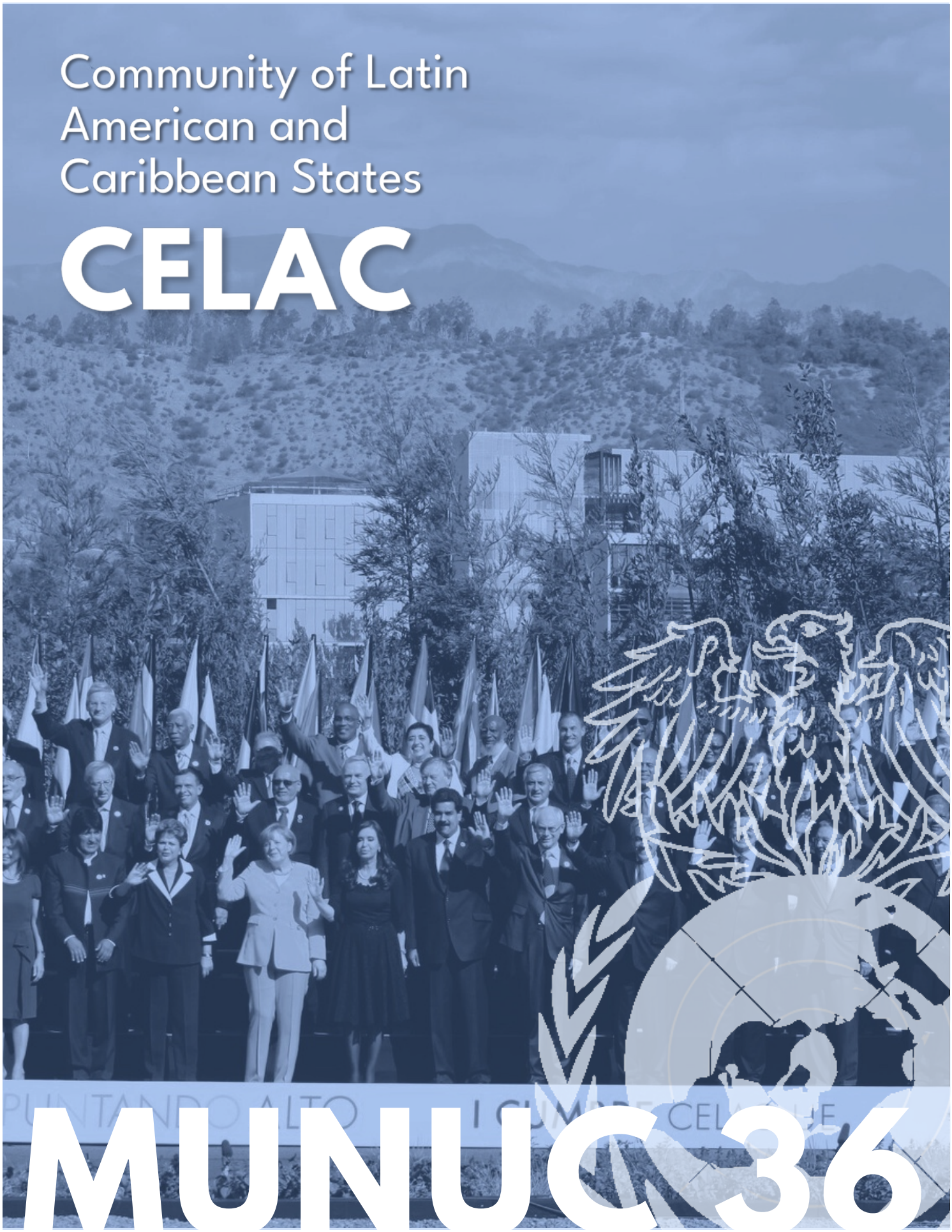
Community of Latin American and Caribbean States

CELAC



MUNUC 36

Model United Nations at the University of Chicago

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Chair Letters

Dear Delegates,

Welcome to MUNUC 36 and the Community of Latin American and Caribbean States (CELAC)! We are excited to have you on this committee! My name is Fawwaz and I will be one of your co-chairs for this year's conference.

A little bit more about me: I grew up in Jakarta, Indonesia and am currently a third-year student at The University of Chicago double majoring in Political Science and Economics. I started doing MUN back in my senior year of high school with a few online conferences and continued my interest here in college through both MUNUC and ChoMUN. I was an Assistant Chair over the past two years, so this is going to be my first time chairing an in-person committee!

Through this year's CELAC committee, we hope that you can dive and explore the Latin American and Caribbean region, both learning about the specific countries you represent and the pressing topics that connect and deeply involve the states in the area. We chose these two topics because we feel that conversations around these issues are not yet widely raised nor discussed, despite their extensive and long-term impacts. Therefore, we are excited to see how your creativity, problem-solving, and diplomacy skills can bring colors to the table and solve the issues at hand. Please use this background guide as a starting point for your preparation for the committee and feel free to use more sources if you are interested!

If you have any concerns or issues, please let us know in advance or during committee sessions. We are here to help you learn and be better! Welcome, and we look forward to seeing you!

Sincerely,

Fawwaz Hafizh

fawwazhafizh@uchicago.edu

Dear Delegates,

Greetings! Welcome to the Committee of the Community of Latin American and Caribbean States (CELAC) of MUNUC 36! I am David Liu, and I am absolutely delighted to serve as your co-chair for this exciting and intellectually stimulating conference.

I am currently a third-year student at the University of Chicago, pursuing a dual major in Economics and Anthropology. I was introduced to the world of Model United Nations back in 10th grade, and I was instantly captivated by its ability to educate and stimulate meaningful debates. I subsequently served as a delegate and later an assistant chair, gaining immense experience and insight into the MUN framework. This year will mark my first venture into chairing a committee, and I am thrilled for the journey ahead!

Our agenda for the CELAC committee this year has been meticulously designed to help you delve deeper into the nuances of the Latin American and Caribbean region, its geopolitical dynamics, and the pressing challenges it currently faces. I believe these issues offer a unique opportunity for thoughtful dialogue, innovative problem-solving, and constructive negotiations.

Please consider the provided background guide as your initial compass in navigating these topics. It should serve as a stepping stone in your research and preparation, but by no means should it be the endpoint. The more sources you can access, the richer your understanding will be!

Your active participation, thoughtful questioning, and collaborative mindset will be the backbone of this committee's success. Remember, the committee platform is not only for expressing your views, but also for learning, engaging, and creating lasting solutions.

In the days leading up to the conference and during the sessions, please feel free to approach Fawwaz or me with any queries or concerns. Our primary goal is to create a pedagogical environment conducive to your growth as an effective delegate and a responsible global citizen.

Once again, welcome to MUNUC 36. We are looking forward to a fruitful conference!

Best,

David Liu

davidliuxp@uchicago.edu

History Of The Committee

The Community of Latin American and the Caribbean States (CELAC) was proposed on February 23, 2010, through a joint summit between the Rio Group and the Latin American and Caribbean Summit on Integration and Development (CALC) as an alternative to the US-influenced Organization of American States (OAS).[1] It was then established on December 3, 2011, in Caracas, Venezuela, with the signing of the Declaration of Caracas by 33 member states from the Latin American and Caribbean regions.

Since its formation, CELAC has held several summits on a fairly annual basis. CELAC's first meeting was its 2011 founding summit, where leaders from countries in the region expressed their views and expectations from the newly formed bloc.[2] The following five summits were held annually between 2013 and 2017 in different cities across the continent. These meetings discussed various topics and problems that the regions faced, such as establishing relationships with other regional organizations under one entity, poverty and wealth inequality, and cultural diversity. As a result of the summits, the committee successfully brought unity and cooperation within the regional bloc despite differences between these nations. One of the important results of these meetings was the formation of the EU-LAC Foundation which promotes the cooperation between Latin American and Caribbean countries with members of the European Union.[3]

In 2021, CELAC had its first head-of-state meeting after almost four years, where the president of Mexico proposed moving forward to a European-Union-style regional cooperation for the first time.[4] This idea received a mixed response from other leaders, split between ideological lines where leftist leaders supported the proposal while right-wing politicians rejected such a notion. Despite disagreement on this issue, this

[1] "Latinoamérica Acuerda UN Bloque Regional Sin Ee Uu," El País, February 23, 2010, https://elpais.com/internacional/2010/02/23/actualidad/1266879601_850215.html.

[2] Raúl Zibechi, "Latin America's Inexorable March Toward 'Autonomy from the Imperial Center,'" trans. Halszka Czarnocka, Latin America's inexorable march toward "autonomy from the Imperial Center": La Jornada, Mexico, February 2010, https://worldmeets.us/lajornada000116.shtml.

[3] EU-LAC Foundation, "About Us," EU, accessed June 11, 2023, https://eulacfoundation.org/en/who-are/about-us.

[4] David Alire Garcia and Noe Torres, "European Union-Style Bloc Pitched for Latin America, Caribbean," Reuters, October 1, 2021, https://www.reuters.com/world/americas/bolivian-president-calls-global-debt-relief-poor-countries-2021-09-18/ .

latest summit brought forward a productive and extensive agreement which has been accumulated in the Political Declaration of Mexico City.[5]

Currently, CELAC is actively directing its efforts towards the implementation of the Vision CELAC 2030, which was agreed upon in 2019.[6] This document serves as a roadmap for the region, outlining key objectives and projects for the next decade. Additionally, CELAC in collaboration with ECLAC has also developed the 2030 Agenda for Sustainable Development, which was drafted in 2021.[7] This agenda complements Vision 2030 by providing a comprehensive framework for sustainable development in the region and securing commitments from international funding sources.

By promoting collaboration and leveraging resources, the Vision CELAC 2030 and the CELAC 2030 Agenda for Sustainable Development provide a contemporary framework for South American countries to collectively address the complex challenges they face. These plans foster a sense of shared responsibility and promote a coordinated approach towards sustainable and equitable development, with the help of the broader international community. As countries in the region work together towards the common objectives outlined in these plans, they have the potential to make significant progress in reducing inequality, improving living conditions, and creating a more prosperous future for all citizens in the region while still considering the sustainability for future generations.

[5] CELAC, Political Declaration of Mexico City, 2021, https://www.gob.mx/cms/uploads/attachment/file/668543/Celac_2021_Political_Declaration_of_Mexico_City__18sep21.pdf.

[6] CELAC, Vision CELAC 2030: Celac International, 2019, https://celacinternational.org/projects/.

[7] CELAC, CELAC 2030 Plan: Celac International, 2021, https://celacinternational.org/celac-2030-plan/.

Topic A: Environmental Diversity And Conservation

Statement Of The Problem

The Caribbean and Latin American regions, enriched with vast biodiversity and captivating landscapes, are currently confronting an array of escalating environmental challenges. These obstacles, if not addressed comprehensively, could dramatically modify the region's ecological, cultural, and socio-economic landscape.

