



Inter Pares

BULLETIN

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Economic Justice: Sharing the Collective Wealth

“What are the cornerstones of economic justice?” This was the question Inter Pares staff member Rachel Gouin asked Tetteh Hormeku when they met to discuss ways of promoting economic justice. Tetteh is Head of Programmes at Third World Network-Africa (TWN-Africa) in Ghana and a visiting scholar at the North-South Institute in Canada.

“When we talk about economic justice, we are talking about the establishment of the principles of social justice in the area of economic affairs, so that social assets and social wealth can be equitably distributed. It is power and power imbalances amongst people in society that are at the heart of social injustice, including economic injustice. In our work at TWN-Africa, we see power imbalances among people in Ghana, among countries in Africa, and between different parts of the world.

“These imbalances of power within and among nations express themselves in different ways. In the international multilateral institutions, in the World Trade Organization negotiations for instance, African countries find themselves at the receiving end of bad behaviour and practices by Northern countries, which have the power to insist on deals that benefit them at the expense of developing countries. But if you look at Canada for instance, you find that there are those that benefit from that inequity and power imbalance more than others. And if you come to Ghana, it is not everybody who is suffering from the global power imbalance: there are transnational corporations, there are elites that are partners of those corporations that are also benefiting. Meanwhile, the villagers living near mining sites, for example, are having their farms and markets destroyed. They don’t have the means to earn a livelihood; they don’t have money for health care. There is inequity.

“In order to achieve economic justice and redress this power imbalance and its expression, it is necessary to find ways in which the wealth that was created by everyone’s collective efforts is distributed in such a way that all members of society have their needs met. Rather than have one person, the Ghanaian managing director of a foreign company, for instance, send his kids abroad to have their medical needs met, you would have a situation where the medical facilities in Ghana are properly stocked. The roads that go to the



An urban farmer watering lettuce crops in downtown Accra, Ghana.

GEORGE KWASTI DANKO

mining areas were built through the taxes of Ghanaians, collected by the Ghanaian government, from Ghanaian economic activity. They were built by the collective labour of Ghanaians; everyone, whether or not they live in the mining area, should benefit from the mining.

“Achieving equity, and therefore social justice, requires that people who are benefiting today from inequity be prepared to give up some of their benefits for the sake of redistribution. You have to curtail the benefits of some to redistribute widely. But those benefiting from economic injustice will resist, so it is not just something that can simply be legislated. It involves a readiness of people, of those on the receiving end of economic injustice, to be organized, to demand, to struggle for that justice and to bargain for a better social compromise. These people need support, and that support should be seen as solidarity, not charity. When it’s charity, they come to give you something; here is educational material, educate yourselves. No. You need to actually work with them, sit with them. You join their struggles with all your skills, your capacities to help them address their deficits so that they can organize themselves, empower themselves. That is solidarity.”

Inter Pares and TWN-Africa work together to promote a common vision of economic justice and reciprocity. In the pages of this Bulletin, you will read about those who have organized themselves to assert their rights to a more equitable share of the collective wealth they have helped create, and the stories of people and movements who are standing in solidarity with their struggle. ☸

Nicaragua: Citizenship in Action

Mayra Rodríguez, a leader in her community of El Horno, stood before the crowded community hall. Gathered together were women and men, farmers and merchants, cooperative members and small business owners, members of community councils and local development committees. All had attended a course in community development and citizenship developed by Popol Vuh, Inter Pares' long-time counterpart in the municipalities of Matagalpa and San Ramón. Inter Pares staff were visiting the day that the forty participants received their graduation certificates – a recognition of their accomplishments as individuals and communities.

Mayra told us about the local development committees, to which each of San Ramón's communities elect a female and male leader. Working together, with the support of Popol Vuh, the committees liaised with the municipality to have municipal service teams visit five San Ramón communities and provide 600 medical consultations – no small feat for a remote area that has three medical clinics for a population of 31,000.

José Martínez, another community leader, affirmed the training he'd received from Popol Vuh was invaluable. "We've learned how to negotiate with the mayor's office on an equal footing, showing them what the community needs, and how we're going to implement it." Another woman added, "We now know how to formulate projects, that it's not something just for the technical experts – we are responsible, efficient, and we know what we need and what our capacities are." Mayra gave an example: "They were going to close the community centre, but we negotiated with the mayor's office not only to keep it open, but to help us establish a children's community kitchen. And we're now lobbying the education ministry to fund a school kitchen."

