverty must necessarily take place together with the creation of world taxes.

3. Advancing the programme for debt relief (HIPC relief initiative)

The World Bank is one of the institutions sponsoring the Heavily Indebted Poor Countries (HIPC) Programme. The Bank should advance the programme so it is more effective and benefits more countries that are indebted.

INTERNATIONAL MONETARY FUND

The International Monetary Fund (IMF) is a financial organization that groups together most of the states of the world: 187 countries in total. It was created after the Second World War, in 1945, under the intellectual inspiration of Keynesian economics.

Keynes found out that markets do not guarantee full occupation on their own. The government needs to intervene in economy and activate demand so that economy will grow and unemployment will disappear. However, part of this demand depends on exports. Therefore, economic growth of each country will depend partially on others: when one country cuts down in imports, it is detrimental for the rest of countries.

Keynes suggested the creation of an International Monetary Fund in order to guarantee that all countries have the appropriate conditions to maximize their imports, which means that they all can maximize their exports and, therefore, promote full occupation within the country.

Objectives

The official objectives of the IMF are the following:

- Guaranteeing stability in the international monetary system. That is, facilitating the system of international payments and the stability of exchange rates that allows countries to make transactions to each other.

- Facilitating the expansion and balanced growth of international trade.

- Giving loans to member countries that have problems with their balance of payments – that is, countries that have problems paying their imports.

- Shortening the duration and decreasing the imbalance in the balance of payments of member countries.

- In exchange for the loans, the IMF and the beneficiary country agree on a programme of policies. The continuity of the financing aid is conditioned by an efficient implementation of this programme.

All these objectives are interrelated. The stability of currency exchange rates is an essential condition to promote international trade. The same is true for the loans given to countries to fix their problems with their balance of payments accounts.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WORLD TRADE ORGANIZATION

Original philosophy

Keynes' goal was to avoid that the recession of one country could contribute to causing the recession of another country and successively. According to Keynes, when a country faces recession, it should expand its public spending in order to recover its growth. If it does not, this country will import less and thus slow down exports – and growth – in other countries. Consequently, the growth of these countries will decrease and they will import less: this can generate a recessive spiral that feeds itself.

However, in order to have expansive policies, countries will need outside funding. According to Keynes, this is why an International Monetary Fund was necessary: to give loans to countries in recession so they can activate public spending and maintain their demand. Therefore, the IMF was meant to be the tool to guarantee demand on a global scale – which is the sum of demand in every country – and, thus, the growth of world economy as a whole.

The neoliberal shift

Since the 1980s, the IMF has shifted towards the economic theories of neoliberalism, according to which governments should never interfere in economy. According to neoliberal theories, when a country goes into recession, the government should leave the forces of the market act on their own so that the economy recovers its growth. Yet, if governments do not have to carry out expansive policies anymore, there is no need for an IMF to give out loans to finance public spending.

Thus, the IMF went through a radical change: it abandoned its initial Keynesian philosophy and it became an enemy of government intervention and of expansive policies. For the last thirty years, when economies in poor and emerging countries have gone through critical situations – be these recession or deceleration – and the governments of these countries have appealed to the IMF, the Fund has imposed a series of conditions in exchange for its loans and always following the same pattern: privatization of the public sector and cut downs on public spending in order to decrease public deficit very fast. However, instead of boosting economic growth, such contractive policies slow it down.

Voting system

The votes for each country are proportional to their quota, that is, the capital they contribute to the IMF. The quota of each country depends on its weight within global economy.

Regular decisions require a majority of 70% of the votes, but the most important decisions demand a 'super qualified' majority of 85% of the votes. Given that the United States is the only country that holds more than 15% of the votes (16.74%), this means it has the power to veto any of the most important decisions: it is impossible to obtain a majority of 85% of the votes without it.

Reforming the IMF

1. Democratizing the voting system of the IMF.

In a democratic society, the following principle should be followed: those who are affected by a decision must be able to take part in the process through which that decision is made.

Currently, the IMF makes decisions that affect all poor and emerging countries. Therefore, these countries should be allowed to take part in the decision-making process of the Fund.

