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US and India strike deal on trade facilitation, food stocks

The US and India have resolved their differences in the WTO over the issues of trade facilitation and public food stockpiles. The deal is expected to pave the way for implementation of the Trade Facilitation Agreement and resumption of the broader Doha Round trade talks which had effectively been held up by the dispute.

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Contents

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US, India resolve impasse on TFA/food security issue

A deal has been struck between the US and India that looks set to break the stalemate in the WTO surrounding the issues of trade facilitation and public food stocks.

by Kanaga Raja

GENEVA: Both the United States and India officially announced on 13 November that they have reached an agreement aimed at breaking the current deadlock at the World Trade Organization over the issue of public stockholding for food security purposes and the implementation of the Trade Facilitation Agreement (TFA).

The announcement of the breakthrough came in separate press releases from the Office of the US Trade Representative (USTR) and the Ministry of Commerce and Industry of India.

In the statement issued by the Press Information Bureau, Indian Commerce and Industry Minister Nirmala Sitharaman said: "We are extremely happy that India and the US have successfully resolved their differences relating to the issue of public stockholding for food security purposes in the WTO in a manner that addresses our concerns."

This will end the impasse at the WTO and also open the way for implementation of the Trade Facilitation Agreement, she added.

She expressed confidence that the membership will take the matter forward in the WTO in a constructive spirit, saying that this would be an important contribution by the WTO reflecting its commitment to development.

She urged the WTO membership to take this forward in the General Council on behalf of the Ministerial Conference, and pave the way to spurring the WTO to more such successes.

In a separate statement, USTR Michael Froman welcomed the agreement that was reached between the US and India, saying that it paves the way for full implementation of the TFA.

"On the basis of this breakthrough with India, we now look forward to working with all WTO Members and with Director-General Roberto Azevedo to reach a consensus that enables full implementation of all elements of the landmark Bali Package, including the Trade Facilitation Agreement," he said.

Two elements

An accompanying factsheet issued by the Office of the USTR cited two key elements of the agreement, which it said will be presented for consideration by the full WTO membership in the near future.

The first is that the TFA "should be implemented without conditions", on the basis of a standard legal instrument for implementing new WTO agreements, and that if accepted by the full WTO membership, this approach will enable fully multilateral implementation of the TFA.

The second element pertains to the understanding reached between the US and India on implementation of the Bali decision regarding public stockholding for food security purposes. The USTR factsheet said that the bilateral agreement makes clear that a mechanism under which WTO members will not challenge such food security programmes under WTO dispute settlement procedures "will remain in place until a permanent solution regarding this issue has been agreed and adopted."

[According to the Bali Ministerial Decision of 7 December 2013 on public stockholding for food security purposes, WTO members agree to put in place an interim mechanism, and to negotiate on an agreement for a permanent solution, for the issue of public stockholding for food security purposes for adoption by the 11th WTO Ministerial Conference (in 2017).

[In the interim, until a permanent solution is found, and provided that the conditions set out are met, members shall refrain from challenging through the WTO dispute settlement mechanism, compliance of a developing-country member with its obligations under Articles 6.3 and 7.2(b) of the Agreement on Agriculture (AoA) in relation to support provided for traditional staple food crops in pursuance of public stockholding programmes for food security purposes existing as of the date of the Decision, that are consistent with the criteria of paragraph 3, footnote 5, and footnotes 5 and 6 of Annex 2 to the AoA when the developing member complies with the terms of the Decision.]

According to the USTR factsheet, the bilateral agreement also sets out elements for an intensified programme of work and negotiations to arrive at such a permanent solution.

The factsheet further said that the elements agreed between the US and India will now be discussed with the full WTO membership in the interest of arriving at final and simultaneously agreed decisions in the very near future.

Key pillar

In her statement, Indian Commerce and Industry Minister Sitharaman said that India is a strong supporter of the multilateral trading system and is committed to strengthening it and ensuring that the WTO remains a key pillar of the global economic edifice.

"The WTO is in the best interest of developing countries, especially the poorest, most marginalized ones among them and we are determined to work to strengthen this institution," she added.

According to the minister, the principles of non-discrimination, predictability, transparency and, most importantly, the commitment to development underlying the multilateral trading system are too valuable to lose.

"Plurilateral trading arrangements, among a few, cannot substitute the multilateral system and are also against the spirit of the fundamental WTO principles of transparency and inclusiveness," she stressed.

The Doha Development Agenda (DDA) which was agreed in the year 2001 is the very first round dedicated to development. The agenda is a fine balance between market access and development issues.

"We supported the Bali Package but when subsequent developments belied that hope, India had no option but to seek a course correction. India, therefore, took the stand that till there was an assurance of our concerns being addressed, it would be difficult to join the consensus on the Protocol of Amendment for the Trade Facilitation Agreement," the Indian minister explained.

She noted that the relationship between international trade and food security has been the subject of much debate, and so also, the role of WTO rules in enabling and promoting food security. "While the relevant WTO rules recognize food security concerns, their primary focus is to liberalize agricultural trade rather than to ensure food security. However, the fact is that some of these rules are proving to be a hindrance to food security efforts."

The minister said that India has reiterated its commitment to the Trade Facilitation Agreement a number of times. "We recognize its value for trade and for that reason we agreed to it in the larger interest of global trade."

However, she said, for developing countries the benefits may not be commensurate with the associated costs. Implementation of the rest of the Bali decisions will give some comfort to the developing and least developed countries, even though most of the non-binding decisions do not hold out the promise of substantial gains for these countries.

She underlined that India will continue to work for the implementation of the Bali Package and the DDA.

"While there was much media debate and concerns expressed regarding the impact of India's stand in the WTO, it has undeniably resonated across the world. Many countries saw merit in what we were asking for. India was not alone or isolated. Others were simply not speaking up," Sitharaman pointed out.

New momentum

In his statement on the agreement reached between the US and India, USTR Froman said: "A year ago at the WTO Ministerial Conference held in Bali, all WTO members, including the United States and India, celebrated the achievement of the TFA and a broader package of measures addressing concerns of all WTO members. Efforts to put the TFA in place were dealt a setback in July, when a small group of countries, led by India, raised concerns about the status of the WTO's work on food security issues and blocked consensus on implementing the TFA. We have overcome that delay and now have agreement with India to move forward with full implementation."

"With the WTO confronting a mounting crisis of confidence, [US] President [Barack] Obama and [Indian] Prime Minister [Narendra] Modi held productive discussions on this issue, including during the Prime Minister's visit to Washington in September. In recent days, officials of both governments worked intensively and reached an agreement that should give new momentum to multilateral efforts at the WTO. In doing so, the United States and India reaffirm their joint commitment to the success and credibility of the WTO," he added.

In a statement issued from Brussels, European Union Trade Commissioner Cecilia Malmstrom, welcoming the news that the US and India have resolved their differences on the issue, said: "We have achieved an important breakthrough which will lead to the full implementation of the landmark Bali package, including the Trade Facilitation Agreement, the first global trade deal agreed in the World Trade Organization."

She added that implementation of the TFA will allow the WTO to resume work on other key aspects of the Bali deal, including advancing on the preparation of a work programme for the DDA. "We look forward to resuming the discussions in the WTO in the coming days, to turn these agreements into action."

In a press release also issued on 13 November, WTO Director-General Roberto Azevedo welcomed the US-India agreement, saying that this breakthrough "represents a significant step in efforts to get the Bali package and the multilateral trading system back on track."

"It will now be important to consult with all WTO members so that we can collectively resolve the current impasse as quickly as possible," he added. *(SUNS7916)* ❐

As TPP talks miss third deadline, opponents claim momentum

A trans-Pacific free trade deal continues to elude intergovernmental negotiators as opposition to what is seen as its pro-corporate bias mounts.

by Carey L. Biron

WASHINGTON: For the third year in a row, government negotiators for 12 Pacific Rim countries have missed an internal deadline to reach agreement on a controversial US-led trade deal.

And though negotiators for the accord, known as the Trans-Pacific Partnership (TPP), say the process is nearing completion, critics of the deal are expressing optimism that both public opinion and political timing are increasingly against the deal.

"The reason the Obama administration keeps missing deadline after deadline, year after year, is that it's pushing an extremely unpopular agenda that benefits a handful of big corporations at the expense of the economy, environment and public health in each TPP country and beyond," Arthur Stamoulis, executive director of the Citizens Trade Campaign, an advocacy group that opposes the TPP, told Inter Press Service (IPS).