The future of CELAC and its environment is inextricably linked to the actions taken today. Despite commendable efforts committed by the world community to tackle environmental issues and biodiversity protection, challenges persist. Extreme weather continues to disrupt livelihoods, pollution levels remain high, deforestation is rampant, and industrial development threatens the delicate ecological balance.[8] Moreover, these regions face additional challenges. Foreign influences and economic disparities present substantial obstacles and integrating sustainable practices into economic development is an ongoing struggle. The onus is now on CELAC and its member states to seize this critical juncture, mobilize resources, and unite their efforts in the pursuit of environmental sustainability. Their collective success or failure will undeniably leave an indelible mark on the future of the environment, not just in Latin America and the Caribbean, but across the globe. In the following pages, the severe environmental problems faced by CELAC will be listed and discussed in detail.

Deforestation of the Amazon: The Amazon Rainforest, stretching over 5.5 million square kilometers, has witnessed an alarming rate of deforestation, especially in countries like Brazil, Peru, and Bolivia. Factors like logging, large-scale farming, cattle ranching, and infrastructure projects tear into this vital ecosystem. This isn't just an assault on biodiversity—deforestation affects the global carbon cycle. The Amazon acts as a carbon sink, absorbing vast amounts of carbon dioxide.[9] As trees are felled, not only does this carbon sequestration reduce, but the carbon stored in these trees is released back, exacerbating global warming. This environmental tragedy could eventually alter the rainforest's very climatic pattern, transforming parts of it into savannah and impacting the global climate system.

[8] Arrow, Kenneth J., and Anthony C. Fisher. 1974. "Environmental Preservation, Uncertainty, and Irreversibility." *Quarterly Journal of Economics* 88 (2): 312. https://doi.org/10.2307/1883074.

[9] "Deforestation in the Amazon – Council on Foreign Relations." n.d. Council on Foreign Relations. https://www.cfr.org/amazon-deforestation/#/en.

Deforestation of the Amazon[10]

Climate Change And The Caribbean

The Caribbean islands, with their idyllic beaches and rich marine life, are in a direct line of fire from climate change. Rising sea levels, attributed to melting polar ice caps and the expansion of seawater as it warms, threaten to submerge parts of these islands.[11] But this isn't a distant threat. Several islands are already grappling with coastal erosion, saline intrusion into freshwater sources, and loss of habitat. Compounding this is the increasing frequency of high-intensity hurricanes and storms, fueled by the warmer waters, which wreck infrastructure, disrupt livelihoods, and set back development efforts by years.

Biodiversity Loss

Latin America, with its rainforests, wetlands, mountains, and plains, hosts around 40% of Earth's biodiversity. However, rapid urbanization, unchecked agriculture, logging, and mining are leading to habitat loss at an unprecedented scale. The Pantanal wetlands, for example, have seen rampant wildfires, furthering species loss. As species disappear, ecosystems lose their resilience. These ecosystems not only sustain unique flora and fauna but also support human populations through services like water purification, pollination of crops, and disease control.

Water Scarcity

Despite being home to vast freshwater reserves like the Guarani Aquifer, many regions in Latin America face water scarcity.[12] Over-extraction, often for agriculture, is depleting underground reservoirs. Surface waters aren't faring well either, with rivers like the Rio Grande and Lake Chapala reduced to a fraction of their former selves. Pollution from agriculture and industries, coupled with inadequate wastewater treatment, means that even available water often isn't fit for consumption. The social ramifications are immense, with communities competing for

[10] Image courtesy of Flickr (https://www.flickr.com/photos/158650882@N02/46200453914)

[11] "Home by the Sea: New Science Shows More Sea-Level Rise Impacts on Small Islands." n.d. Climate Analytics Blog. https://climateanalytics.org/blog/2019/home-by-the-sea-new-science-shows-more-sea-level-rise-impacts-on-small-islands/.

[12] De Almeida Leite, Maria Luísa Telarolli, and Wagner Costa Ribeiro. 2018. "The Guarani Aquifer System (GAS) and the Challenges for Its Management." *Journal of Water Resource and Protection* 10 (12): 1222–41. https://doi.org/10.4236/jwarp.2018.1012073.

dwindling resources, leading to conflicts and migration.

Marine Ecosystem Threats

The Caribbean Sea, a biodiverse haven, faces threats from overfishing, coral bleaching due to warmer waters, and pollution, especially from plastic waste. As fish stocks decline, so do the livelihoods of countless fisherfolk. Coral reefs, vital for marine biodiversity and buffering coastal areas from storms, are dying at an alarming rate, with grave implications for tourism and coastal ecology.

Land Degradation

The push for agricultural expansion has led to practices like slash-and-burn agriculture, especially in regions transitioning from forest to farmland.[13] This not only releases vast amounts of carbon but also renders the land infertile over time due to the loss of soil structure and nutrients. Land degradation doesn't just threaten food security; it creates a vicious cycle where farmers, in search of fertile ground, push further into untouched territories, furthering deforestation.

Land Degradation[14]

Rapid Urbanization

Cities like São Paulo, Bogotá, and Buenos Aires are witnessing exponential growth. But this urban sprawl, often unplanned, brings with it challenges like waste management crises, water shortages, air and water pollution, and urban heat islands. Moreover, slums or informal settlements, lacking basic amenities, become hotspots for diseases and social unrest.

Indigenous Rights And Land Conflicts

Indigenous communities across Latin America have lived in harmony with nature for generations. Yet, these very territories are now coveted for their mineral, timber, and agricultural wealth. When infrastructure projects or extractive industries move in, often with state backing, these communities face displacement, loss of

[13] "Soil Degradation Threatens Nutrition in Latin America - World." 2016. ReliefWeb. June 16, 2016. https://reliefweb.int/report/world/soil-degradation-threatens-nutrition-latin-america.

[14] Image courtesy of Flickr (https://www.flickr.com/photos/68632374@N00/6243593290)

livelihood, and cultural erosion. Their traditional knowledge, crucial for a sustainable coexistence with nature, is sidelined in the name of development.

In confronting these multifaceted environmental challenges, an integrated approach involving local, national, and international stakeholders becomes imperative. The region, rich in both cultural heritage and natural wonders, demands solutions that integrate socio-economic realities, ensuring environmental conservation isn't achieved at the expense of essential human development. As the world's gaze increasingly hones in on sustainability, the Caribbean and Latin American regions find themselves at a crucial juncture, with the decisions of today delineating the future of their irreplaceable natural assets.

The actions we take today will shape the world of tomorrow. In preserving our environment, we preserve our heritage, our identity, and our future. This is a responsibility we all share, a story we are all a part of. By understanding and respecting the language of our environment, we can ensure its survival, its richness, and its ability to sustain life for generations to come. Let us not forget that the environment, in every sense, is the essence of our humanity and our way of life.

History Of The Problem

The history of the Latin American and Caribbean regions has been deeply intertwined with the haunting legacy of colonization. Since the arrival of Christopher Columbus and the insatiable quest for silver that drove the Spanish conquistadors in the 15th century, these lands have been subjected to exploitation for their abundant natural resources and favorable agricultural conditions.[15] However, this exploitation came at a severe cost to the environment, setting a precedent that continues to affect CELAC's regions to this day.

The colonization era witnessed the ruthless extraction of natural resources, widespread deforestation, and the displacement of indigenous communities from their ancestral lands. The once-thriving ecosystems were ravaged, leaving scars that endure even in the present times. As the colonizers' insatiable appetite for wealth grew, so did the irreversible damage to the environment. One of the most significant examples is the extraction of Mexican silver. The allure of vast silver reserves in Mexico captivated the Spanish conquistadors, leading to a ruthless pursuit of wealth that had far-reaching consequences on the region's environment.

[15]Clendinnen, Inga. 1991. "'Fierce and Unnatural Cruelty': Cortes and the Conquest of Mexico." *Representations* 33 (1): 65–100. https://doi.org/10.1525/rep.1991.33.1.99p0024m.

The discovery of rich silver deposits in Parral, Mexico, ignited a mining frenzy that reshaped the landscape and ecosystem.[16] The Spanish colonizers established a brutal system of labor, known as the repartimiento, which compelled the local workforce to toil in the mines, extracting silver for the benefit of the colonial powers.[17] This relentless extraction of silver had devastating effects on the environment and the communities dependent on it.

Silver Mining in Spanish America[18]

Forests were razed to provide fuel for the mining operations, leading to deforestation on a massive scale. The once-lush landscapes were stripped bare, causing irreparable damage to the biodiversity and delicate ecological balance of the region. The loss of forests disrupted local ecosystems, affecting wildlife and plant species that relied on these habitats for survival.

Moreover, the mining process itself resulted in the release of toxic byproducts, polluting nearby rivers and water sources. The contamination of waterways not only impacted aquatic life but also affected the livelihoods of communities that depended on these waters for drinking, agriculture, and other daily needs. The environmental degradation caused by the mining activities further perpetuated a cycle of hardship for the indigenous populations.

The extraction of Mexican silver also had far-reaching consequences on the social and cultural fabric of the region. Communities were uprooted from their ancestral lands to make way for the mining operations, leading to forced displacement and loss of cultural heritage. The colonial powers prioritized economic gain over the well-being of the local population and the environment, perpetuating a legacy of exploitation that continues to haunt the region to this day.

The environmental exploitation of Mexican silver by the colonial powers is a stark reminder of the cost of colonization on the environment. The scars left by centuries of exploitation are still visible in the landscapes, and the impact on

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[16] Reséndez, Andrés. 2016. *The Other Slavery: The Uncovered Story of Indian Enslavement in America*. https://openlibrary.org/books/OL27395515M/The_Other_Slavery.

[17] Earle, Rebecca. 2016. "The Pleasures of Taxonomy: Casta Paintings, Classification, and Colonialism." *William and Mary Quarterly* 73 (3): 427. https://doi.org/10.5309/willmaryquar.73.3.0427.

[18] Image courtesy of Gale (https://go.gale.com/ps/i.do?id=GALE%7CA190814099&sid=googleScholar&v=2.1&it=r&linkaccess=abs&issn=00264628&p=AONE&sw=w&userGroupName=anon%7E290f3029&aty=open-web-entry)

biodiversity and local communities continues to be felt.

British India And The Ambivalence Of Environmental Preservation

During the surge of conservation ideals in England during the 19th century, a paradoxical situation unfolded. While conservationists advocated for the protection of forests and natural resources, British officials engaged in exploitative practices that had detrimental effects on the environment and in turn, the inhabitants of its colonies.

There were instances of preservation efforts that reflected an emerging understanding of the importance of environmental conservation. Sir James Ranald Martin, a prominent figure in India, was instrumental in promoting the idea of maintaining the environment for future generations.[19] He published medico-topographical reports that demonstrated the scale of damage created by large-scale deforestation and desiccation in the region in advocacy for botanical environmental preservation.

At the same time as the rise of conservation awareness, animals in India became the prime subjects for painful scientific experiments. The British attempted to introduce various chemical drugs in colonial India, and these experiments on animals were deemed necessary for testing the effectiveness of anesthetics and other medical treatments. The methods used in these experiments were distressing and inhumane, causing immense suffering to the animals involved. The report on these experiments revealed the horrifying nature of the tests, which included extractions of teeth, evulsion of nails, a section of the muscles in the eye, and other painful procedures. Shockingly, the animals were often only partially anesthetized with chloroform, making them aware of the pain and distress they were enduring.