The only way to achieve this is for the voting system to be more democratic: it should not depend exclusively on the quota each country contributes to the IMF's capital, but also on other criteria, not necessarily financial.

2. Recovering the original spirit.

The IMF should provide funding to countries in crisis so that they do not lower their imports and, thus, sustain global demand and the growth of world economy as a whole. In exchange for the funding, the IMF should not impose contractive policies – policies of accelerated reduction of public deficit – to beneficiary countries, but expansive policies instead, aimed at promoting economic growth.

3. The IMF should advance the reforms in the international financial system.

Financial crises have proved a series of urgent reforms of the international financial system are necessary:

- Establishing controls for international movements of capital

- Establishing taxation for financial transactions (Tobin Tax)

- Regulating the derivatives market

- Regulating investment banking (banking 'from the shadows')

- Dividing 'to big to fail' banks

- Modifying the salary system for executives in the financial sector

- Ensuring independency for regulatory agencies

All these reforms should be promoted by the IMF.

4. Advancing the programme for debt relief (HIPC relief initiative)

The IMF is one of the institutions sponsoring the Heavily Indebted Poor Countries (HIPC) Programme. The Fund should advance the programme so it is more effective and benefits more countries that are indebted.

WORLD TRADE ORGANIZATION

The World Trade Organization (WTO) is an international organization that includes most of the states of the world – to be specific, 153 member countries that represent more than 95% of the total world trade, and 30 observer countries, most of which are candidates to be members – and whose goal is defining the ground rules of world trade. Given that conventional economic theory is based on the thesis that free international trade is beneficial for all countries that want to take part in it, the WTO promotes the expansion of international trade.

In order to achieve this, the agreements signed by states within the framework of the WTO are on the path of trade liberalization and, therefore, of lowering of international barriers to trade – especially tariff barriers – aiming at the eradication of these obstacles. WTO agreements aim at discouraging member countries from using trade protectionism as a strategy to promote their economic development.

The WTO was created in 1995 and it is the successor of the General Agreement on Tariffs and Trade (GATT). The GATT came out of the Bretton Woods Conference at the end of the Second World War, just like the IMF and the World Bank. The WTO is based on the same principle the GATT established: the most-favoured-nation treatment, according to which, if a member country wishes to grant any trading advantage – such as a lowering of tariffs – to another country, it must automatically do the same for all member countries of the organization.

Hence, the WTO has two basic functions:

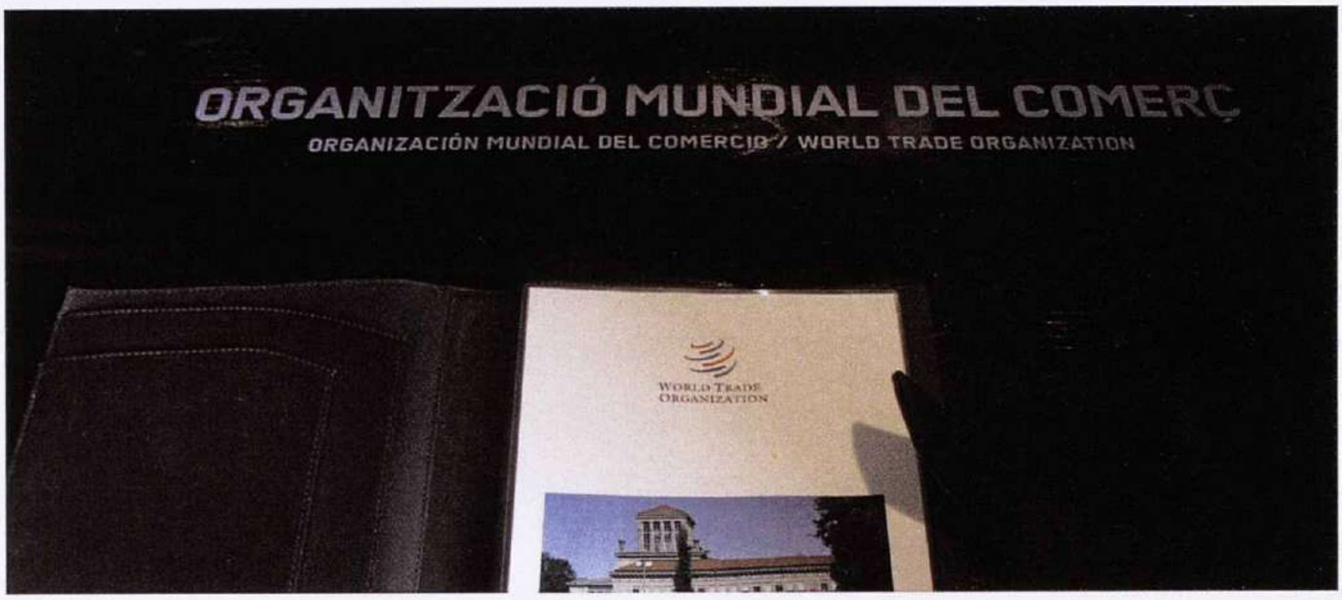
- It is a negotiating forum to discuss the rules of trade, both current and future ones.