"People and parliaments across the Pacific Rim are starting to realize that the TPP would be bad news for their countries. That includes here in the US."

TPP negotiators confirmed the news on 10 November at a regional summit in Beijing. US President Barack Obama's administration, which has been spearheading the TPP talks, had set the meeting of the Asia-Pacific Economic Cooperation (APEC) grouping as a key target for agreement.

Obama has made the TPP a central part of his attempt to reorient the United States towards Asia – and to economically circumscribe China, which isn't party to the talks. On 10 November, the president himself was in Beijing, where he acknowledged that the TPP process now needed additional political pressure.

"During the past few weeks, our teams have made good progress in resolving several outstanding issues regarding a potential agreement. Today is an opportunity at the political level for us to break some remaining logjams," the president told trade ministers in Beijing.

"To ensure that TPP is a success, we also have to make sure that all of our people back home understand the benefits for them – that it means more trade, more good jobs, and higher incomes for people throughout the region, including the United States."

The president said the TPP talks have the possibility of resulting in a "historic achievement". A statement released by the 12 countries party to the talks suggested that "the end" of the negotiations is "coming into focus".

Yet disagreements remain, with media reports pointing to agricultural protectionism as proving to be particularly thorny.

Others say that substantive frustration remains over a raft of disparate issues, many far from traditional trade concerns – including environmental impact, labour safeguards, medicinal pricing, patent rules and investors' ability to circumvent national law, among other concerns.

Hurdles

In many ways, it is the broad scope of issues on which the TPP touches that is responsible for strengthening public concern. Now, with Obama down to his final two years in office, critics are increasingly confident in their ability to stave off agreement.

With the US 2016 presidential elections likely to heat up as early as the middle of next year, passage of any major trade agreement by US lawmakers would be improbable until 2017 at the earliest.

"TPP proponents know they're under the clock," the Citizens Trade Campaign's Stamoulis says. "The resistance against the TPP is as strong as it's ever been, and is only growing stronger."

The recent Congressional election in the US did change the discussion around one issue that would be key for any eventual TPP agreement: whether Obama is allowed to negotiate unilaterally, or whether he would need the US Congress's point-by-point approval of a proposed accord.

Because trade agreements typically touch on so many domestically sensitive issues, US presidents in the past have asked for approval to negotiate without input from lawmakers. Such "fast-track" authority then allows Congress only a single up-or-down vote at the end of the process.

Yet due to concern among US constituents over the potential impact of the TPP on the domestic economy, both houses of the US Congress have been reluctant to approve Obama's requests for fast-track authority. Still, with the recent Congressional election some have suggested that this could change.

The issue could now come down to a debate that is taking place within the Republican Party, which increased its majority in the House of Representatives and in January will take over control of the Senate.

While the House has consistently opposed passage of fast-track authority for Obama, the new Republican Senate leadership has suggested that such legislation could now be a key priority early next year.

"Most of [President Obama's] party is unenthusiastic about international trade. We think it's good for America," Mitch McConnell, the top Republican in the Senate and the figure who will set the body's agenda this coming year, said at a press conference following the election.

"And the president and I discussed that ... and I think he's interested in moving forward. I said, 'Send us trade agreements. We're anxious to take a look at them.'"

The new potential movement on fast-track authority has sparked a furious debate among conservatives, particularly between those who have traditionally supported big business and those increasingly concerned about globalization's impact on US workers. This division has strengthened since the 2008 economic downturn.

"It's only in the past few years that we've seen a small cabal of internationalist, Big Business-allied Republicans emerge, and it is this corporatist wing that has pushed for free trade," Curtis Ellis, a spokesperson with the American Jobs Alliance and executive director of ObamaTrade.com, a conservative watchdog site, told IPS.

"If we're going to move all of our factories overseas, the American people are going to get stuck with the short end of [the] stick. And really, even supporters of the TPP admit that it's not about trade but rather about investment – about securing overarching global governance rules on investment."

Indeed, of the TPP's 29 proposed chapters, just five deal directly with trade, according to Public Citizen, a consumer interest group here.

"[T]he non-trade provisions would promote lower wages, higher medicine prices, more unsafe imported food, and new rights for foreign investors to demand payments from national treasuries over domestic laws they believe undermine the new TPP privileges they would gain," Lori Wallach, the head of the group's Global Trade Watch programme, said on 10 November.

"Despite the intense secrecy of the negotiations ... many TPP nations have woken up to the fact that the deal now on offer would be damaging to most people, even if the large corporations pushing the deal might improve their profit margins." *(IPS)* ❐

(continued from page 9)

Developing countries had extensively liberalized their trade regimes in the 1980s. In the aftermath, UNCTAD finds that some LDCs have more open trade regimes than other developing countries, and others are more open than even developed countries.

These policies had been intended to facilitate economic diversification. Instead of the expected outcome, greater trade liberalization has been accompanied by greater concentration in the structure of exports.

The international economic system labours under the constraint that the highest decision-making bodies in key institutions, such as the International Monetary Fund (IMF), do not provide sufficient voting weight and policy influence to countries most affected by their operations. One effort under way but under enormous political obstruction is to update voting weights in line with the changed economic structure. Even the G20, where important developing countries sit, has been unable to advance progress. *(IPS Columnist Service)* ❐

Manuel F. Montes is senior advisor on finance and development at the South Centre in Geneva. The above is based on a more extensive research paper prepared by the author for the South Centre and which is available at www.southcentre.int/research-paper-51-july-2014/.

South Centre concerned over US pressure on India's IP regime

Pressure exerted by the US on India to tighten the latter's intellectual property norms could hinder the Indian government's ability to protect the public interest, an intergovernmental developing-country think-tank has cautioned.

by Kanaga Raja

GENEVA: The South Centre has expressed concern over the pressures being placed on India by the United States Trade Representative (USTR) through a review of the country's intellectual property (IP) laws and practices.

In an official submission to the USTR, the Geneva-based intergovernmental organization of developing countries has equally voiced its concerns over the investigations of the US International Trade Commission (USITC) into India's trade, investment and industrial policies, in particular intellectual property protection and enforcement.

The South Centre viewed these recent developments as "most inappropriate", saying they go against the spirit of the landmark WTO Doha Ministerial Declaration on the TRIPS Agreement and Public Health.

It underlined that India and other developing countries have the right to use the flexibilities in the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) to the fullest extent for advancing public health needs and other development priorities.

The legal and regulatory measures that India has used for protecting public health are fully consistent with the TRIPS Agreement, the South Centre said.

"Continued pressures on developing countries to adopt an IPR [intellectual property right] regime that would go beyond the minimum standards in the TRIPS Agreement and that [does] not make use of the flexibilities that are part of the TRIPS Agreement would have adverse social and developmental effects, including on the public's access to medicines," said the South Centre submission.

It requested that there be a stop to these pressures that are placed on developing countries, including India.

The South Centre's submission was in response to the request by the USTR to provide all necessary and relevant information for identifying and assessing the engagement with the government of India on IP-related issues of concern, in the context of the Special 301 Out-of-Cycle Review (OCR) of India commenced by the USTR.

The South Centre submission noted that the USTR has initiated the current OCR of India to evaluate progress of intensive engagement with the government of India on intellectual property issues to "improve IP protection and enforcement in India" in the context of specific concerns raised in the Special 301 report for 2014 by the USTR relating to civil IPR enforcement as well as India's IP regimes pertaining to copyright, patents, regulatory data protection, trademarks, trade secrets and localization trends.

IPR enforcement

The Special 301 report "encourages" India to strengthen civil IPR enforcement by increasing judicial efficiency, reducing court backlogs, establishing fast-track procedures and specialized judges.

It is the South Centre's view, however, that India offers adequate judicial and administrative remedies to right holders to enforce their IP rights.

India has established a special administrative tribunal known as the Intellectual Property Appellate Board (IPAB) which exercises jurisdiction over trademarks, patents and geographical indications. Right holders can also file an appeal to the High Court against IPAB decisions and file special leave petitions before the Supreme Court of India against any decisions of the High Court.

Indeed, said the South Centre, IP right holders have made use of the judicial remedies available in India in a number of cases.