The widespread use of animals in these experiments and their subsequent deaths had profound consequences on the environment. The loss of animal life disrupted the ecological balance, affecting various species and their habitats. Moreover, the callous disregard for animal welfare in the name of scientific advancement contradicted the very principles of environmental preservation advocated by some conservationists in British India.

Colonization And Environmental Exploitation In Latin America And The Caribbean

The Haunting Legacy of Neocolonialism

The history of Latin America and the Caribbean has been shaped by centuries of colonization,

[19] Chakrabarti, Pratik. 2010. "Beasts of Burden: Animals and Laboratory Research in Colonial India." *History of Science* 48 (2): 125–51. https://doi.org/10.1177/007327531004800201.

leaving a profound impact on the region's environment and natural resources. While political independence was achieved by many countries, the haunting legacy of colonialism continues to cast its shadow over the CELAC region. Neocolonialism can be described as the subtle propagation of socio-economic and political activity by former colonial rulers aimed at reinforcing capitalism, neo-liberal globalization, and cultural subjugation of their former colonies. Despite gaining independence, the CELAC region still faces the consequences of exploitative practices that have severely impacted its environment and perpetuated a cycle of ecological harm.

The history of Cuban neocolonialism bears witness to a distressing pattern of exploitation, with the sugar industry at the forefront of environmental devastation.[20] After the struggle for independence and the departure of Spanish authorities, Cuba faced a new form of subjugation under the control of foreign powers, particularly the United States. Neocolonial practices led to a relentless pursuit of economic gains, and the sugar industry became a focal point of exploitation, severely impacting the environment and perpetuating a cycle of ecological harm. As Cuba sought independence, political suppression and economic hardships fueled resentments leading to a cross-racial separatist alliance. However, after gaining independence, the United States asserted neocolonial control, curbing the nationalist vision of Cuba. Under the Colonato system, sugar plantations were at the forefront of economic growth and profit generation. However, this growth came at the cost of the environment.

The Sugar Mill in Cuba[21]

The sugar industry's expansion demanded more land for cultivating sugarcane, leading to extensive deforestation and land conversion. Lush forests, rich in biodiversity, were cleared to make way for sprawling plantations, causing a significant loss of habitat for various plant and animal species. The disruption of these ecosystems had cascading effects on the region's ecological balance, contributing to the loss of flora and fauna unique to Cuba.

[20] Scott, Rebecca J. 1994. "Defining the Boundaries of Freedom in the World of Cane: Cuba, Brazil, and Louisiana after Emancipation." *The American Historical Review* 99 (1): 70. https://doi.org/10.2307/2166163.

[21] Image courtesy of Openverse (https://openverse.org/image/a9a1e877-d53a-4266-8ce1-2b1bdacdfa7d?q=sugar%20mill)

The Colonato system also perpetuated a monopsonistic market for Cuban sugarcane producers. They became dependent on selling their sugarcane to central mills, often owned and controlled by U.S. firms. This dependence on the sugar industry limited their economic options and encouraged the relentless expansion of plantations, further driving deforestation and environmental degradation. Moreover, the introduction of new agricultural practices and chemicals in the sugar industry had detrimental effects on the environment. The use of chemical fertilizers and pesticides led to soil degradation and pollution of water sources, negatively impacting nearby ecosystems. The intensive cultivation of sugarcane depleted soil nutrients, making it increasingly difficult to sustain agriculture without further environmental harm from human intervention.

The Ongoing Impact of Neocolonialism

The CELAC region bears the historical scars of colonization, which continue to reverberate through its socioeconomic and political landscape. Neocolonialism lasts even to this day. This neocolonial legacy is exemplified by the case of Brazil and its Amazon rainforest, where exploitative practices by foreign corporations have led to devastating environmental consequences.[22]

In 2019, the G7 summit in Biarritz inadvertently provided Brazilian President Jair Bolsonaro with a propaganda platform.[23] Facing domestic political challenges and international criticism, Bolsonaro seized the opportunity to portray himself as a defender of Brazilian sovereignty over the Amazon. However, beneath his nationalist rhetoric laid an economic agenda that aligns with the interests of foreign capital. Bolsonaro's administration, influenced by Chicago School Economics minister Paulo Guedes, embraced an ultra-neoliberal economic platform that prioritizes the sale of Brazilian resources to foreign companies.

While the G7 offered financial assistance to combat Amazon fires, the sum was meager compared to Brazil's substantial reserves. Moreover, the fires were not accidental but rather a deliberate deforestation strategy to benefit G7 corporations involved in the mining, agricultural, and gas/chemical industries. Leaked documents revealed that US companies were being recruited to exploit the Amazon, and G7-based corporations like Cargill, Monsanto, Boeing, Chevron, and Exxon Mobil were already profiting from the Brazilian government policies. The G7's rhetoric of environmental concern clashed with the reality of economic exploitation.

[22] "The Amazon Rain Forest Is Nearly Gone. We Went to the Front Lines to See If It Could Be Saved." 2019. Time. September 12, 2019. https://time.com/amazon-rainforest-disappearing/.

[23] Staff. 2019. "Neocolonialism Will Spell the Amazon's Demise." *Truthdig*, August. https://www.truthdig.com/articles/neocolonialism-will-spell-the-amazons-demise/.

CELAC's commitment to environmental preservation takes on even greater significance against this backdrop. Regional cooperation and collective action are essential in addressing the pressing environmental challenges and forging a path towards a more sustainable and equitable future. By acknowledging the historical exploitation and environmental devastation, CELAC can confront its past and work towards a harmonious relationship between economic progress and ecological well-being.

Past Actions

Environmental preservation has long transcended to a greater narrative than a few pages since its very inception in the 18th century. The international community, as discussed in the 'History of the Problem' section, has conducted a myriad of actions in pursuit of this agenda. Subsequently, we will be zooming in on the struggles of Latin American and Caribbean regions, to examine how they have progressed through the years.

Latin American and Caribbean nations, under the umbrella of the Community of Latin American and Caribbean States (CELAC), have been working relentlessly to tackle environmental challenges. The EU-CELAC Summit, held in July 2023 in Brussels, served as a landmark event that aimed to strengthen bi-regional relations and merge trade, investment, and cooperation into a robust, positive offer.[24] The Global Gateway strategy was the EU's generous offer to partner countries to bolster resilience and sustainable development.

The European Investment Bank (EIB) had a record year in 2022 in Latin America and the Caribbean, providing €1.69 billion of financing, more than double the previous year.[25] This funding, aligning with the Global Gateway objectives, promoted sustainable and inclusive development in the region and supported climate action. The EU and its Member States also demonstrated their commitment to climate and biodiversity action through flagship programs like Euroclima+ and a large number of bilateral programs and partnerships.

[24] "Fire in the Amazon—EU Policy Approaches and Climate Action in the Americas." n.d. Wilson Center. https://www.wilsoncenter.org/publication/fire-amazon-eu-policy-approaches-and-climate-action-americas?collection=108223.

[25] "———." 2023c. Environment. May 5, 2023. https://environment.ec.europa.eu/news/eu-latin-america-and-caribbean-step-cooperation-environment-and-climate-action-policies-2023-05-05_en.

The EU-CELAC Summit 2023[26]

The Ministerial meeting on Environment and Climate Change co-organized by Costa Rica, UNEP, and the European Commission, resulted in several key decisions which reflected the unity and collective effort of the Latin American and Caribbean regions. The countries agreed to promote sustainable development and ensure the effective implementation of the United Nations Framework Convention on Climate Change and the Kyoto Protocol. Policies and instruments were developed for adaptation and mitigation, addressing the adverse effects of climate change, and enhancing long-term cooperative initiatives. These countries have also committed to improving energy efficiency and developing and deploying renewable energies, ensuring a diversified and complementary energy matrix.

Additionally, in addressing the environmental challenges facing the CELAC region, the World Bank Group has initiated a comprehensive approach to help these countries navigate the twin demands of climate change and development. This commitment emphasizes the mainstreaming of climate actions into lending operations across impactful areas, from clean energy and green transport to forest restoration and urban resilience. Such endeavors also aim to involve the private sector to broaden climate investments in developing nations.

The World Bank's strategies for the CELAC zone are manifold. It offers technical and financial support with a focus on escalating climate change mitigation and adaptation actions.[27] On the mitigation front, nations employ sector-specific strategies encompassing energy, waste, transport, forestry, agriculture, and sustainable urban resource use. Adaptation, meanwhile, presents a plethora of opportunities to fortify resilience against climate change impacts. This encompasses natural disaster preparedness, enhanced technological and sectoral capacities for managing weather and hydrological change risks in various industries, and the development of novel financial products to foster resilience.

Recent investments by the World Bank have exhibited their dedication to addressing the

[26] Image courtesy of Euro Clima (https://www.euroclima.org/en/recent-events/en-news/1996-eu-celac-the-protection-of-our-planet-as-a-key-aspect-for-the-bi-regional-agenda)

[27] World Bank Group. 2021. "Promoting Climate Change Action in Latin America and the Caribbean." *World Bank*, April. https://www.worldbank.org/en/results/2021/04/14/promoting-climate-change-action-in-latin-america-and-the-caribbean.

environmental and climatic challenges of the region. A key focus has been to address the intertwined vulnerabilities of climate change and the COVID-19 pandemic. Research has noted that contributors to increased greenhouse gas emissions, which exacerbate climate change, can also amplify the health ramifications of the COVID-19 pandemic. Air pollution, for instance, known to contribute to climate change, can heighten the virus's transmission, making individuals more vulnerable to infection and escalating the disease's severity. Moreover, strategies employed to counteract health threats from COVID-19 can be adapted to address illnesses that climate-induced shocks, such as natural disasters and floods, aggravate.

November 2020 saw Central America grappling with the devastation brought about by two major hurricanes, Eta and Iota. The aftermath was a compounded crisis, with both the ongoing pandemic and natural disasters causing disruptions. The World Bank's emergency response took a two-fold approach: providing immediate recovery necessities while simultaneously enhancing infrastructure and institutional capacities for mid-term climate resilience.

A significant portion of CELAC's emissions stems from land-use change and agriculture, sectors critical for the region's economic stability and growth. However, there lies an opportunity to boost productivity in these domains by leveraging degraded areas and emphasizing holistic land-use planning. Implementing such measures can drive sustainable development and employment while curbing emissions.

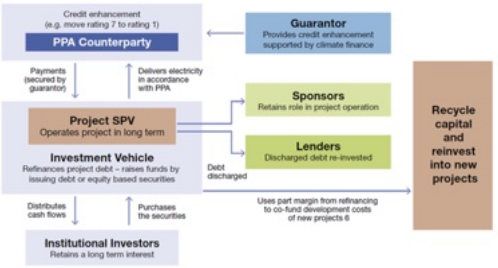
The World Bank incorporated information and communication technologies (ICTs) into its approach towards enhancing infrastructure for CELAC. ICTs helped reduce greenhouse gas emissions through efficient networks and equipment. Simultaneously, they bolstered resilience by monitoring weather events and educating the populace about looming climate-induced disasters. The ongoing COVID-19 pandemic served as a stark reminder for these nations to persistently pursue long-term development goals. The present crisis paved the way for nations to "rebuild better," embracing greener, more sustainable, and resilient methodologies.