In this rural area where most people live off their land, farm production is central to people's lives and livelihoods. Mayra spoke about a community seed bank they'd created. "Women and men can receive seed credits for the sowing season, then pay it back and have corn and beans to sell or consume themselves." Carla

Cecilia, another graduate of the course, said that they were now working with Popol Vuh and the municipality to build metal community grain silos to safely store grain, and to strengthen their agricultural economy through crop diversification and growing herbal medicines.

With Inter Pares' solidarity and support, Popul Vuh will continue to work with community organizations in Matagalpa to democratically hold their governments accountable to those whose needs they serve. By working together, communities are able to negotiate access to public resources, which their labour and taxes have helped to generate, for their local priorities and initiatives. As citizens, they are participating in the construction of their own futures. ☞



Mayra Rodríguez, community leader in El Horno.

Social Wealth for Social Health

Since the mid-1990s, Likhaan, a women's health and human rights organization in the Philippines, has worked with community groups in some of the poorest parts of Manila. They have established clinics and trained local community health workers to provide much-needed services, demonstrating that health provision can be both high-quality and affordable.

However, people's health is affected by many factors other than access to health services. As one woman put it, "I can get cured at the clinic, but then I go back to my house that floods and has no toilet and I get sick again." There are many social factors that affect people's health – where they live, the strength of their social support network, and their ability

to make decisions over their own lives. Government policy also has a major impact in terms of financial support for services such as health care, water, sanitation and basic infrastructure.

In the last few years, Likhaan's community health workers in Manila have begun advocating on issues related to these social determinants of health. To strengthen their voice, several community groups made up of women and youth came together, with the assistance and guidance of Likhaan, to form PiLaKK (Unified Strength of Women and Youth). PiLaKK is a federation that is now composed of eleven member organizations, and has developed collective strategies for work at the *barangay* or neighbourhood level.

Pharmacare: Towards Tommy Douglas' Vision

When Tommy Douglas envisioned a universal health care system for Canadians, it is doubtful he imagined the reality that exists today. This became clear on a February afternoon at the Ottawa Public Library during a public hearing organized by the Canadian Health Coalition (CHC), an Inter Pares counterpart. Canadians shared stories of the enormous cost of pharmaceuticals to treat their illnesses: a patient diagnosed with AIDS whose medication totals \$2,000 each month; a working mother unable to take care of her disabled son, because living together means losing his disability benefits and access to medicine; and a recently retired cancer patient, no longer covered by his workplace drug plan. Such moving accounts revealed that many Canadians are facing economic hardship to finance their health needs.

Canada is one of the few Northern countries without a national plan for medication. CHC's "More-for-Less" campaign calls for a national Pharmacare drug plan, drawing attention to the economic injustices suffered by Canadians, and highlighting the feasibility of a national, low-cost pharmacare program, which would provide safe and cost-effective drugs for all.

Our health care system has come to view pharmaceuticals as somehow distinct from health services. In response, the CHC has been conducting public consultations across the country to document the stories of Canadians in efforts to influence current policy. By exposing the hardship that thousands are facing, CHC draws attention to a subject often lost in the debates on private/two-tiered health care, doctor shortages, and long waiting times. The Pharmacare campaign seeks to bring pharmaceuticals in line with the universal health care system – serving social needs instead of private profit.

Although some provinces have pharmaceutical provisions for the public, disparity of access prevails across the country, exacerbating economic inequalities. Nationally, drug expenditures have increased at an alarming rate, exceeding \$24 billion in 2005. Such massive costs are a result of pharmaceutical companies operating in a largely unregulated environment, able to price their products at their choosing. Without stringent monitoring, drugs are sold as consumer products with high profit margins, benefiting shareholders at the expense of the sick. In this context, Canadians pay significantly more for the same drugs which cost less in other countries. We too can benefit from affordable pricing if our governments negotiate bulk-buying discounts from drug manufacturers, as is the practice in New Zealand. This would decrease the cost of drugs and ensure that sick people's vulnerabilities are not exploited.

Health should not be treated as a commodity. Inter Pares and our counterparts believe that access to affordable health care is the right of each human being. Despite the grim discussions in Ottawa that afternoon, the crowd was optimistic. The Pharmacare campaign provides hope for affordable, safe and universal access – a prospect that more accurately reflects Tommy Douglas' vision. ☞



In the Philippines, many services such as health care have been devolved to the *barangay* level. Each *barangay* must first struggle to obtain its share of the city budget, and then elected officials allocate funds to services they deem important. Last November, after discussion within PiLaKK, women and youth leaders decided to run in the *barangay* elections for the first time. They called for a more participatory budget process and programs that respond to people's needs. Lina Bacalando, a long-time participant in Likhaan's health program, was elected as a *barangay* councillor.