For example, the multinational pharmaceutical company Novartis has initiated separate lawsuits against eight Indian companies alleging infringement of its patent on vildagliptin, and has been granted injunctions by the courts in four of these cases, while Merck has filed seven separate lawsuits against infringement of its patent on sitagliptin and has obtained injunctions in six of these suits.

Between 1995 and 2014, 366 cases of copyright infringement have been filed in India out of which 80 have been filed by foreign copyright owners and 52 of these have received a favourable ruling under the Indian law.

In the area of trademarks, 1,593 cases of trademark infringement have been filed between 1995 and 2014, out of which 449 cases have been filed by foreign trademark owners and 302 cases have received a favourable ruling under the Indian law.

"This demonstrates that India has a robust system of IP enforcement in place which is fully in accordance with the requirements of Part III of the TRIPS Agreement."

The South Centre stressed that the TRIPS Agreement does not require a country to establish IP enforcement procedures that are distinct from the country's general law enforcement system. The agreement only requires a country to make available appropriate judicial or administrative mechanisms to enforce IP rights, which is provided adequately by India.

Copyright concerns

With regard to copyright, it appears that the US would like India to enact anti-camcording legislation, model its statutory licensing relating to copyrighted works upon Berne Convention standards, ensure that collecting societies are licensed promptly and are able to operate effectively, provide additional protection against signal theft, adopt measures to prevent circumvention of technological protection measures, and adopt notice and takedown measures to prevent online piracy.

The South Centre however noted that contrary to the concerns raised in the Special 301 report, the Consumers International IP watch-list report has consistently placed India among the top three consumer-friendly copyright regimes from 2009 to 2012, meaning that India's copyright regime is regarded as more amenable to access to knowledge rather than restricting access to knowledge through excessive copyright protection.

Following the amendment of the copyright law in 2012, India has introduced technological protection measures as well as special fair use provisions. This is in spite of the fact that India is not a party to the WIPO Internet Treaties and is therefore under no obligation to adopt such measures in its law.

Furthermore, enacting a specific anti-camcording legislation in India may not be needed in view of the fact that camcording of a film is already a violation under the current Copyright Act of 1957. Moreover, the provisions on statutory licensing in India's copyright law are fully consistent with Article 9(2) of the Berne Convention.

Patent standards

According to the South Centre submission, the USTR report also raises specific concerns in relation to section 3(d) of the Patents Act and states that it may limit the patentability of potentially beneficial inventions. It also expresses concern about issuance of compulsory licences in India, as well as the availability of pre-grant and post-grant opposition.

The South Centre said: "The establishment by the government of a country of its criteria to grant patents (as provided for in section 3(d) of the Indian Patent Act and interpreted by the Indian Supreme Court in the Novartis case), the right to issue compulsory licences, and the use of patent pre-grant and post-grant opposition proceedings are, among others, important flexibilities that serve to protect public health, consistent with the TRIPS Agreement."

Additionally, a country may consider and weigh other important policy objectives (such as promotion of access to health) in relation to its grant of IPRs. None of the recent decisions in India to reject patents on known medicines or to issue compulsory licences on anti-cancer medicines have been challenged before the WTO dispute settlement mechanism, the South Centre noted.

These actions by India are fully consistent with the Doha Declaration on the TRIPS Agreement and Public Health which clarifies that the TRIPS Agreement can and should be interpreted to advance public health goals and that nothing in the TRIPS Agreement impedes the right of countries to adopt policies to promote public health and access to medicines.

Indeed, said the South Centre, the concern of ensuring access to medicines while enabling the grant of quality patents on medicines that constitute real innovations is the objective of Indian patent law.

It noted that the granting of a compulsory licence in India on a medicine is not unique, in that many other countries have issued compulsory licences for ensuring access to affordable medicines to meet their public health needs, including Brazil, Ecuador, Eritrea, Ghana, Indonesia, Malaysia, Mozambique, Thailand and Zambia.

"The granting of compulsory licences is TRIPS-consistent and is an important measure that governments are allowed to take in furtherance of the public interest. This has been confirmed by the WTO [Doha] Ministerial Declaration on TRIPS and Public Health."

According to the South Centre, it should be recognized and appreciated that the production of generic medicines by the Indian drug industry is of critical importance for the healthcare not only of Indian citizens but also of millions of people outside of India, especially in developing countries.

This is because a large portion of a broad range of medicines used by patients in developing countries is produced by Indian drug companies and imported by these countries from India. The provision of these generic medicines by Indian companies is a very important factor in India's contribution to more affordable access to medicines for many millions of people in developing countries.

For example, it is well known that the supply of affordable generic medicines for HIV/AIDS patients by Indian companies, a large proportion of this being supplied under the Global Fund and other charitable funds, has contributed to the saving of millions of lives in Africa and other regions.

The presence and use of TRIPS flexibilities (including through the provision on compulsory licensing and other relevant provisions in the Indian patent law) is a significant factor enabling the Indian drug industry to play its important role in the treatment of diseases in India and in the developing countries. These provisions are consistent with WTO rules, and thus India is complying with its international obligations in intellectual property, while also enabling the country to meet its responsibilities in both national and international public health.

"Therefore, it is our view that India should be encouraged to continue to play this role, and that there should be no hindrance placed on the country and its drug industry to maintain its laws and to play its important global role," said the South Centre submission.

On the Special 301 report's concern about the role of compulsory licensing in India's National Manufacturing Policy, the South Centre argued that India's option to make use of compulsory licensing in its National Manufacturing Policy as a mechanism available to government entities to effectuate technology transfer in the clean energy sector can be considered as a component of India's policy objective of shifting its energy sector to clean energy in order to address climate change and air pollution concerns.

It noted in this context that climate change is both a national and a global problem. Under the UN Framework Convention on Climate Change (UNFCCC), technology transfer is seen to play a key role in enabling developing countries like India to undertake enhanced action for adaptation and mitigation of climate change through the use of environmentally sound technologies.

The South Centre cited Article 4.1(c) of the UNFCCC as requiring all Parties, taking into account their common but differentiated responsibilities and their specific national and regional development priorities, objectives and circumstances, to: "Promote and cooperate in the development, application and diffusion, including transfer, of technologies, practices and processes that control, reduce or prevent anthropogenic emissions of greenhouse gases not controlled by the Montreal Protocol in all relevant sectors, including the energy, transport, industry, agriculture, forestry and waste management sectors".

Further, Article 4.5 of the UNFCCC states: "The developed country Parties and other developed Parties included in Annex II shall take all practicable steps to promote, facilitate and finance, as appropriate, the transfer of, or access to, environmentally sound technologies and know-how to other Parties, particularly developing country Parties, to enable them to implement the provisions of the Convention. In this process, the developed country Parties shall support the development and enhancement of endogenous capacities and technologies of developing country Parties. Other Parties and organizations in a position to do so may also assist in facilitating the transfer of such technologies."

The South Centre underlined that cooperation on technology transfer for clean technologies is a treaty commitment for all parties under the UNFCCC, with developed countries such as the US also being treaty-obliged to take all practicable steps to promote, facilitate and finance, as appropriate, the transfer of, or access to, environmentally sound technologies and know-how to developing countries.

Therefore, said the South Centre, it is appropriate for India to adopt policies supportive of access to clean technologies in its National Manufacturing Policy to enhance a shift to clean energy for which transfer of technology is necessary. It pointed out that this is in fact similar to what the US has itself done in promoting the use of compulsory licences or mandatory licences to facilitate access to clean technologies under Section 308 of the US Clean Air Act.

Data protection

On the Special 301 report's desire for India to provide effective protection against unfair commercial use and unauthorized disclosure of test or other data generated to obtain marketing approval for pharmaceutical and agricultural products, the South Centre stressed that there is no obligation upon India or any other country under the TRIPS Agreement to introduce market exclusivity while protecting data on clinical trials before marketing approval is given to a pharmaceutical product.

Article 39.3 of the TRIPS Agreement requires WTO members to establish protections for submitted test data only under certain conditions. Test data must be protected in national authorities that require its submission. But Article 39.3 does not require protection to be given to already public data. Moreover, the obligation under the TRIPS Agreement is to protect such marketing approval data against unfair commercial use. What constitutes unfair commercial use is determined by the national law of each country. Indeed, negotiators of the TRIPS Agreement had considered and specifically rejected language requiring exclusive rights to test data.

Therefore, India's law on regulatory data protection is fully consistent with the TRIPS Agreement, said the South Centre.