In essence, the World Bank's approach to addressing the environmental quandaries of the CELAC region reflects a harmonized effort, balancing immediate relief with long-term resilience and development objectives.

In addition to these collective actions, individual countries have also stepped up. Deforestation has been the top peril for CELAC states. We might be well-versed in the unstoppable deforestation in the Amazon, but unaware of the fact that 27% to 43% of the land in Peru, Colombia, Bolivia, Chile, and Ecuador is being heavily affected by

the rampant forest loss. Colombia identified the need for economic tools to support green initiatives. Among these, green bonds emerged as a powerful strategy. These financial instruments are issued to raise funds specifically for projects that benefit the environment, such as renewable energy, waste management, and deforestation initiatives. The repayment of these bonds depends on the cash flows generated from the environmentally friendly projects they support, thereby tying economic returns directly to the success of these green initiatives.

The Colombian government was one of the first in the Western Hemisphere to identify and leverage the potential of green bonds, demonstrating remarkable foresight and initiative.[28] It developed the use of green bonds as a public policy tool to channel resources toward green initiatives, a move aimed at promoting sustainable economic growth. Additionally, the government aimed to encourage the participation of other Colombian issuers in the green bond market and to diversify the investor base in local capital markets. This strategy, in turn, has been instrumental in attracting socially and environmentally responsible investors to the country.



Green Bond Illustrated[29]

Sovereign green bonds issued by the Colombian government represent a clear signal to the market of the country's commitment to fostering sustainable finance mechanisms. This aligns with the interests of various stakeholders including the government, the private sector, investors, multilateral banks, and international cooperation agencies. This commitment manifests not only in climate change mitigation but also extends to the conservation of ecosystems and biodiversity.

In 2021, the government made a decisive move by issuing its inaugural sovereign green bonds in the local market. This issuance, totaling an amount of COP $1.5 trillion ($370 million USD) and maturing in 10 years, was the first green emerging market sovereign bond issued through auction in local currency. This pioneering approach follows the German twin bond structure.

The results of these actions were immediate and positive. The inaugural issuance achieved a balanced split between foreign (60 percent) and local (40 percent) investors, thereby achieving the

[28] Ministry of Finance and Public Credit Republic of Colombia. n.d. "Colombia Sovereign Green Bond Framework." https://www.irc.gov.co/webcenter/ShowProperty?nodeId=%2FConexionContent%2FWCC_CLUSTER-170719.

[29] Image courtesy of Expert Journals (https://finance.expertjournals.com/23597712-901/)

intended diversification of the investor base. The two auctions yielded an average bid-to-cover ratio of 3.0 times, demonstrating high demand. The authorities reported a "greenium" at issuance that doubled from 7bps in the first to 15bps in the second auction. This is a premium that investors are willing to pay for the green bond over a conventional bond of similar maturity and credit risk, reflecting the market's positive reception to these green initiatives.

Latin American and Caribbean regions have displayed significant efforts in the pursuit of environmental preservation, both collectively and individually. Through initiatives like the EU-CELAC Summit, green bond issuances, and other effective measures, these regions have shown an unwavering commitment to the protection and preservation of our environment. While the struggle is ongoing, their progress is noteworthy and serves as a beacon of hope for the rest of the world.

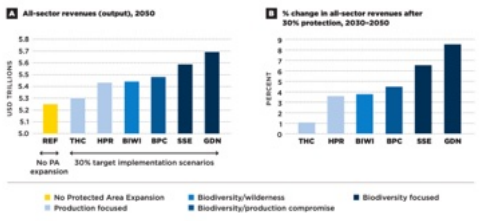
Possible Solutions

The Caribbean and Latin American Regions, represented under the CELAC banner, house some of the planet's most diverse and crucial ecosystems. However, with only about 11.3% of land and 5.1% of the ocean designated or proposed for protection, they are faced with a dilemma. The narrative of biodiversity has been a hot topic for a significant amount of time, only to encounter sluggish advancement because solutions will not be put on the immediate agenda if no instability is instigated and the threat of environmental issues is not impending. It may come across as intuitive that environmentalism is against the interest of economic progression, thus the evident trade-off, especially for CELAC, a region packed with developing countries. Yet, as detailed in the findings of the World Economic Forum (WEF) and the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES), it is increasingly evident that this perceived dichotomy is illusory.[30] Both entities have highlighted that biodiversity loss is not just a matter of ecological concern; it is a significant threat to the global economy. This reframes the problem: issues like climate change, disease proliferation, water shortages, and reduced productivity tied to biodiversity loss aren't just ecological concerns—they directly impinge on economic growth and stability.

Now, juxtapose this with the proposal to increase protected areas to 30% by 2030. At face value, it might seem a move detrimental to economic sectors like agriculture, forestry, and fisheries, potentially resulting in perceived production and revenue losses. However, delving deeper reveals a

[30] Department of Zoology, Cambridge University. n.d. "Protecting 30% of the Planet for Nature: Costs, Benefits and Economic Implications." https://www.conservation.cam.ac.uk/files/waldron_report_30_by_30_publish.pdf.

different story. Protected areas aren't just sanctuaries for flora and fauna; they offer tangible economic benefits. The ripple effect of designating areas for conservation can lead to a surge in tourism, healthier communities benefiting from improved ecosystems, and significant economic savings by preventing nature degradation-related disasters. Therefore, counterintuitively, environmentalism has made itself extremely pivotal as it aligns itself with the interest of economic development and as a shortcut to a win-win scenario. Subsequently,



Biodiversity: Concept, Threats, and Conservation[31]

CELAC has the incentive to preserve its environment and biodiversity.

In the evolving tapestry of global economic frameworks, market-based policies emerge as compelling solutions to environmental preservation, particularly in addressing environmental concerns. [32]The underpinnings of these policies and their advantages warrant a detailed understanding:

Alignment with Economic Evolution: At the heart of market-based policies is their innate ability to align with the ever-changing dynamics of economies. Rather than stifling growth or being reactive, these policies proactively incorporate economic growth aspirations with sustainable practices. They embody the principle that economic advancement and environmental responsibility are not mutually exclusive but can be synchronized in harmony.

A Paradigm Shift from Conventional Regulation: Historically, governments have leaned towards regulatory mandates to control negative externalities of production. Such command-and-control approaches, while essential, are sometimes rigid and can lack adaptability. Market-based policies, by contrast, introduce flexibility into the system. They pivot from the notion of hard controls to leveraging economic incentives, making environmental conservation a financially appealing choice rather than just a mandated one.

[31] Rawat, U. S., and Nidhi Agarwal. 2015. "Biodiversity: Concept, Threats and Conservation." *Environment Conservation Journal* 16 (3): 19–28. https://doi.org/10.36953/ecj.2015.16303.

[32] "Market-Based Approaches to Environmental Policy: A 'Refresher' Course." n.d. Resources for the Future. https://www.resources.org/archives/market-based-approaches-to-environmental-policy-a-refresher-course/.

The Genius of Internalizing Externalities: The concept of externalities, especially negative ones, is a cornerstone in understanding the environmental impact of economic activities. Activities that cause environmental degradation often impose costs on society that aren't borne by the producers or consumers of the goods. Market-based policies brilliantly shift this dynamic. By ascribing a cost to such actions, they ensure that those involved in the production or consumption process are held accountable for the full impact of their actions. This 'internalizing' of costs transforms external, often abstract, environmental concerns into direct economic considerations for businesses and consumers.

The Power of Incentivization and Innovation: One of the most striking features of market-based policies is their ability to spur innovation. When faced with economic incentives (or disincentives) related to environmental impact, companies are not only encouraged but also motivated to innovate. This push for finding better, more efficient, and sustainable ways becomes a natural outcome of such policies. Moreover, this innovation isn't just limited to immediate production processes but can stimulate broader industry-wide advancements, making sustainability more affordable and accessible.

We'll then delve into the specifics of market-based policies to see how they benefit CELAC's effort in biodiversity protection.

Carbon Tax: A carbon tax is a direct tax imposed on the carbon content of fossil fuels. It seeks to give an economic incentive for businesses and individuals to produce and consume in a more environmentally conscious manner.[33] At its core, the carbon tax operates by placing a monetary value on the carbon content of energy sources, primarily fossil fuels. This tax directly links the cost of using such fuels with the amount of carbon dioxide they emit when burned. This market-based instrument offers unique mechanisms and potential benefits to address environmental challenges, while also presenting its own set of challenges to consider. In a region with such profound natural reserves, like the Amazon rainforest, a carbon tax can serve multiple functions. Firstly, it can disincentivize deforestation and the resultant carbon emissions. As many CELAC countries grapple with the challenge of balancing their economic aspirations with the urgent need to conserve these forests, the imposition of a carbon tax can direct industries toward sustainable practices. Furthermore, revenues generated can be reinvested into conservation efforts, reforestation programs, or bolstering the infrastructure of protected areas.

Green Bonds: Green bonds are fixed-income securities designed to raise capital specifically for environmentally beneficial projects. Entities,

[33] "———." n.d. Development Asia. https://development.asia/explainer/why-market-based-solutions-are-smart-way-protect-environment.

whether corporate or governmental, issue green bonds to raise funds for projects with environmental benefits. The proceeds might be used for renewable energy projects, waste management, land conservation, and more.[34] Considering the vast natural beauty and biodiversity within the CELAC nations, green bonds can play a pivotal role. Such bonds can finance projects that not only conserve existing ecosystems but also create sustainable tourism models, promoting eco-tourism. Given the unique flora, fauna, and cultural heritage within CELAC countries, the issuance of green bonds can attract international investors, driving economic growth without compromising environmental integrity.

Tradable Permit Systems (Cap-and-Trade): Tradable permits, often known as cap-and-trade systems, involve setting a limit (or cap) on emissions and allowing companies to buy and sell permits to emit within that cap. The government sets a cap on total emissions and then issues permits that industries or companies can buy and trade. Companies that reduce their emissions below their allocated level can sell their excess permits to other companies. Given the diverse range of economies within CELAC – from more developed economies to those still emerging – a tradable permit system could create a win-win scenario. More affluent CELAC countries or industries within these countries can invest in greener technologies and then trade their emission rights with countries that are still in transition. This not only fosters regional cooperation but also ensures that economic disparities do not impede collective environmental efforts.

How Cap-and-Trade System Works[35]

In conclusion, CELAC, with its unique amalgamation of economic, social, and environmental landscapes, is faced with choices determining the future of its biodiversity and conservation efforts. It has the potential to set a precedent for the world, demonstrating that economic growth and environmental protection are not antithetical but can be pursued hand-in-hand using innovative market-based policies. Given the significant threats outlined by bodies like the World Economic Forum and the IPBES, the urgency for CELAC to embrace and champion these mechanisms is more pronounced than ever.