PiLaKK members have asked Likhaan to help them advocate for financing of much-needed services by training community members on budgeting, where government

funds originate, how funds are allotted, how they can influence the budget allocation process, and how they can ensure that local budgets are transparent.

A key element of economic justice is how societies collectively decide their priorities, and then collaborate on financing those priorities in an equitable manner. Although women's health and human rights remain at the core of Likhaan's work, their journey has taken them from addressing issues of community health to assisting poor communities in shaping decisions about where and how public resources are allocated. Inter Pares is honoured to support Likhaan on this journey. ☞

Taxation – A Social Justice Issue

Citizens' groups around the world are increasingly raising concerns about the social costs that tax evasion is imposing on their societies. Offshore tax havens – commonly called offshore financial centers, or OFCs – are central to these concerns. Today there are more than seventy OFCs, many based in small island states such as the Cayman Islands and the Bahamas. OFCs levy little or no tax on income and provide few rules on incorporation. Corporations can conduct their business without having a physical presence in these jurisdictions. Most importantly, OFCs guarantee secrecy so that their clients are beyond the scrutiny of tax authorities and regulators in their home countries.



These characteristics have attracted wealthy individuals and corporations to move their assets offshore. One-third of the wealth of the world's richest individuals, or US\$11.5 trillion, is now held offshore. More than half of all global trade is conducted through OFCs, and half the world's money supply is estimated to pass through OFCs at some point.

OFC secrecy provisions are enabling massive amounts of tax evasion; the loss in global tax revenues is now estimated to be at least \$500 billion annually. Secrecy provisions also facilitate bribery, theft, insider trading, drugs and arms trafficking, and money laundering. Today an estimated \$1 trillion of "dirty" money flows into OFCs each year.

For multinational corporations, OFCs provide opportunities for "profit laundering," assigning profits and losses according to where taxes can be minimized. Profit laundering is conducted through offshore shell companies that have no function other than holding corporate assets. A company can lend itself its own money hidden in an offshore shell company, deducting fees, insurance and interest on its tax returns. Or a company might transfer the ownership of its patents, copyrights or other intangibles to an offshore shell company and collect royalties in a low-tax jurisdiction.

A common method of concealing corporate income is through falsified transfer pricing. Half of all global trade is conducted among affiliates of the same parent company and much of this trade is falsely priced so that profits and losses can be allocated on paper. A parent company might sell a

product to an offshore affiliate at a sharply reduced price; the affiliate then sells the item at market price with the profits remaining offshore. Alternatively, an offshore affiliate might buy an item at the real market price, but sell it to its parent company at a grossly inflated price so the company has a huge cost to deduct. Multinational companies now account for a global tax loss of at least \$280 billion a year through the use of shell companies and falsified transfer pricing.

Wealthy individuals are also escaping their tax obligations by holding their assets offshore. A 2006 U.S. Senate report concluded that Americans with offshore assets avoid \$40 to \$70 billion in taxes each year. The Tax Justice Network (UK) calculated that if the returns on \$11.5 trillion of individual wealth now placed in OFCs were taxed at 30 percent, it would generate \$255 billion in tax revenues globally.

For developing countries, the loss of tax revenues of at least \$50 billion annually has been disastrous. In addition, an estimated \$148 billion of illegal capital flight leaves the African continent every year. This loss of tax revenues along with illegal capital flight has resulted in the deaths of thousands of vulnerable people as health services have been dismantled and public infrastructure crumbled. However, the role of OFCs in enabling tax evasion and illegal capital flight is rarely considered in debates about Third World poverty.

Citizens' groups are calling for urgent action to put an end to the abuses associated with the offshore system. The first step is to put an end to secrecy provisions. The privacy rights of citizens must be distinguished from regimes of financial secrecy. If progress is to be made on tax evasion, illegal capital flight and corruption, financial institutions must be legally required to disclose all income paid to citizens of other countries.

A second important step is to criminalize those involved in tax evasion. Very few corporate executives, their lawyers, bankers, or accountants have been held liable for tax evasion. This must change.

Democratic public debate about these issues is urgently required. Taxes are a crucial foundation of democratic societies as they pay for the public goods and services that benefit us all. ☞

*For a longer version of this article, see www.interpares.ca/en/story/gone_offshore.php
For information and resources, see www.taxjustice.net*

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With the support of thousands of Canadians, Inter Pares works in Canada and around the world with social change organizations who share the analysis that poverty and injustice are caused by inequities within and among nations, and who are working to promote peace, and social and economic justice in their communities and societies.

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