It considers that maintaining the Indian law on this issue is very important because this facilitates the production and marketing of generic medicines by Indian drug companies.

"In our view, the model of data protection requested by the US administration would be detrimental to the ability of generic companies to supply generic medicines for the period of market exclusivity, and this would have serious significant negative impact on access to medicines, affecting patients not only in India but also many other countries."

US pressures

In some conclusions, the South Centre believed that it is important that in this out-of-cycle review process, "a broader view of the public interest in India, and the global public interest, especially the interests of people in the developing countries, should be taken."

It is the South Centre's view that the Indian IP laws include balanced provisions to ensure that IP rights do not hinder the ability of the government to adopt measures for promoting development priorities, particularly in the area of public health. These are fully in line with the TRIPS Agreement and reaffirmed by the Doha Declaration on the TRIPS Agreement and Public Health.

"We thus view with concern the pressures placed on India by the out-of-cycle review (OCR) of India by the US Trade Representative to evaluate intellectual property issues as well as the investigations by the International Trade Commission (USITC) against India on trade, investment and industrial policies in India particularly on intellectual property protection and enforcement."

According to the South Centre, the continued threat of unilateral trade sanctions by the US against developing countries through USITC investigations and the Special 301 review undermines the legitimacy of the WTO, particularly the TRIPS Agreement and the WTO's dispute settlement system.

The USTR investigations, including the current OCR, may lead to unilateral trade sanctions that would be illegitimate under the WTO rules. Moreover, the mere threat of sanctions by placing a country in any specific category in the US watch-list would appear to violate the WTO Dispute Settlement Understanding (DSU).

The South Centre submission highlighted a WTO panel as noting in a dispute brought in 1999 by the EU against Section 301 of the US law that "the threat alone of conduct prohibited by the WTO would enable the Member concerned to exert undue leverage on other Members. It would disrupt the very stability and equilibrium which multilateral dispute resolution was meant to foster and consequently establish, namely equal protection of both large and small, powerful and less powerful Members through the consistent application of a set of rules and procedures."

[In its report, the WTO panel had said that prima facie the provisions of the US law were not compatible with the US obligations, but that the provisions of S. 301 could be considered to be compliant based on the statement of administrative actions provided to the US Congress and the US statements to the panel that it would respect the DSU obligations in administering the powers under S. 301.

[The panel added that its conclusions were based on the US assurances and undertakings and that if they were repudiated in the future or in any other way removed by the US administration or another branch of the US government, the findings of conformity would no longer be warranted.

[According to Chakravarthi Raghavan, a veteran trade analyst and Editor Emeritus of the *South-North Development Monitor (SUNS)*, with the conveying to the panel of the statement of US administrative actions provided to Congress, and the assurance that the US would respect the DSU obligations against any unilateral actions in administering the powers under S. 301 – assurances that were accepted and recorded in the panel report – this in effect became a US WTO obligation in international law. – *SUNS*]

The South Centre warned in its submission that continued US pressures on developing countries to adopt an IPR regime that would go beyond the minimum standards in the TRIPS Agreement and not make use of the flexibilities that are part of the TRIPS Agreement would have adverse social and developmental effects, including on the public's access to medicines.

The Centre called for a stop to these pressures that are being placed on developing countries, including India. *(SUNS7914)* ❐

Obstacles to development arising from the international system

To the extent that it undermines structural transformation and improvements in productivity, the international economic system places barriers in the way of national development efforts.

by Manuel F. Montes

GENEVA: As the international community wades into the political discussions regarding the alternatives to the Millennium Development Goals (MDGs) after 2015 and the design of the Sustainable Development Goals (SDGs) as mandated by the Rio+20 conference, it is timely to consider the question of whether development is a matter mostly of individual effort on the part of nation-states or whether there are elements in the international economic system that could serve as significant obstacles to national development efforts.

If there are obstacles in the international economic system, it is important that the post-2015 development agenda and the SDGs address the question of the elimination or the reduction of these obstacles.

The limited number of successfully developing countries since the 1950s has provoked a debate over whether the success of these countries required their success in eluding international obstacles to development.

The question is to evaluate features of the international system on the basis of how these features are conducive to enabling long-term investment toward economic diversification.

Terminologies of previous development orthodoxies litter the development literature – import substitution, industrialization, basic needs, structural adjustment, Washington Consensus and Millennium Development Goals. Each of these orthodoxies tended to be a reaction to perceived weaknesses or missing elements from the immediately previous one. The most recent orthodoxy, as exemplified by the MDGs, is that development is about poverty eradication.

But poverty eradication is an overly narrow, possibly misleading perspective on development. Poverty eradication is a desired outcome of development but its achievement is permanent only with the movement of a significant proportion of the population from traditional, subsistence jobs to productive, modern employment.

The association of development with poverty reduction created for the donor community pride of place in economic policy in developing countries. But this place can be at the cost of reducing the responsibility of donor countries in helping to maintain an enabling international environment for development in trade, finance, human resource development and technology. In the MDGs, these issues are crammed into MDG 8, the so-called global partnership for development, with a very selective and poorly defined set of targets.

Development requires not just higher levels of income, nutrition, education and health outcomes but in the first place involves higher levels of productivity and capabilities. Higher levels of productivity and capabilities are possible only with structural transformation of the economy.

In turn, in most societies, according to a report by the Secretary-General of the UN Conference on Trade and Development (UNCTAD), such a structural transformation has been "associated with a shift of the population from rural to urban areas and a constant reallocation of labour within the urban economy to higher-productivity activities."

Externally based obstacles

Structural transformation is only possible with substantial and sustained investment over decades in new activities and products, not just in anti-poverty programmes. Where the international economic system is hostile to investment in new, productivity-enhancing economic activities is where its elements create obstacles to development.

One example of an externally based obstacle is aid volatility, which has been shown to have highly negative impacts on macroeconomic performance and domestic investment.

Capital and technological investments are required to overcome the enormous productivity gap between developing and developed countries which characterizes the world economy.

In 2008, a ratio of the average Gross National Income (GNI) per worker in the countries of the Organization for Economic Cooperation and Development (OECD) versus that in the least developed countries (LDCs) was 22 to 1 in favour of the OECD countries. This imbalance has worsened by a factor of five in comparison to the earliest days of capitalist development. In the 19th century, taking the Netherlands and the United Kingdom as the richest countries and Finland and Japan as the poorest, the productivity gap was only between 2 to 1 and 4 to 1.

The international economic system is lacking crucial mechanisms for delivering long-term, stable resources required by developing countries to upgrade their capabilities.

Dependence on commodity exports sustains the productivity gap between developed and developing countries.

Abundant global liquidity and growing trade imbalances fuelled a commodity boom in the 2000s which benefited many developing countries, including many LDCs. All previous global liquidity booms had ended with serious economic crises in developing countries. The more recent commodity price boom did not introduce an enduring improvement in macroeconomic balances, especially for low-income countries (LICs).

While in the 2000s LDCs experienced the strongest growth rates since 1970s, according to UNCTAD, more than one-quarter of LDCs actually saw GDP per capita decline or grow slowly in the 2002-07 global boom.

Even the middle-income region of Latin America presents evidence of insignificant structural improvement in fiscal and current account balances.

Previous commodity boom periods had similarly not been an occasion for structural change in LDCs. UNCTAD suggests that between the 1970s and 1997 – a period which saw various episodes of commodity and global liquidity booms – manufacturing as a proportion of GDP increased by less than two percentage points in LDCs as a group. When considering LDCs from Africa alone and including Haiti, manufacturing fell from 11% to 8% during the same period.

(continued on page 5)

Bridging the rich-poor divide

The global gap between the haves and the have-nots has reached new extremes and is still growing, with ruinous effects on economic, political and social well-being. But the continued rise of inequality is not inevitable, and governments can take action to build a fairer economic and political system, insists a new Oxfam report "Even It Up", the executive summary of which is reproduced below.

From Ghana to Germany, South Africa to Spain, the gap between rich and poor is rapidly increasing, and economic inequality has reached extreme levels. In South Africa, inequality is greater today than at the end of apartheid.

The consequences are corrosive for everyone. Extreme inequality corrupts politics, hinders economic growth and stifles social mobility. It fuels crime and even violent conflict. It squanders talent, thwarts potential and undermines the foundations of society.