[34] "What are Green Bonds? | Green Bond Overview | Bonds | Green Finance Portal." n.d. https://greenfinanceportal.env.go.jp/en/bond/overview/about.html.

[35] Image courtesy of Clean Energy Canada (https://cleanenergycanada.org/ontarios-first-cap-trade-auction-best-viewed-wide-angle-lens/)

Bloc Positions

As we embark on our journey to address the critical issue of environmental and biodiversity preservation in the Caribbean and Latin American regions, it is essential that we understand the complexities involved in forming blocs during unmoderated caucus sessions. Bloc formation is the initial step in building coalitions that will support your preferred resolutions and policies.

Interventionist Bloc

Historically, some governments have favored more intervention and more regulations to address societal and environmental issues. This bloc is inclined to hold the view that environmental issues are better solved through government intervention rather than uniquely relying on the market. Interventionist policies might include legally binding commitments, compliance mechanisms, and dispute settlement mechanisms. Additionally, you might want to consider possible international commitments and enforcement mechanisms for the entire region.

Although interventionism might be effective, it is important to consider monitoring costs and the opportunity cost for investment and businesses with more stringent regulations. Countries in the CELAC generally have many competing priorities as it comes to social justice, so it is important to find correct methods to finance and hold countries accountable to the standards discussed.

Market-Based Bloc

This bloc generally favors a more laissez-faire approach to the sustainability crisis, emphasizing market solutions over stricter commitments. Some examples of policies that would be interesting for this bloc are market-based solutions (such as cap and trade), encourage voluntary measures, use subsidies and taxes, and have public-private partnerships. Regarding international cooperation, this bloc will advocate for regulation that is non-binding and more market-based.

Although this block might not have the costs of monitoring the regulations, there will still be an associated cost in implementing the market mechanisms for them to work. As well, market-oriented policies tend to take longer than government policies in being implemented, which is something that must be taken into account.

Glossary

Land Degradation: Land degradation refers to the reduction or loss of the biological or economic productivity and complexity of rain-fed cropland, irrigated cropland, or range, pasture, forest, and woodlands due to land uses or from a process or combination of processes, including those arising from human activities and habitation patterns.

Neocolonialism: Neocolonialism is the practice by which powerful countries exert influence over less powerful countries, not through direct colonial rule as in the past, but through economic, political, and cultural pressures. The term is often used critically to describe how former colonial powers and other major economies continue to maintain or increase their influence over former colonies and other less developed countries.

Monopsony: A monopsony refers to a market situation where there is only one buyer (or a dominant buyer) for a particular product or service, while there are multiple sellers. This is the opposite of a monopoly, where there is only one seller and multiple buyers.

Information and Communication Technologies: ICT refers to technologies that provide access to information through telecommunications. It is similar to Information Technology (IT) but focuses primarily on communication technologies, including the Internet, wireless networks, cell phones, and other communication mediums.

The European Investment Bank: The European Investment Bank (EIB) is the financial institution of the European Union (EU). It was established in 1958 under the Treaty of Rome with the primary purpose of providing long-term financing to support infrastructure projects and other forms of sustainable growth including transport infrastructure, environmental projects, energy infrastructure, research and development, education, and healthcare.

Market-based policies: Market-based policies are regulatory tools or incentives that harness market forces to promote desired outcomes, typically in the context of addressing externalities, environmental concerns, or other market failures. These policies leverage price mechanisms, rather than direct regulation or command-and-control approaches, to achieve policy goals. Market-based policies are often favored for their economic efficiency, as they provide flexibility for individuals and firms to determine the most cost-effective way to meet policy objectives.

Tradable permit: A tradable permit system, often referred to as a "cap-and-trade" system, is a market-based approach used to control pollution by providing economic incentives for achieving reductions in pollutant emissions.

Green bond: A green bond is a type of fixed-income instrument that is specifically earmarked to raise money for climate and environmental projects. These bonds are typically asset-linked and backed by the issuer's balance sheet. They are an increasingly popular instrument for the financing of renewable energy, energy efficiency, pollution prevention, sustainable agriculture, fisheries, forestry, and other projects that address environmental concerns.

Carbon tax: A carbon tax is a tax levied on the carbon content of fuels. The primary aim of this tax is to reduce greenhouse gas emissions, as it places a monetary price on emitting carbon dioxide (CO2) and, in some cases, other greenhouse gases. The tax is typically levied on the carbon content of fossil fuels, but it can also apply to other sources of CO2 emissions.

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Topic B: Closing The Income Distribution Gap

Statement of the Problem

As the world industrializes and modernizes, the gap between the richest and poorest of society increases. Such a gap exists in various aspects primarily with income, race, opportunity, and, accumulatively, wealth.[36] This unequal distribution becomes the center of debate when societies and governments decide the policies to create a more equal society and improve welfare. As a regional collaboration, CELAC aims to improve the economic situation of its member states, thus reducing inequality in the region would be one of its interests.

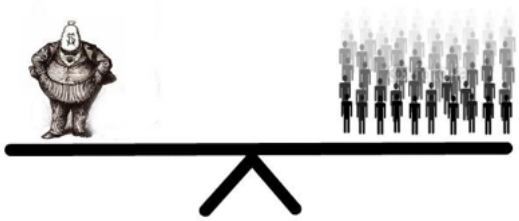

Fig. 1 Illustration of Inequality[37]

Defining The Problem Of Income Inequality

Before understanding income inequality and discussing why such a gap in income distribution is a problem that needs to be addressed, we should define what is considered as income, distribution, and the gap or inequality.

Income used to measure inequality is often confined to the disposable annual income of a household or person coming from earnings/wages, self-employment, capital/return of investment income, and public cash transfers from the government.[38] Note that the amount used excludes or is deducted from all taxes and social security payments made by the household or person to the government. Furthermore, income is different from wealth in the sense that income accounts for revenue while wealth represents the accumulation of income and savings in the form of the value of homes, stock, and other possessions. Based on these limitations and clarifications, we will use the terms "income inequality" and "gap in income distribution" interchangeably since they represent the same idea.

[36] Inequality.org, "Income Inequality," Inequality.org, April 27, 2023, https://inequality.org/facts/income-inequality/.

[37] Photograph courtesy of Democracy Chronicles. In "Income Inequality Thomas Nast Style". By Flickr. https://www.flickr.com/photos/democracychronicles/14891362140

[38] OECD, "Income Inequality," OECD, 2023, https://data.oecd.org/inequality/income-inequality.htm.

Having defined income, the distribution of income can then be interpreted as the spread of income within a population. To get this distribution, a certain number of people in the country is chosen as a sample and their income is noted. This data is then generalized to reflect the entire population with the distribution being the income of individuals on a scale, either their actual income or percentile.

Based on these clarifications, income inequality or gap in income distribution can be concluded as the uneven manner of distribution of income in the population. This uneven distribution can be reflected through a concentration of certain amounts of income to certain groups of people.[39] Another case is the wide difference between the amount of income between the top earners and lowest earners. The following is an illustration of what we have discussed so far.

Fig. 2 Illustration of income distribution where some people earn much more than others[40]

[39] Inequality.org, op. cit.

[40] Photograph courtesy of Rifath @photoripey. In "Financial Growth". By Unsplash. https://unsplash.com/photos/OApHds2yEGQ

There are several methods to measure inequality in a population such as the S80/S20—ratio of the average income of the 20% richest to the 20% poorest or the P90/P10—ratio of the upper bound value of the ninth decile (i.e. the 10% of people with highest income) to that of the first decile, the P90/P50—ratio of the upper bound value of the ninth decile to the median income, and the P50/P10—ratio of median income to the upper bound value of the first decile.[41] The primary tool that we will be focusing on is the Gini Coefficient, as it is the most frequent method used in measuring inequality, has the longest track record among other methods, and is quantified in an understandable manner for most people. This indicator is named after the Italian sociologist and statistician Corrado Gini and is based on the comparison of cumulative proportions of the population against cumulative proportions of income they receive. The coefficient ranges between 0 in the case of perfect equality and 1 in the case of perfect inequality.

Effects Of Income Inequality

After discussing the terms and their definitions, now we wonder why bother? Why do we have to have all of these tools and calculations? The answer is very broad, but for our interest, a simplified version of it is to understand how income distribution and income inequality affect people's lives and society. Max Roser's article

[41] OECD, op. cit.

from 2017 highlights the importance of income levels and living qualities based on where people live.[42] From the charts the author gathered, we can conclude several relationships between income and measures of human life qualities in various countries. As income increases, life expectancy, number of medical doctors, and literacy rate increase. More income means people can afford better healthcare and access higher education. On the other hand, income has a negative relationship with child mortality, maternal deaths, and average annual working hours. When income increases, these three measures decrease as people have better access to healthcare and can afford more leisure time. Another point to spotlight is how income is highly tied to geographic location and economy, where countries with larger and more productive economies yield higher GDP per capita, thus more income for their people. Based on these observations, income correlates well with living quality.

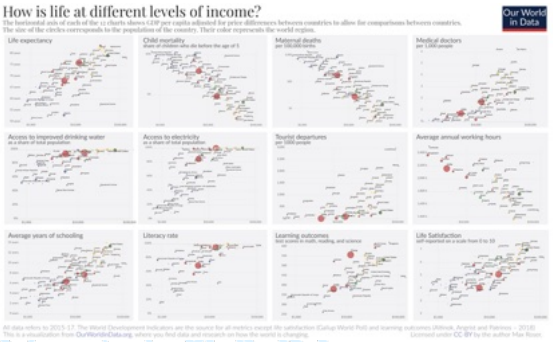

Fig. 3 How is life at different levels of income[43]

Hence, inequality also impacts living quality. Higher inequality means there is a greater difference between the top earners and lowest earners, concentrating the amount of income onto fewer people while the rest get smaller amounts than average. Furthermore, since GDP per capita serves as the average GDP per person, higher inequality means those at the bottom of the income list may experience much worse qualities than previously presented in the chart. Therefore, we can say that inequality amplifies the relationship between income and living quality. When inequality is high, higher-income earners have much more income than an average person and enjoy much better living conditions. On the opposite end, the lower-income population faces a much worse living situation than the average people.

When talking about making the world a better place by increasing the average welfare of the

[42] Max Roser, "The History of Global Economic Inequality," Our World in Data, July 6, 2023, https://ourworldindata.org/the-history-of-global-economic-inequality.

[43] Photograph by Max Rosner. In "The History of Global Economic Inequality". By Our World in Data. https://ourworldindata.org/the-history-of-global-economic-inequality

people, income inequality is an issue of interest. As we discussed previously, income and income inequality predict the quality of life and, therefore, improving people's welfare requires countries to both improve their people's income and reduce inequality. In addition to living quality, income inequality may result in multiple social, political, and economic consequences.[44] We will discuss these impacts for the rest of the section.