- Act as a referee and offer solutions to trade disagreements among members when one of the members does not respect the existing agreements.

Voting system

The decisions taken by the WTO – at the GATT's – are reached by consensus among all member countries. The advantage of using consensus decision-making is that it promotes the efforts to reach a decision that is acceptable by all. The disadvantages of this system are that it requires time to negotiate and reach a consensus and that the final agreements use an ambiguous language in the contested points, which makes interpretation difficult.

Theoretically, using consensus in decision making increases the power of negotiation for small or weak countries, and for those less important in the scale of global economy. However, when put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INTERNATIONAL MONETARY FUND

into practice the world's great economic powers have dominated negotiations on the different trade agreements through GATT's and WTO's history, and the agreements reached have had a tendency to favour the United States, Europe and Japan.

WTO treaties have been severly criticised for being biased in favour of multinational companies and rich nations. Although membership is voluntary, critics claim that not being part of the organization practically puts a country in a situation of economic exclusion, which leads to an international system based on forced economic rules.

Reforming the WTO

1. Technical assistance to poor, small or economically weak countries.

The technical quality of negotiating teams is essential to WTO negotiations. Although the rule of consensus determines agreements, the difference in technical quality between world great powers and poor countries causes a notable lack of balance in negotiations. Therefore, it is essential for the organization to establish its own mechanisms so that all countries can take part in the negotiations of trade agreements in equal conditions.

2. Changing the ground rules of world trade.

WTO agreements should promote three main changes in the current system of international trade in order to be fair with poor and emerging countries:

- Eliminate subsidies to agricultural products from rich countries when these are detrimental for agricultural producers in poor and emerging countries.

- Eliminate progressive tariffs that are detrimental to the industrialization of poor and emerging countries.

- Allow subsidies to emerging industries in poor and emerging countries so they can grow and compete with industries from rich countries in equal terms.

3. Changing the ground rules of world trade.

WTO agreements should be mostly at the service of the development of poor and emerging countries. In order to achieve this, the most-favoured-nation principle should be changed for 'reciprocity among equals'.

According to this principle:

- Poor countries should have free access (zero tariffs) to any other country of the world.

- Emerging countries should have preferential access (lower tariffs) to rich countries and among themselves, but not to poor countries.

- Rich countries should have preferential acces only among them, but not to poor and emerging countries.

4. Regulating trade on mineral resources.

The WTO should promote international treaties that are necessary to avoid the so-called 'natural resource course', that is, to avoid that countries that are rich in mineral resources end up under a dictatorship or a civil war or being victims of bribery and corruption. Regulating international trade on these mineral resources is key to achieve this.

5. Reforming the patents system, especially for pharmaceutical patents.

The WTO has claimed the regulation of the international system for patents as it is closely linked to international trade. The WTO agreements should advance towards a new patent system that offers a fairer balance of the interests of private corporations who invest in research and the general interest of citizens who should be able to benefit from scientific innovations.