Crucially, the rapid rise of extreme economic inequality is standing in the way of eliminating global poverty. Today, hundreds of millions of people are living without access to clean drinking water and without enough food to feed their families; many are working themselves into the ground just to get by. We can only improve life for the majority if we tackle the extreme concentration of wealth and power in the hands of elites.

Oxfam's decades of experience in the world's poorest communities have taught us that poverty and inequality are not inevitable or accidental, but the result of deliberate policy choices. Inequality can be reversed. The world needs concerted action to build a fairer economic and political system that values everyone. The rules and systems that have led to today's inequality explosion must change. Urgent action is needed to level the playing field by implementing policies that redistribute money and power from wealthy elites to the majority.

Extreme economic inequality has exploded across the world in the last 30 years, making it one of the biggest economic, social and political challenges of our time. Age-old inequalities on the basis of gender, caste, race and religion – injustices in themselves – are exacerbated by the growing gap between the haves and the have-nots.

As Oxfam launches the Even It Up campaign worldwide, we join a diverse groundswell of voices, including billionaires, faith leaders and the heads of institutions, such as the International Monetary Fund (IMF) and the World Bank, as well as trade unions, social movements, women's organizations and millions of ordinary people across the globe. Together we are demanding that leaders around the world take action to tackle extreme inequality before it is too late.

The growing gap between rich and poor

Trends in income and wealth tell a clear story: the gap between the rich and poor has reached new extremes and is still growing, while power increasingly lies in the hands of elites.

Between 1980 and 2002, inequality between countries rose rapidly, reaching a very high level. It has since fallen slightly due to growth in emerging countries, particularly China. But it is inequality within countries that matters most to people, as the poorest struggle to get by while their neighbours prosper, and this is rising rapidly in the majority of countries. Seven out of 10 people live in countries where the gap between rich and poor is greater than it was 30 years ago. In countries around the world, a wealthy minority are taking an ever-increasing share of their nation's income.

Worldwide, inequality of individual wealth is even more extreme. At the start of 2014, Oxfam calculated that the richest 85 people on the planet owned as much as the poorest half of humanity. Between March 2013 and March 2014, these 85 people grew $668 million richer each day. If Bill Gates were to cash in all of his wealth and spend $1 million every single day, it would take him 218 years to spend it all. In reality though, he would never run out of money: even a modest return of just under 2% would make him $4.2 million each day in interest alone.

Since the financial crisis, the ranks of the world's billionaires have more than doubled, swelling to 1,645 people. And extreme wealth is not just a rich-country story. The world's richest man is Mexico's Carlos Slim, who knocked Bill Gates off the top spot in July 2014. Today, there are 16 billionaires in sub-Saharan Africa, alongside the 358 million people living in extreme poverty. Absurd levels of wealth exist alongside desperate poverty around the world.

The potential benefit of curbing runaway wealth by even a tiny amount also tells a compelling story. Oxfam has calculated that a tax of just 1.5% on the wealth of the world's billionaires, if implemented directly after the financial crisis, could have saved 23 million lives in the poorest 49 countries by providing them with money to invest in healthcare. The number of billionaires and their combined wealth has increased so rapidly that in 2014 a tax of 1.5% could fill the annual gaps in funding needed to get every child into school and deliver health services in those poorest countries.

Some inequality is necessary to reward talent, skills and a willingness to innovate and take entrepreneurial risk. However, today's extremes of economic inequality undermine growth and progress, and fail to invest in the potential of hundreds of millions of people.

Extreme inequality hurts us all

Extreme inequality: A barrier to poverty reduction

The rapid rise of extreme economic inequality is significantly hindering the fight against poverty. New research from Oxfam has shown that in Kenya, Indonesia and India, millions more people could be lifted out of poverty if income inequality were reduced. If India stops inequality from rising, it could end extreme poverty for 90 million people by 2019. If it goes further and reduces inequality by 36%, it could virtually eliminate extreme poverty. The Brookings Institution has also developed scenarios that demonstrate how inequality is preventing poverty eradication at the global level. In a scenario where inequality is reduced, 463 million more people are lifted out of poverty compared with a scenario where inequality increases.

Income distribution within a country has a significant impact on the life chances of its people. Bangladesh and Nigeria, for instance, have similar average incomes. Nigeria is only slightly richer, but it is far less equal. The result is that a child born in Nigeria is three times more likely to die before their fifth birthday than a child born in Bangladesh.

Leaders around the world are debating new global goals to end extreme poverty by 2030. But unless they set a goal to tackle economic inequality they cannot succeed – and countless lives will be lost.

Extreme inequality undermines economic growth that helps the many

There is a commonly held assumption that tackling inequality will damage economic growth. In fact, a strong body of recent evidence shows extremes of inequality are bad for growth. In countries with extreme economic inequality, growth does not last as long and future growth is undermined. IMF economists have recently documented how economic inequality helped to cause the global financial crisis. The "growth" case against tackling economic inequality clearly no longer holds water.

Extreme inequality also diminishes the poverty-reducing impact of growth. In many countries, economic growth already amounts to a "winner takes all" windfall for the wealthiest in society. For example, in Zambia, GDP per capita growth averaged 3% every year between 2004 and 2013, pushing Zambia into the World Bank's lower-middle-income category. Despite this growth, the number of people living below the $1.25 poverty line grew from 65% in 2003 to 74% in 2010. Research by Oxfam and the World Bank suggests that inequality is the missing link explaining how the same rate of growth can lead to different rates of poverty reduction.

Economic inequality compounds inequalities between women and men

One of the most pervasive – and oldest – forms of inequality is that between men and women. There is a very strong link between gender inequality and economic inequality.

Men are over-represented at the top of the income ladder and hold more positions of power as ministers and business leaders. Only 23 chief executives of Fortune 500 companies and only three of the 30 richest people in the world are women. Meanwhile, women make up the vast majority of the lowest-paid workers and those in the most precarious jobs. In Bangladesh, for instance, women account for almost 85% of workers in the garment industry. These jobs, while often better for women than subsistence farming, offer minimal job security or physical safety: most of those killed by the collapse of the Rana Plaza garment factory in April 2013 were women.

Studies show that in more economically unequal societies, fewer women complete higher education, fewer women are represented in the legislature, and the pay gap between women and men is wider. The recent rapid rise in economic inequality in most countries is, therefore, a serious blow to efforts to achieve gender equality.

Economic inequality drives inequalities in health, education and life chances

Gender, caste, race, religion, ethnicity and a range of the other identities that are ascribed to people from birth also play a significant role in creating the division between the haves and the have-nots. In Mexico, the maternal mortality rate for indigenous women is six times the national average and is as high as that in many countries in Africa. In Australia, Aboriginal and Torres Strait Islander peoples are disproportionately affected by poverty, unemployment, chronic illness and disability; they are more likely to die young and to spend time in prison.

Economic inequality also leads to huge differences in life chances: the poorest people have the odds stacked against them in terms of education and life expectancy. The latest national Demographic and Health Surveys demonstrate how poverty interacts with economic and other inequalities to create "traps of disadvantage" that push the poorest and most marginalized people to the bottom – and keep them there.

The poorest 20% of Ethiopians are three times more likely to miss out on school than the wealthiest 20%. When we consider the impact of gender inequality alongside urban/rural economic inequality, a much greater wedge is driven between the haves and the have-nots. The poorest rural women are almost six times more likely than the richest urban men to never attend school. Without a deliberate effort to address this injustice, the same will be true for their daughters and granddaughters.

Condemned to stay poor for generations

Many feel that some economic inequality is acceptable as long as those who study and work hard are able to succeed and become richer. This idea is deeply entrenched in popular narratives and reinforced through dozens of Hollywood films, whose rags-to-riches stories continue to feed the myth of the American Dream around the world. However, in countries with extreme inequality, the reality is that the children of the rich will largely replace their parents in the economic hierarchy, as will the children of those living in poverty – regardless of their potential or how hard they work.

Researchers have shown that, across the 21 countries for which there is data, there is a strong correlation between extreme inequality and low social mobility. If you are born poor in a highly unequal country, you will most probably die poor, and your children and grandchildren will be poor too. In Pakistan, for instance, a boy born in a rural area to a father from the poorest 20% of the population has only a 1.9% chance of ever moving to the richest 20%. In the US, nearly half of all children born to low-income parents will become low-income adults.