Income inequality can lead to the erosion of social cohesion as it widens the gap between the rich and the poor. When the divide becomes more apparent, the life experiences and lifestyles of these two groups differ significantly. Those with higher income enjoy more comfortable living, less labor-intensive work, and higher-quality education, while people on the other end of the spectrum must struggle to find a living income, labor-intensive work, and education. This gap creates a sense of disconnection, alienation, and exclusivity that erodes the sense of empathy and responsibility as a society to help those in need. It also minimizes the connection and opportunity for those with lower income to climb up the social ladder to earn a better living. These disparities in opportunities, access to education, and basic services also amplify the perception of an unjust system that favors the wealthy, leading to potential tensions and conflicts within society. This, in turn, affects public trust in governmental institutions negatively, hindering further collective efforts to address systemic inequalities through collaboration and social programs.

Income inequality also results in political polarization by aligning people's preferences with their economic interests. Those in higher income brackets may advocate for policies that maintain their advantages, such as tax cuts and lax business regulations. On the other hand, individuals with lower incomes may demand more equitable distribution through social safety nets and higher taxes on the wealthy. This divide in policy preferences based on economic standing can lead to deep ideological divides, hindering cooperation and making it challenging to create effective policies that address inequality. In addition, inequality also worsens the efficacy of the government. The ultra-rich have more resources and influence over policy-making through campaign donations and other incentives that may shape the policies made by leaders in the government. This unhealthy influence may lead to a corrupt government that implements policies that benefit those with higher incomes, leaving the rest of the country to be less developed or even disadvantaged.

The economic implications of inequality extend beyond social divisions and political fragmentation. Countries with high levels of

[44] IMF, "Introduction to Inequality," IMF, July 5, 2020, https://www.imf.org/en/Topics/Inequality/introduction-to-inequality.

inequality might experience slower economic growth. This is a result of income becoming concentrated among a smaller segment of the population while the majority earns diminished wages. As a consequence, the overall purchasing power of the population decreases. With reduced income available for spending, consumption patterns shift, leading to decreased demand for goods and services. This deceleration in economic activity ripples through various sectors, resulting in decreased trade and consumption, ultimately impeding overall economic growth. In this way, inequality not only impacts individual well-being but also influences the trajectory of a nation's economic development.

Based on these points, the main problems caused by income inequality are its effects on living quality and social, political, and economic states. We will then explore the tools and policies that can reduce income inequality and close the income distribution gap within the countries in the region.

Current State Of Income Inequality In South America And The Caribbean

Now that we understand the concept of the problem, we should move forward and evaluate the problem in the field through data. A United Nations Development Programme report stated that the South America and the Caribbean regions are in a high-inequality low-growth trap.[45] This means that the region is currently experiencing a high level of inequality while having slow economic growth. This claim is supported by the following graph from 2019 which shows that most countries in the South America and the Caribbean region have a Gini coefficient of higher than 0.45 with Brazil having up to 0.53 on the Gini index.

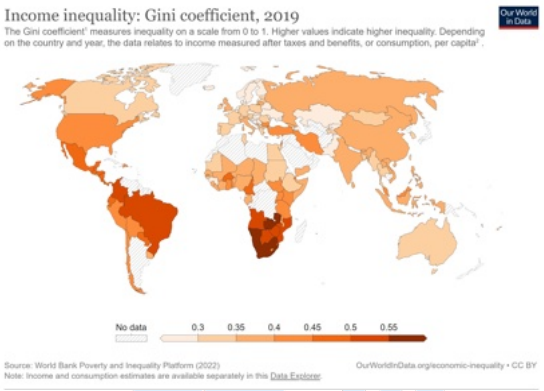

Fig. 4 Gini coefficient in 2019[46]

The cluster of darker shades of orange in South America is comparable to that in the Sub-Saharan region. However, if considered with the rest of the world, the South America and Caribbean regions have darker shades whereas most other countries have a Gini coefficient under 0.45. This

[45] UNDP, "Trapped? Inequality and Economic Growth in Latin America and the Caribbean: United Nations Development Programme," UNDP, July 2021, https://www.undp.org/latin-america/publications/trapped-inequality-and-economic-growth-latin-america-and-caribbean.

[46] Figure courtesy of Our World in Data. In "Inequality Data Explorer: World Bank data". By Our World in Data. https://ourworldindata.org/explorers/pip-inequality-explorer

means that the South America and Caribbean regions have a higher Gini coefficient, thus a higher level of inequality, compared to the world. A level that is similar to those of the Sub-Saharan region.

Aside from the Gini coefficient, the inequality in South America and the Caribbean can also be seen through the share of income by the richest 10% of the population in a country. The following graph shows such data with darker color translating to higher accumulation of income to the top 10% and therefore more unequal.

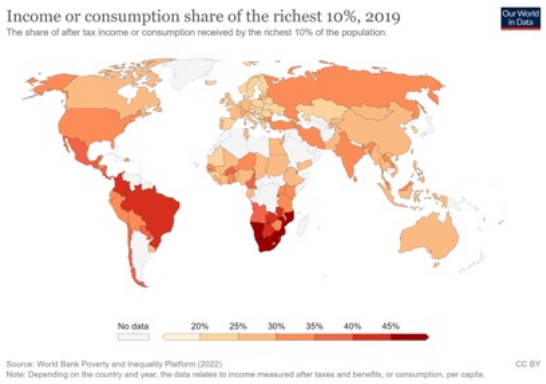

Fig. 5 Income share of the richest 10% in 2019[47]

The data above, using the concentration of income in the top 10%, shows similar information as the data using the Gini coefficient where the South America and Caribbean regions have darker colors compared to the rest of the world with comparable shading with the Sub-Saharan region. Most countries in the two regions have more than 35% of income owned by the top 10% of the population while the rest of the world shows up with less than that percentage.

Looking at data on economic growth, we can see a related trend where the Latin America and Caribbean regions experience smaller changes in GDP per capita compared to the rest of the world. Figure 6 reflects this with the region having more orange to red countries and having less dark blue shades than other parts of the world. With the region having both higher inequality and slower economic growth, and based on our previous discussion, we can attribute this slower growth to the high inequality that exists in the region.

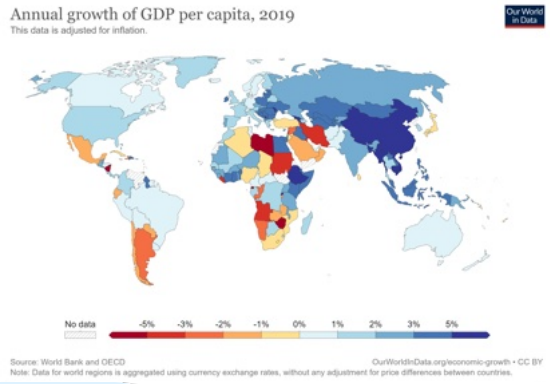

Fig. 6 Annual growth of GDP per Capita in 2019[48]

Furthermore, the region is also perceived to have high levels of corruption, which is shown in Figure 7. The corruption perception index reflects the perception of a country's population

[47] Figure by Our World in Data. In "Inequality Data Explorer: World Bank data". By Our World in Data. https://ourworldindata.org/explorers/pip-inequality-explorer

[48] Figure by Our World in Data. In "GDP per Capita Growth Grapher". By Our World in Data. https://ourworldindata.org/grapher/gdp-per-capita-growth

on their government's corruptibility with a smaller score meaning a more corrupt government in the face of the population. Based on our discussion in the last section, we can see that the data supports the relationship between inequality and corrupt government, with the Latin American and Caribbean regions having both higher inequality and higher corruption perception index. This high corruption, as we previously talked about as well, will result in more problems that need to be addressed.

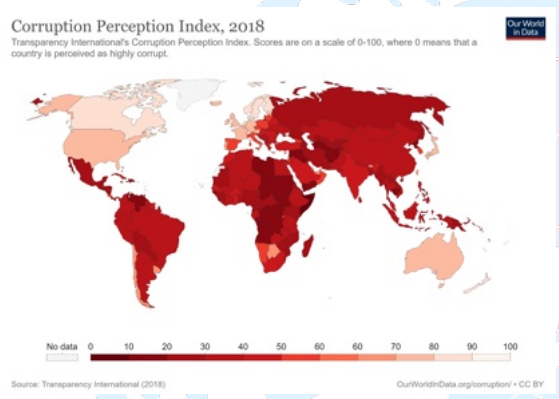

Fig. 7 Corruption Perception Index in 2018[49]

History Of The Problem

Throughout time, the magnitude and distribution of income have grown and changed. As humanity industrialized and moved towards a modern lifestyle, new economic models and supply chains emerged to satisfy our needs. However, as we saw in the previous section, this growth and change do not happen equally for everyone, which creates an inequality of income problem. This begs the question of when and why such a problem emerges.

Inequality Throughout History

The roots of inequality in South America and the Caribbean can be traced back to the colonial era between the fifteenth and nineteenth centuries when European powers, primarily Spain and Portugal, conquered and colonized the region.[50] During this period, the Spanish and Portuguese authorities established a socio-economic structure based on racial discrimination and exploitation. The society then consisted of five classes: the Peninsular (Europeans that were born on the European continent, primarily the Iberian Peninsula), the Creoles (European descents born in the New World, including Latin America and the Caribbean), the Mixed Race (this includes *Mulattos* from white and black parents and *Mestizos* from white and Indian parents), Indigenous groups (native people living on the continent), and slaves (both Native Americans

[49] Figure by Our World in Data. In "Transparency International Corruption Perception Index Grapher". By Our World in Data. https://ourworldindata.org/grapher/TI-corruption-perception-index

[50] Ewout Frankema, "The Colonial Roots of Land Inequality: Geography, Factor Endowments, or Institutions?," *The Economic History Review* 63, no. 2 (May 2010): 418–51, https://doi.org/10.1111/j.1468-0289.2009.00479.x .

and Africans).[51] These classes form a hierarchical pyramid as shown in Figure 8 below.

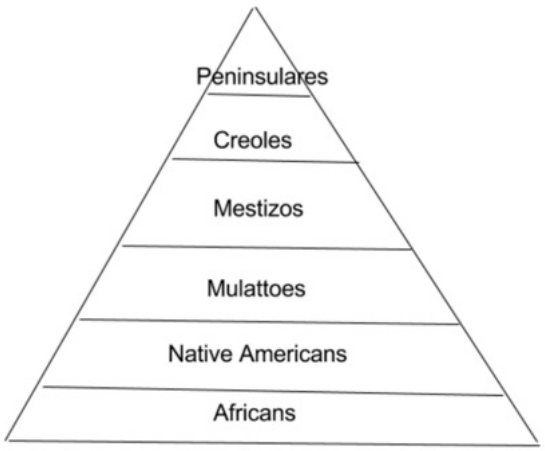

Fig. 8 Illustration of the social pyramid in Latin America during the European colonial era[52]

In this period, indigenous populations were subjugated, and their lands, resources, and cultures were taken away. Large plantations and estates, owned by European settlers and later wealthy Creole elites, emerged as the dominant form of land ownership. These owners utilize cheap or even free labor from locals to extract resources and crops to be sold in the global market for huge profits. The Transatlantic slave trade further deepened this practice in South America and the Caribbean, where millions of enslaved Africans were forcibly brought to the continent to work on plantations and in mines.[53] This inhumane act provided a cheap labor force for the emerging extract-and-export-oriented economies in the continent, driven by the colonists for even wider profit margins. Over time, colonial institutions were established to maintain this share of land for elites, slowing down the democratization process of land and resources to a wider number of people in the region and perpetuating the great divide between owners and laborers.