In the case of pharmaceutical patents, it is essential for the WTO to guarantee the execution of the agreements that enable the production of generic drugs in countries that are in a situation of health emergency.

9 Conditions for a World Without Poverty

Today, a world without poverty is no longer an utopia. It depends on whether governments and international institutions undertake the necessary reforms. And so, it depends on whether citizens demand these reforms and put pressure on their government accordingly.

10.1. SUSTAINABLE DEVELOPMENT GOALS

The concept of the Sustainable Development Goals (SDGs) was born at the United Nations Conference on Sustainable Development, Rio+20, in 2012. The objective was to produce a set of universally applicable goals that balances the three dimensions of sustainable development: environmental, social, and economic.

The SDGs replace the Millennium Development Goals (MDGs), which in September 2000 rallied the world around a common 15-year agenda to tackle the indignity of poverty.

The eight MDG have not fully achieved their objectives and it is difficult to do so if there are no major changes in the economic relations between rich and poor or emerging countries and deep reforms in the governing of globalisation, financial markets, world trade and aids to development.

At the United Nations Sustainable Development Summit on 25 September 2015, world leaders adopted the 2030 Agenda for Sustainable Development, which includes a set of 17 Sustainable Development Goals (SDGs) to end poverty, fight inequality and injustice, and tackle climate change by 2030.

1. No Poverty.
2. Zero Hunger.
3. Good Health and Well-being.
4. Quality Education.
5. Gender Equality.
6. Clean Water and Sanitation.
7. Affordable and Clean Energy.
8. Decent Work and Economic Growth.
9. Industry, Innovation and Infrastructure.
10. Reduced Inequalities.
11. Sustainable Cities and Communities.
12. Responsible Consumption and Production.
13. Climate Action.
14. Life Below Water.
15. Life on Land.
16. Peace, Justice and Strong Institutions.
17. Partnerships for the Goals.

The Sustainable Development Goals will never be achieved unless there is a previous complete transformation of the economic relations between rich, poor and emerging countries. They will never be achieved unless we introduce major reforms to the rules of world trade, international financial markets and aid for development tools. Essential reforms. Urgent reforms.

We will never achieve the goals unless we meet the following 9 conditions for a world without poverty:

10.2. CORRIDOR

1. Everyone has the right to food, health and education.
Let's create a **World Fund Against Poverty** financed with world taxes.

2. Working with dignity.
Let's guarantee basic labour rights in all countries.

3. Trade: a source of economic growth for poor and emerging countries.
Let's eliminate agricultural subsidies and progressive taxation, and protect emerging industries.

4. Natural resources cannot be a curse to the countries that hold them.
Let's ban the sale of minerals in countries involved in war, establish rules against bribery and a fair price for extraction rights.

5. In case of illness, we all have the right to access medication that can cure us.
Let's create a **World Patent Rescue Fund**.

6. The budgets of poor and emerging countries should not be used to pay off international loans.
Let's cancel foreign debt.

7. No one should be able to evade taxes or launder dirty money.
Let's eliminate tax havens.

8. The right to free movement of capital cannot be a source of constant instability and global financial crisis.
Let's apply profound regulations to the international financial system.

9. International institutions at the service of all citizens.
Let's make the IMF and the WB more democratic, balance negotiations within the WTO and create a new economic and social security council.

10.3. IT IS UP TO YOU

'We are the first generation in the entire history of humankind that has the capacity and the means to do away with poverty'.

Kofi Annan, Secretary-General of the United Nations. *Speech of the Millennium Declaration*, 8 September 2000

A world without poverty is no longer an unattainable utopia, but progress on the fight against extreme poverty is still excessively slow.

Not taking a substantial step towards the eradication of poverty before 2015 would be a collective failure. And we cannot afford to fail.

It is possible to avoid this. It all depends on whether governments – mostly those in rich countries – and international organizations promote the reforms that are necessary to achieve it. It depends on whether citizens pressure them to do so through civil society, social movements, voting, collective or individual action...

...it is up to you, it is up to me!


DEPÈN DE TU
DEPENDE DE TI
IT IS UP TO YOU

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CHANGE OF COURSE

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