Around the world, inequality is making a mockery of the hopes and ambitions of billions of the poorest people. Without policy interventions in the interests of the many, this cascade of privilege and disadvantage will continue for generations.

Inequality threatens society

For the third year running, the World Economic Forum's Global Risks survey has found "severe income disparity" to be one of the top global risks for the coming decade. A growing body of evidence has also demonstrated that economic inequality is associated with a range of health and social problems, including mental illness and violent crime. This is true across rich and poor countries alike, and has negative consequences for the richest as well as the poorest people. Inequality hurts everyone.

Homicide rates are almost four times higher in countries with extreme economic inequality than in more equal nations. Latin America – the most unequal and insecure region in the world – starkly illustrates this trend. It has 41 of the world's 50 most dangerous cities, and saw a million murders take place between 2000 and 2010. Unequal countries are dangerous places to live in.

Many of the most unequal countries are also affected by conflict or instability. Alongside a host of political factors, Syria's hidden instability before 2011 was, in part, driven by rising inequality, as falling government subsidies and reduced public sector employment affected some groups more than others.

While living in an unequal country is clearly bad for everyone, the poorest people suffer most. They receive little protection from the police or legal systems, often live in vulnerable housing, and cannot afford to pay for private security measures. When disasters strike, those who lack wealth and power are worst affected and find it most difficult to recover.

The equality instinct

Evidence shows that, when tested, people instinctively feel that there is something wrong with high levels of inequality.

Experimental research has shown just how important fairness is to most individuals, contrary to the prevailing assumption that people have an inherent tendency to pursue self-interest. A 2013 survey in six countries (Spain, Brazil, India, South Africa, the UK and the US) showed that a majority of people believe the gap between the wealthiest people and the rest of society is too large. In the US, 92% of people surveyed indicated a preference for greater economic equality, by choosing an ideal income distribution the same as Sweden's and rejecting one that represented the reality in the US.

Across the world, religion, literature, folklore and philosophy show remarkable confluence in their concern that an extreme gap between rich and poor is inherently unfair and morally wrong. This concern is prevalent across different cultures and societies, suggesting a fundamental human preference for fairness and equality.

What has caused the inequality explosion?

Many believe that inequality is somehow inevitable, or is a necessary consequence of globalization and technological progress. But the experiences of different countries throughout history have shown that, in fact, deliberate political and economic choices can lead to greater inequality. There are two powerful economic and political drivers of inequality, which go a long way to explaining the extremes seen today: market fundamentalism and the capture of power by economic elites.

Market fundamentalism: A recipe for today's inequality

Over the last 300 years, the market economy has brought prosperity and a dignified life to hundreds of millions of people across Europe, North America and East Asia. However, as economist Thomas Piketty demonstrated in *Capital in the Twenty-First Century*, without government intervention, the market economy tends to concentrate wealth in the hands of a small minority, causing inequality to rise.

Despite this, in recent years economic thinking has been dominated by a "market fundamentalist" approach which insists that sustained economic growth only comes from reducing government interventions and leaving markets to their own devices. However, this undermines the regulation and taxation that are needed to keep inequality in check.

There are clear lessons to be learnt from recent history. In the 1980s and 1990s, debt crises saw countries in Latin America, Africa, Asia and the former Eastern bloc subjected to a cold shower of deregulation, rapid reductions in public spending, privatization, financial and trade liberalization, generous tax cuts for corporations and the wealthy, and a "race to the bottom" to weaken labour rights. Inequality rose as a result. By 2000, inequality in Latin America had reached an all-time high, with most countries in the region registering an increase in income inequality over the previous two decades. It is estimated that half of the increase in poverty over this period was due to redistribution of wealth in favour of the richest. In Russia, income inequality almost doubled in the 20 years from 1991, after economic reforms focused on liberalization and deregulation.

Women are worst affected by market fundamentalist policies. They lose out most when labour regulations are watered down – for instance, through the removal of paid maternity leave and holiday entitlements – or when state services are eroded, adding to their already higher burden of unpaid care. And, because women and children disproportionately benefit from public services like healthcare or free education, they are hit hardest when these are cut back.

Despite the fact that market fundamentalism played a strong role in causing the recent global economic crisis, it remains the dominant ideological worldview and continues to drive inequality. It has been central to the conditions imposed on indebted European countries, forcing them to deregulate, privatize and cut their welfare provision for the poorest, while reducing taxes on the rich. There will be no cure for inequality while countries are forced to swallow this medicine.

Capture of power and politics by elites has fuelled inequality

The influence and interests of economic and political elites have long reinforced inequality. Money buys political clout, which the richest and most powerful use to further entrench their unfair advantages. Access to justice is also often for sale, legally or illegally, with court costs and access to the best lawyers ensuring impunity for the powerful. The results are evident in today's lopsided tax policies and lax regulatory regimes, which rob countries of vital revenue for public services, encourage corrupt practices and weaken the capacity of governments to fight poverty and inequality.

Elites, in rich and poor countries alike, use their heightened political influence to curry government favours – including tax exemptions, sweetheart contracts, land concessions and subsidies – while blocking policies that strengthen the rights of the many. In Pakistan, the average net worth of parliamentarians is $900,000, yet few of them pay any taxes. This undermines investment in sectors, such as education, healthcare and small-scale agriculture, which can play a vital role in reducing inequality and poverty.

The massive lobbying power of rich corporations to bend the rules in their favour has increased the concentration of power and money in the hands of the few. Financial institutions spend more than €120 million per year on armies of lobbyists to influence European Union policies in their interests.

Many of the richest people made their fortunes thanks to the exclusive government concessions and privatization that come with market fundamentalism. Privatization in Russia and Ukraine after the fall of communism turned political insiders into billionaires overnight. Carlos Slim made his many billions by securing exclusive rights over Mexico's telecom sector when it was privatized in the 1990s.

Market fundamentalism and political capture have worsened economic inequality, and undermined the rules and regulations that give the poorest, the most marginalized and women and girls a fair chance.

What can be done to end extreme inequality?

The continued rise of economic inequality around the world today is not inevitable – it is the result of deliberate policy choices. Governments can start to reduce inequality by rejecting market fundamentalism, opposing the special interests of powerful elites, changing the rules and systems that have led to today's inequality explosion, and taking action to level the playing field by implementing policies that redistribute money and power.

Working our way to a more equal world

The low road: Working to stand still

Income from work determines most people's economic status and their future chances. But the vast majority of the world's poorest people cannot escape poverty no matter how hard they work, and far too many suffer the indignity of poverty wages. Meanwhile, the richest people have high and rapidly rising salaries and bonuses, as well as significant income from their accumulated wealth and capital. This is a recipe for accelerating economic inequality.

Since 1990, income from labour has made up a declining share of GDP across low-, middle- and high-income countries alike. Around the world, ordinary workers are taking home an ever-dwindling slice of the pie, while those at the top take more and more.

In 2014, the UK's top 100 executives took home 131 times as much as their average employee, yet only 15 of these companies have committed to paying their employees a living wage. In South Africa, a platinum miner would need to work for 93 years just to earn the average CEO's annual bonus. Meanwhile, the International Trade Union Confederation estimates that 40% of workers are trapped in the informal sector, where there are no minimum wages and workers' rights are ignored.

Oxfam research found evidence of poverty wages and insecure jobs in middle-income Vietnam, Kenya and India, and below the extreme poverty line in Malawi, despite being within national laws. Living wages are a dream for the vast majority of workers in developing countries. And women are on an even lower road than male workers; at the current rate of decline in the gender pay gap, it will take 75 years to make the principle of equal pay for equal work a reality.

Unions give workers a better chance of earning a fair wage. Collective bargaining by unions typically raises members' wages by 20% and drives up market wages for everyone. However, many developing countries have never had strong unions and, in some, workers are facing a crackdown on their right to organize.

The high road: Another way is possible

Some countries are bucking the trend on wages, decent work and labour rights. Brazil's minimum wage rose by nearly 50% in real terms between 1995 and 2011, contributing to a parallel decline in poverty and inequality. Countries such as Ecuador and China have also deliberately increased wages.

Forward-looking companies and cooperatives are also taking action to limit executive pay. For instance, Brazil's SEMCO SA employs more than 3,000 workers across a range of industries, and adheres to a wage ratio of 10 to 1. Germany's Corporate Governance Commission proposed capping executive pay for all German publicly traded companies, admitting that public outrage against excessive executive pay had influenced its proposal.