In the post-independence period, South American and Caribbean nations faced significant challenges in building sustainable economies. The export-oriented model, characterized by the reliance on a single commodity, such as sugar, coffee, or minerals, perpetuated a cycle of dependency on foreign markets.[54] This economic structure favored wealthy landowners and foreign corporations, exploiting the local markets and widening the gap between the rich and the poor. This involved a system where the wealthy could purchase goods at a very low price from farmers and sell them at a more competitive price globally. The slow

[51] Encyclopedia of Latin American History and Culture, "Caste and Class Structure in Colonial Spanish America," Encyclopedia.com, August 13, 2023, https://www.encyclopedia.com/humanities/encyclopedias-almanacs-transcripts-and-maps/caste-and-class-structure-colonial-spanish-america.

[52] Photograph by Sutori. In The "Brazilian Revolution 1820-1822". By Sutori. https://www.sutori.com/en/item/social-structure-latin-american-class-system-peninsulares-at-the-top

[53] Fernando Romero, "The Slave Trade and the Negro in South America," *The Hispanic American Historical Review* 24, no. 3 (August 1944): 368, https://doi.org/10.2307/2508492.

[54] John H. Coatsworth, "Inequality, Institutions and Economic Growth in Latin America," *Journal of Latin American Studies* 40, no. 3 (2008): 545–69, https://doi.org/10.1017/s0022216x08004689.

progress in industrialization also amplifies this issue where people have limited sources of income due to limited tools and technology that may help them increase the output of their agricultural or goods production.[55] The region's economies were further influenced by external powers in the form of unequal trade relationships and debt burdens, which put ordinary people at a disadvantage from lower export prices, higher tariffs of exported goods, and undermined local development efforts, of which state resources are diverted to prolonged debt payment, instead of building infrastructures or funding social programs.

South America has experienced a history of political instability characterized by frequent coups, dictatorships, and authoritarian rule. Many of these regimes served the interests of elites, perpetuating inequality through repressive policies and prioritizing the needs of the few over the many.[56] This instability hindered the establishment of consistent policies aimed at addressing social and economic disparities, leaving marginalized communities further marginalized. In addition, corruption and collusion between the government and elites divert valuable public resources to personal accounts and serve as a hurdle for social and economic mobility.

While the region has made significant strides toward democratic governance in recent decades, inequality remains a pressing issue. Inadequate access to education, healthcare, and basic services disproportionately affects vulnerable communities, perpetuating the cycle of inequality. Moreover, land tenure issues persist, with large landowners retaining vast estates while landless peasants struggle for access to arable land.

The legacy of slavery and the established social classes during the colonial period continues to impact African-descendant communities until the present, who often face discrimination and limited access to education and economic opportunities. This also occurred to people of Native American descent that were subject to the same class system and unfair treatment, resulting in limited opportunities for social and economic advancement.

History In Data

Our historical data on inequality is unfortunately not complete, extending only into the past few decades, where the earliest Gini coefficient data that is available comes from the early 20th century. The Gini coefficient was first developed in 1912, however, it was not until the 1930s that the Gini coefficient began to be used to measure income inequality on a large scale.[57] The earliest

[55] Ibid.

[56] Ibid.

[57] World Bank, "Poverty and Inequality Platform," Poverty and Inequality Platform, 2023, https://pip.worldbank.org/.

Gini coefficient data that is available for most countries is from the 1980s because many countries gained their independence in the 1960s, and most countries began to collect data on income distribution on a regular basis from this period onwards. The World Bank has a database of Gini coefficient data for over 100 countries, with the earliest data in this database coming from 1967.[58] This dataset is visualized in Figure 9, with filters applied to show the Gini coefficients of South American and Caribbean countries over time.

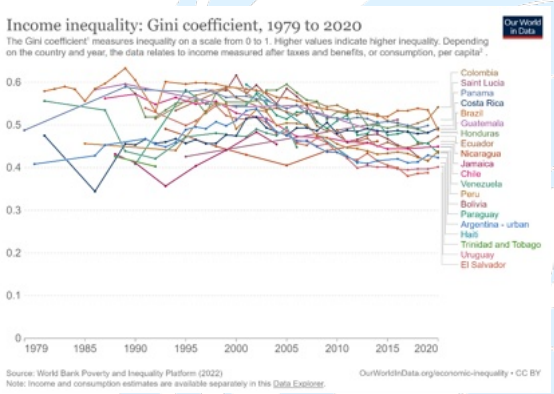

Fig. 9 Line chart showing the change of Gini coefficient among countries in South America and the Caribbean from 1979 to 2020[59]

Although the graph above looks dense, it shows that most countries in South America and the Caribbean are becoming less unequal with a decreasing Gini coefficient over time. Some countries, however, experience an increasing trend with the Gini coefficient, meaning they are becoming more unequal. These countries include Costa Rica, Jamaica, and Saint Lucia which are highlighted in Figure 10 below.

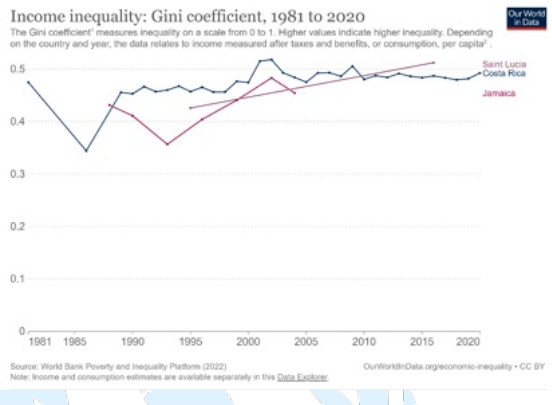

Fig. 10 Line chart showing the change of Gini coefficient among Costa Rica, Jamaica, and Saint Lucia from 1981 to 2020[60]

Despite having a short period of increasing Gini coefficient in the 1980s and early 1990s due to the Latin American Debt Crisis, the data through modern history shows that inequality in most parts of South America and the Caribbean is declining. This trend can be attributed to two main reasons: a decrease in the income gap between skilled and low-skilled workers due to expansive education and an increase in

[58] Adam Hayes, "Gini Index Explained and Gini Coefficients around the World," Investopedia, July 11, 2023, https://www.investopedia.com/terms/g/gini-index.asp.

[59] Figure by Our World in Data. In "Inequality Data Explorer: World Bank data". By Our World in Data. https://ourworldindata.org/explorers/pip-inequality-explorer

[60] Figure by Our World in Data. In "Inequality Data Explorer: World Bank data". By Our World in Data. https://ourworldindata.org/explorers/pip-inequality-explorer

government transfers to the poor.[61] These factors help people in the region to gain more income through better-paying jobs and subsidies from the government.

Based on the historical review, colonial-era policies that discriminate and disadvantage the local population in Latin America still affect the current state of inequality. However, the data also shows that improvements have been made and can still be refined through regional cooperation.

Past Actions

As the inequality problem has existed for a long time, various measures to combat it have been taken. These actions are mostly done by individual governments within their countries with the help of regional and international aid and support.

Government Policies

There are multiple ways that governments in South America and the Caribbean have done to reduce inequality in their respective countries. The first one is tax reform and increasing tax rates. Tax reform can help to reduce inequality by making the tax system more reliable and simple, which ensures people pay their taxes and the government gains more income. Tax reform can also be used to close tax loopholes that benefit corporations and the wealthy. Raising tax rates, especially for large companies or those with high income, will certainly also increase government revenue. These increases in government income can then be used as a resource to combat inequality through government programs.

There are many forms and changes to this policy in the region, but they mostly align with party ideologies where more progressive governments introduce higher taxes for corporations and the wealthy. Tax reform on the other hand, often gains support from both sides of the political spectrum. In July of 2023, the Brazilian lower house passed a more simplified tax law and structure that would make the government more efficient and people easier to understand the tax regulations.[62] On a similar note, the Chilean government proposed an anti-evasion tax reform and increased the tax rate for top earners in the country in July of 2022.[63] This policy is aimed at generating more government income, funding social policies, and reflecting equitable tax distribution. Despite having a tax reform, the region is still plagued with inefficiencies in

[61] Luis Felipe López-Calva and Nora Claudia Lustig, *Declining Inequality in Latin America a Decade of Progress?* (Washington, DC: Brookings Institution Press, 2010).

[62] Maria Marcello and Gabriel Araujo, "Brazil's Lower House Approves 'historic' Tax Reform Bill," Reuters, July 7, 2023, https://www.reuters.com/world/americas/brazils-lower-house-approves-tax-reform-bill-first-round-awaits-second-round-2023-07-07/.

[63] STEP, "Chilean Reform to Introduce Wealth Tax," STEP, July 6, 2022, https://www.step.org/industry-news/chilean-reform-introduce-wealth-tax.

translating tax revenue to the reduction of inequality. According to information published by the Organisation for Economic Cooperation and Development (OECD) in 2009, while taxes and transfers reduce income inequality by 19 Gini points in Europe, it is reduced by only 2 Gini points in Latin America.[64] Therefore, countries in the region should implement more policies to address inequality in South America and the Caribbean.

With income from taxes, governments can redistribute money to the people who need it in the form of government transfers with certain conditions, which are called Conditional Cash Transfers (CCTs).[65] This government transfer is a type of social assistance program that provides cash payments to families on the condition that they meet certain requirements, such as sending their children to school or getting medical checkups. CCTs have been shown to be effective in reducing poverty and inequality in several countries, including Brazil (*Bolsa Familia* program established in 2003), Mexico (*Oportunidades* program started in 2002), Colombia (*Familias en Accion* program initiated in 2000), and Nicaragua (*Red de Proteccion Social* program running from 2000-2006).[66] According to one report, in Mexico and Brazil, total inequality has fallen by about 5% from the mid-1990s to the mid-2000s, and CCTs in these countries have proved to be an even more crucial inequality-reducing factor as CCTs, in their 'inequality-reducing role.'[67] The transfers help people receive more income and incentivize them to fulfill the conditions for the transfer, which often helps the people in the process. It was considered a win-win solution for both the people and the government. The challenge for this program, however, is the unequal distribution of resources that the people can use to fulfill the conditions of transfer. As an example, rural regions with little educational infrastructure cannot send children to school and therefore are not eligible for the CCTs.

Another policy aimed at reducing inequality is education reform, aimed at increasing education affordability and accessibility. This policy enables more people to move up socially and economically and gain more income, thus closing the income gap. The Latin American and Caribbean region saw a tumultuous history of

[64] OECD, "Perspectivas Económicas de América Latina 2009," OECD, 2009, https://www.oecd.org/dev/americas/perspectivaseconomicasdeamericalatina2009.htm.