Taxing and investing to level the playing field

The tax system is one of the most important tools a government has at its disposal to address inequality. Data from 40 countries shows the potential of redistributive taxing and investing by governments to reduce income inequality driven by market conditions.

The low road: The great tax failure

Tax systems in developing countries, where public spending and redistribution is particularly crucial, unfortunately tend to be the most regressive and the furthest from meeting their revenue-raising potential. Oxfam estimates that if low- and middle-income countries – excluding China – closed half of their tax revenue gap, they would gain almost $1 trillion. But due to the disproportionate influence of rich corporations and individuals, and an intentional lack of global coordination and transparency in tax matters, tax systems are failing to tackle poverty and inequality.

The race to the bottom on corporate tax collection is a large part of the problem. Multilateral agencies and financial institutions have encouraged developing countries to offer tax incentives – tax holidays, tax exemptions and free trade zones – to attract foreign direct investment. Such incentives have soared, undermining the tax base in some of the poorest countries. In 2008-09, for instance, the Rwandan government authorized tax exemptions that, if collected, could have doubled health and education spending.

Well-meaning governments around the world are often hamstrung by rigged international tax rules and a lack of coordination. No government alone can prevent corporate giants from taking advantage of the lack of global tax cooperation. Large corporations can employ armies of specialist accountants to minimize their taxes and give them an unfair advantage over small businesses. Multinational corporations (MNCs), like Apple and Starbucks, have been exposed for dodging billions in taxes, leading to unprecedented public pressure for reform.

The richest individuals are also able to take advantage of the same tax loopholes and secrecy. In 2013, Oxfam estimated that the world was losing $156 billion in tax revenue as a result of wealthy individuals hiding their assets in offshore tax havens. Warren Buffet has famously commented on the unfairness of a system that allowed him to pay less tax than his secretary.

Ordinary people in rich and poor countries alike lose out as a result of tax dodging. Yet tax havens are intentionally structured to facilitate this practice, offering secrecy and low tax rates and requiring no actual business activity to register a company or a bank account. A prime example of this blatant tax dodge is Ugland House in the Cayman Islands. Home to 18,857 companies, it famously prompted US President Barack Obama to call it "either the biggest building or the biggest tax scam on record". Tax havens allow many scams that affect developing countries, such as transfer mispricing (the most frequent form of corporate tax abuse, where companies deliberately over-price imports or under-price exports of goods and services between their subsidiaries), which causes Bangladesh to lose $310 million in corporate taxes each year. This is enough to pay for almost 20% of the primary education budget in a country that has only one teacher for every 75 primary school-aged children.

The high road: Hope for a fairer future

Some countries are taking the high road and adopting tax policies that tackle inequality. Following the election of a new president in Senegal in 2012, the country adopted a new tax code to raise money from rich individuals and companies to pay for public services.

International consensus is also shifting. Despite the limitations of the ongoing Base Erosion and Profit Shifting process, the fact that the G8, G20 and OECD took up this agenda in 2013 demonstrates a clear consensus that the tax system is in need of radical reform. The IMF is reconsidering how MNCs are taxed and, in a recent report, has recognized the need to shift the tax base towards developing countries. It is also considering "worldwide unitary taxation" as an alternative to ensure that companies pay tax where economic activity takes place. OECD, G20, US and EU processes are making progress on transparency and global automatic exchange of tax information between countries, which will help lift the veil of secrecy that facilitates tax dodging.

Ten EU countries have also agreed to work together to put a financial transaction tax in place, which could raise up to €37 billion per year. Wealth taxes are under discussion in some countries, and the debate about a global wealth tax has been given new life through Thomas Piketty's recommendations in *Capital in the Twenty-First Century*, which gained widespread public and political attention.

Oxfam has calculated that a tax of 1.5% on the wealth of the world's billionaires today could raise $74 billion. This would be enough to fill the annual gaps in funding needed to get every child into school and deliver health services in the poorest 49 countries.

Nevertheless, the vested interests opposing reform are very powerful. There is a real risk that the gaps in global tax governance will not be closed, leaving the richest companies and individuals free to continue exploiting loopholes to avoid paying their fair share.

Health and education: Strong weapons in the fight against inequality

Providing clinics and classrooms, medics and medicines, can help to close the gap in life chances and give people the tools to challenge the rules that perpetuate economic inequality. Free public healthcare and education are not only human rights; they also mitigate the worst impacts of today's skewed income and wealth distribution.

Between 2000 and 2007, the "virtual income" provided by public services reduced income inequality by an average of 20% across OECD countries. In five Latin American countries (Argentina, Bolivia, Brazil, Mexico and Uruguay), virtual income from healthcare and education alone has reduced inequality by between 10% and 20%. Education has played a key role in reducing inequality in Brazil and has helped maintain low levels of income inequality in South Korea.

The low road: Fees, privatization and medicines for the few

The domination of special interests and bad policy choices – especially user fees for healthcare and education, and the privatization of public services – can increase inequality. Unfortunately, too many countries are suffering as a result of these "low road" policies.

When public services are not free at the point of use, millions of ordinary women and men are excluded from accessing healthcare and education. User fees were encouraged for many years by the World Bank, a mistake its president now says was ideologically driven. Yet, despite the damage they do, user fees persist. Every year, 100 million people worldwide are pushed into poverty because they have to pay out-of-pocket for healthcare. In Ghana, the poorest families will use 40% of their household income sending just one of their children to an Omega low-fee school. Women and girls suffer most when fees are charged for public services.

Significant amounts of money that could be invested in service provision that tackles inequality are being diverted by tax breaks and public-private partnerships (PPPs). In India, numerous private hospitals have been given tax incentives to provide free treatment to poor patients, but have failed to honour their side of the bargain. Lesotho's Queen Mamohato Memorial Hospital in the capital city Maseru operates under a PPP that currently costs half of the total government health budget, with costs projected to increase. This is starving the budgets of health services in rural areas that are used by the poorest people, further widening the gap between rich and poor.

Despite the evidence that it increases inequality, rich-country governments and donor agencies, such as the UK, the US and the World Bank, are pushing for greater private sector involvement in service delivery. The private sector is out of reach and irrelevant to the poorest people, and can also undermine wealthy people's support for public services by creating a two-tier system in which they can opt out of public services and therefore are reluctant to fund these through taxation. In three Asian countries that have achieved or are close to achieving universal health coverage (UHC) – Sri Lanka, Malaysia and Hong Kong – the poorest people make almost no use of private health services. Private services benefit the richest rather than those most in need, thus increasing economic inequality.

International rules also undermine domestic policy. Intellectual property clauses in current international trade and investment agreements are driving up the cost of medicines so that only the richest can afford treatment. The 180 million people infected with Hepatitis C are suffering the consequences, as neither patients nor governments in developing countries can afford the $1,000-per-day bill for medicine that these rules result in.

The high road: Reclaiming the public interest

There are, however, good examples from around the world of how expanding public services are helping to reduce inequality.

The growing momentum around UHC has the potential to improve access to healthcare and drive down inequality. World Bank President Jim Yong Kim has been unequivocal that UHC is critical to fighting inequality, saying it is "central to reaching the [World Bank] global goals to end extreme poverty by 2030 and boost shared prosperity". Emerging economies, such as China, Thailand, South Africa and Mexico, are rapidly scaling up public investment in healthcare, and many low-income countries have driven down inequality by introducing free healthcare policies and financing them from general taxation. Thailand's universal coverage scheme halved the amount of money that the poorest people spent on healthcare costs within the first year, as well as cutting infant and maternal mortality rates.

There have also been victories over moves by major pharmaceutical companies to block access to affordable medicines. Leukaemia patients can now take generic versions of cancer treatment Glivec/Gleevec for only $175 per month – nearly 15 times less than the $2,600 charged by Novartis – thanks to the Indian Supreme Court's rejection of an application to patent the drug.

Since the Education For All movement and the adoption of the Millennium Development Goals in 2000, the world has seen impressive progress in primary education, with tens of millions of poor children going to school for the first time. In Uganda, enrolment rose by 73% in just one year – from 3.1 million to 5.3 million – following the abolition of school fees.

Improving the quality of education through adequate investment in trained teachers, facilities and materials is now critical to capitalize on these promising moves, as are policies to reach the most marginalized children who risk missing out. While there is much more to be done, there are some examples of progress. For example, Brazil has championed reforms that increase access to quality education and allocate more spending to poor children, often in indigenous and black communities, which has helped to reduce inequality of access since the mid-1990s. As a result, the average number of years spent in school by the poorest 20% of children has doubled from four years to eight years.

Taxation and long-term predictable aid are crucial to enabling the poorest countries to scale up investment in inequality-busting healthcare and education services. They can also help to tackle political capture that concentrates wealth in the hands of elites. In Rwanda, for example, budget support has enabled the government to remove education fees and treat more people with HIV and AIDS. The US is seeking to target aid to district councils in poor areas of Ghana and to support farmers to hold policy makers accountable.

Freedom from fear

Social protection provides money or in-kind benefits, such as child benefits, old-age pensions and unemployment protection, which allow people to live dignified lives free from fear even in the worst times. Such safety nets are the mark of a caring society that is willing to come together to support the most vulnerable. Like healthcare and education, social protection puts income into the pockets of those who need it most, counteracting today's skewed income distribution and mitigating the effects of inequality.

However, recent figures show that more than 70% of the world population is at risk of falling through the cracks because they are not adequately covered by social protection. Even in the poorest countries, the evidence suggests that basic levels of social protection are affordable. Countries like Brazil and China have per capita incomes similar to Europe's after the Second World War, when their universal welfare systems were created. Universal social protection is needed to ensure that nobody is left behind or penalized because they have not climbed high enough up the economic ladder.

Achieving economic equality for women

The wrong economic choices can hit women hardest, and failure to consider women and girls in policy making can lead governments to inadvertently reinforce gender inequality.

In China, for instance, successful efforts to create new jobs for women were undermined by cutbacks in state and employer support for child care and elderly care, which increased the burden of women's unpaid work. According to research conducted on the impact of austerity in Europe, mothers of young children were less likely to be employed after the financial crisis, and more likely to attribute their lack of employment to cuts to care services. A recent study in Ghana also found that indirect taxes on kerosene, which is used for cooking in low-income households, are paid mostly by women.

Many of the policies that reduce economic inequality, such as free public services or a minimum wage, also reduce gender inequality. In South Africa, a new child-support grant for the primary caregivers of young children from poor households is better than previous measures at reaching poor, black and rural women because the government gave careful consideration to the policy's impact on women and men. In Quebec, increased state subsidies for child care have helped an estimated 70,000 more mothers to get into work, with the resulting increased tax revenue more than covering the cost of the programme. Governments must implement economic policies aimed at closing the gap between women and men, as well as between rich and poor.

People power: Taking on the 1%

To successfully combat runaway economic inequality, governments must be forced to listen to the people, not the plutocrats. As history has shown, this requires mass public mobilization. The good news is that despite the dominance of political influence by wealthy elites and the repression of citizens in many countries, people around the world are demanding change. The majority of the hundreds of thousands who took to the streets in recent protests were frustrated by a lack of services and a lack of voice, and opinion polls confirm this feeling of discontent around the world.

In Chile, the most unequal country in the OECD, mass demonstrations in 2011 were initially sparked by discontent over the cost of education, and grew to encompass concerns about deep divisions of wealth and the influence of big business. A coalition of students and trade unions mobilized 600,000 people in a two-day strike demanding reform. Elections at the end of 2013 brought in a new government that included key members of the protest movement committed to reducing inequality and reforming public education.

In early 2010, a series of popular protests against the proposed mass bailout of Iceland's three main commercial banks forced the newly elected government – who had pledged to shield low- and middle-income groups from the worst effects of the financial crisis – to hold a referendum on the decision. Ninety-three percent of Icelanders rejected a proposal that the people, rather than the banks, should pay for the bankruptcy. This led to crowd-sourcing of a new constitution that was approved in 2012, with new provisions on equality, freedom of information, the right to hold a referendum, the environment and public ownership of land.

History shows that the stranglehold of elites can be broken by the actions of ordinary people and the widespread demand for progressive policies.

Time to act to end extreme inequality

Today's extremes of inequality are bad for everyone. For the poorest people in society, whether they live in sub-Saharan Africa or the richest country in the world, the opportunity to emerge from poverty and live a dignified life is fundamentally blocked by extreme inequality.

Oxfam is calling for concerted action to build a fairer economic and political system that values every citizen. Governments, institutions and corporations have a responsibility to tackle extreme inequality. They must address the factors that have led to today's inequality explosion, and implement policies that redistribute money and power from the few to the many.

1) Make governments work for citizens and tackle extreme inequality

Public interest and tackling extreme inequality should be the guiding principle of all global agreements and national policies and strategies. It must go hand in hand with effective governance that represents the will of the people rather than the interests of big business.

Specific commitments must include: agreement of a post-2015 goal to eradicate extreme inequality by 2030; national inequality commissions; public disclosure of lobbying activities; freedom of expression and a free press.

2) Promote women's economic equality and women's rights

Economic policy must tackle economic inequality and gender discrimination together.

Specific commitments must include: compensation for unpaid care; an end to the gender pay gap; equal inheritance and land rights for women; data collection to assess how women and girls are affected by economic policy.

3) Pay workers a living wage and close the gap with skyrocketing executive reward

Corporations are earning record profits worldwide and executive rewards are skyrocketing, whilst too many people lack a living wage and decent working conditions. This must change.

Specific commitments must include: increasing minimum wages towards living wages; moving towards a highest-to-median pay ratio of 20:1; transparency on pay ratios; protection of workers' rights to unionize and strike.

4) Share the tax burden fairly to level the playing field

Too much wealth is concentrated in the hands of the few. The tax burden is falling on ordinary people, while the richest companies and individuals pay too little. Governments must act together to correct this imbalance.

Specific commitments must include: shifting the tax burden away from labour and consumption and towards wealth, capital and income from these assets; transparency on tax incentives; national wealth taxes and exploration of a global wealth tax.

5) Close international tax loopholes and fill holes in tax governance

Today's economic system is set up to facilitate tax dodging by multinationals and wealthy individuals. Until the rules are changed and there is a fairer global governance of tax matters, tax dodging will continue to drain public budgets and undermine the ability of governments to tackle inequality.

Specific commitments must include: a reform process where developing countries participate on an equal footing, and a new global governance body for tax matters; public country-by-country reporting; public registries of beneficial ownership; multilateral automatic exchange of tax information including with developing countries that can't reciprocate; stopping the use of tax havens, including through a blacklist and sanctions; making companies pay based on their real economic activity.

6) Achieve universal free public services by 2020

Health and education can help to close the gap between the haves and have-nots, but under-spending, privatization and user fees as well as international rules are standing in the way of this progress and must be tackled.

Specific commitments must include: removal of user fees; meeting spending commitments; stopping new and reviewing existing public subsidies for health and education provision by private for-profit companies; excluding public services and medicines from trade and investment agreements.

7) Change the global system for research and development (R&D) and pricing of medicines so everyone has access to appropriate and affordable medicines

Relying on intellectual property as the only stimulus for R&D gives big pharmaceutical companies a monopoly on making and pricing of medicines. This increases the gap between rich and poor and puts lives on the line. The rules must change.

Specific commitments must include: a new global R&D treaty; increased investment in medicines, including in affordable generics; excluding intellectual property rules from trade agreements.

8) Implement a universal social protection floor

Social protection reduces inequality and ensures that there is a safety net for the poorest and most vulnerable people. Such safety nets must be universal and permanent.

Specific commitments must include: universal child and elderly care services; basic income security through universal child benefits, unemployment benefits and pensions.

9) Target development finance at reducing inequality and poverty, and strengthening the compact between citizens and their government

Development finance can help reduce inequality when it is targeted to support government spending on public goods, and can also improve the accountability of governments to their citizens.

Specific commitments must include: increased investment from donors in free public services and domestic resource mobilization; assessing the effectiveness of programmes in terms of how they support citizens to challenge inequality and promote democratic participation. ❐

Oxfam is an international confederation of 17 organizations networked together in more than 90 countries, as part of a global movement for change, to build a future free from the injustice of poverty. The above material, from "Even It Up: Time to End Extreme Inequality" (2014, Executive Summary, pp. 6-23), is reproduced with the permission of Oxfam GB, Oxfam House, John Smith Drive, Cowley, Oxford OX4 2JY, UK (www.oxfam.org.uk). Oxfam GB does not necessarily endorse any text or activities that accompany the material.