[65] Maïté Kervyn de Lettenhove, "Conditional Cash Transfers in Latin America," *Reflets et Perspectives de La Vie Économique* Tome LI, no. 2 (February 10, 2012): 5–18, https://doi.org/10.3917/rpve.512.0005.

[66] Ibid.

[67] Sergei Soares et al., "Conditional Cash Transfers in Brazil, Chile and Mexico: Impacts upon Inequality," Estudios Económicos de El Colegio de México, 2018, 207–24, https://doi.org/10.24201/ee.v0i0.387.

education policy in the last century.[68] Public and free education was first available in the mid-19th century, with Argentina, Uruguay, Chile, and Paraguay implementing their educational model after the system in the United States. In the early 20th century, the idea that education is for all became popular and was implemented in more countries throughout the region. To bolster this movement the Organization of American States (OAS) declared "free primary education [is] compulsory and Universal" in 1948.[69] Since then, the region has seen rapid development of its education infrastructure to enforce mandatory primary education and combat illiteracy.

The 1980s Latin American Debt Crisis caused countries to cut education budgets to reduce government spending, resulting in the "Lost Decade" of education between 1980 and 1990. The impact of this dive in education funding was highlighted by one report on Mexico, estimating that government education spending fell by 40% between 1981 and 1989.[70] It also predicted that secondary school enrollments would have increased considerably, had the 1980s economy grown at rates even half of those experienced in the 1970s, highlighting the huge loss of opportunity for many people who could have gained higher education and thus become more competitive in the job market. During and after this decade, we can also observe that inequality in the region increased slightly, as shown on Figure 9 in the previous chapter.

Efforts to increase government education spending and decentralization of schools gained traction again in the 1990s. However, since the global economic crisis in 2008 education spending has stagnated, or even decreased in some countries.[71] Figure 11 below shows an example of Mexico's education spending from the 1990s to 2018, representing a popular trend in the region. In addition to stagnating and decreasing education spending, problems also arise from the inefficiency of those spending, where large amounts of money invested do not translate to increasing education quality.

[68] Barbara Noel, "Education Reform in Latin America: Equal Educational Opportunity?," *GIST Education and Learning Research Journal* 3 (November 2009): 134–57, https://doi.org/https://eric.ed.gov/?id=EJ1062558.

[69] Ibid.

[70] Melissa Binder, "Schooling Indicators during Mexico's 'Lost Decade,'" Economics of Education Review 18, no. 2 (1999): 183–99, https://doi.org/10.1016/s0272-7757(98)00028-4.

[71] World Bank, "Government Expenditure on Education, Total (% of GDP) - Latin America & Caribbean," World Bank Open Data, 2023, https://data.worldbank.org/indicator/SE.XPD.TOTL.GD.ZS?locations=ZJ.

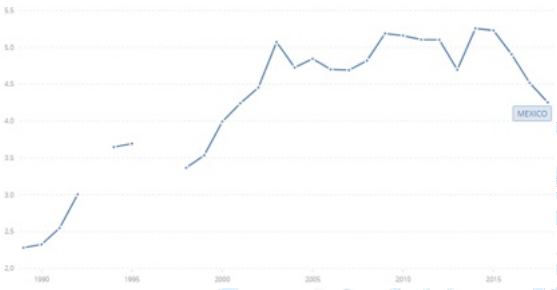

Fig. 11 Mexico's total government expenditure on education in percentage of GDP[72]

Further avenues in reducing inequality are through economic and labor market reforms. This includes making it easier for people to find jobs and earn a decent wage by reducing restrictions on hiring and firing, increasing the minimum wage, and strengthening unions. The region saw a significant change in its economic structure in the 1980s, shifting from unionization and import-focused to trade liberalization, export promotion, and a shift to the private and informal sectors of the economy.[73] The introduction of a free market and liberalization of the economy during the 1980s and 1990s, helped countries in the region, including Argentina, Brazil, Bolivia, and Nicaragua, to decrease inequality. This move helped diversify the economy and provide jobs for the people, enabling them to have more income options and sources. Nowadays, problems include the digitization and automation of industrial processes that eliminate the needs of humans in the workforce, weak labor regulations and rights that hinder workers' demand for better working conditions and pay, and weak labor law enforcement.

International Sources Of Funding

In executing programs to reduce inequality, governments sourced the international community and organizations for funding, political support, and research. This help was provided in various types of channels, including logistics, campaigns, coordination meetings, loans, and sending experts to study the region.

The first and main tool used by the international community in helping South American and Caribbean countries is providing financial assistance in the form of economic aid and loans. The World Bank, the Inter-American Development Bank, and UNDP have provided billions of dollars in financial assistance to South American countries to help them implement policies to reduce inequality, including the previously mentioned CCTs and educational reforms. The increasing trend of international aid and loans provided by the international community over time is shown in Figure 12 (in

[72] Figure by World Bank. In "Government Expenditure on Education, Total (% of GDP) - Mexico." By World Bank. https://data.worldbank.org/indicator/SE.XPD.TOTL.GD.ZS?end=2018&locations=MX&start=1989&view=chart

[73] Mark Anner, "Meeting the Challenges of Industrial Restructuring: Labor Reform and Enforcement in Latin America," *Latin American Politics and Society* 50, no. 02 (2008): 33–65, https://doi.org/10.1111/j.1548-2456.2008.00012.x.

Billions of Dollars) and Figure 13 (as a percentage of GDP) below.

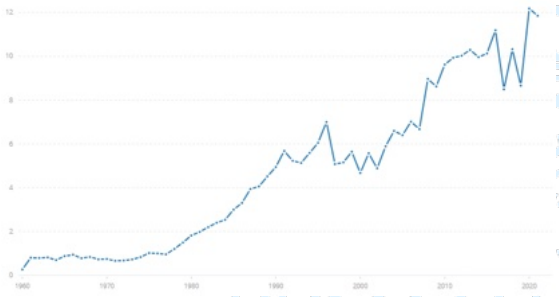

Fig. 12 Graph showing international aid to countries in South America and the Caribbean (in billions of dollars) from 1960 to 2020[74]

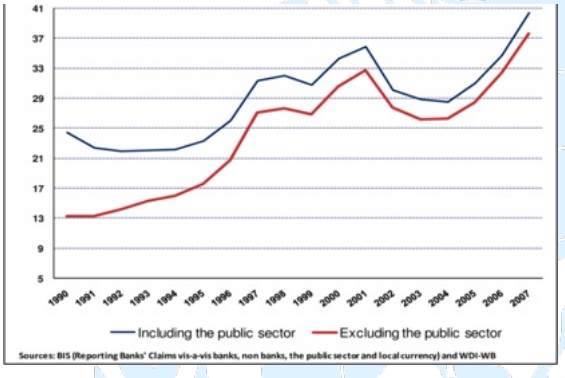

Fig. 13 Graph showing international loans given to countries in South America and the Caribbean (in percentage of GDP) from 1990 to 2007[75]

Aside from providing money to the region's governments, the international community also provides guidance and technical assistance in fighting inequality. The World Bank, UNDP, Inter-American Development Bank (IADB), and UNICEF have provided technical assistance to South American countries to help them design and implement policies to reduce inequality in education, economics, and healthcare. The World Bank currently runs 324 projects at more than 2,400 locations in 32 countries in South America and the Caribbean.[76] UNICEF provided help to countries in the region through conducting surveys in the Multiple Indicator Survey (MICS) and integrating administrative data.[77] The IADB has a total of 608 projects equipped with more than 55 trillion USD committed.[78] They also have the Regional Public Goods (RPG) initiative since 2005, aimed to fund programs in the region aimed to improve education, health, and food security.[79] This assistance helps governments in the region to finance and stimulate policies to develop their countries in various areas, including those that may help reduce inequality, such as

[74] Figure by World Bank. In "Net Official Development Assistance and Official Aid." By World Bank. https://data.worldbank.org/indicator/DT.ODA.ALLD.CD

[75] Figure by Arturo José Galindo, Alejandro Izquierdo, and Liliana Rojas-Suárez. In "Financial Integration and Foreign Banks in Latin America: How Do They Impact the Transmission of External Financial Shocks?" https://doi.org/10.2139/ssrn.1816001

[76] World Bank, "World Bank Maps - Active Projects," World Bank Maps, 2023, https://maps.worldbank.org/projects?status=active.

[77] UNICEF Latin America and Caribbean, "For Every Child, Results," UNICEF Latin America and Caribbean, 2023, https://www.unicef.org/lac/en/every-child-results.

[78] IADB, "IADB Projects," IADB, 2023, https://www.iadb.org/en/projects.

[79] IADB, "IDB Launches 2023 Call for Regional Projects in Latin America and the Caribbean," IADB, 2023, https://www.iadb.org/en/news/idb-launches-2023-call-regional-projects-latin-america-and-caribbean.

social security, education, and public administration.

Furthermore, the international community assisted the region through its research and advocacy work, where it promoted and mediated the implementation of policies to reduce inequality based on data and projections. This includes raising awareness on the issue of inequality and pressuring governments to act. In 2013, the World Bank launched a report to accelerate shared prosperity in the region, which included a focus on reducing inequality.[80] The United Nations has also called for a new set of strategies to fight poverty, which would address the issue of inequality.[81] These tools and resources are available for the countries in the region to use, but it highly depends on the governments to implement them.

Possible Solutions

Despite having a great track record of programs that are targeted to reduce inequality, countries in South America and the Caribbean can still improve their efficiency and security in implementing existing or new programs in the future.

Efficient And Clean Governance

Issues in reducing inequality in South America and the Caribbean caused by inefficient and bad governance can be solved by eradicating corruption and fostering transparent and accountable governance systems. Corruption has been a major driver of inequality in South America.[82] When public officials engage in corrupt practices, resources that should be directed toward public services and infrastructure projects end up being shifted to personal gain. This deprives the most vulnerable populations of essential services such as healthcare, education, and clean water while exacerbating income and wealth disparities. By eliminating corruption, governments can ensure that resources are allocated fairly and efficiently, benefiting all citizens and reducing the gap between the rich and the poor. Despite its great benefit, reducing corruption has been and may continue to be a long fight and requires huge commitment and resources.

Furthermore, effective governance is crucial for creating an environment where equal

[80] World Bank, "Shifting Gears to Accelerate Shared Prosperity," World Bank, June 2013, https://www.worldbank.org/content/dam/Worldbank/document/LAC/PLB%20Shared%20Prosperity%20FINAL.pdf.

[81] Sandra Garcia, Strategies to combat inequality and eradicate poverty in Latin America and the Caribbean, May 2017, https://www.un.org/development/desa/dspd/wp-content/uploads/sites/22/2017/04/Sandra-Garcia-Jaramillo-Poverty-LAC_SGJ_May2017.pdf.

[82] David Lipton, Alejandro Werner, and Carlos Gonçalves, "Corruption in Latin America: Taking Stock," IMF, September 21, 2017, https://www.imf.org/en/Blogs/Articles/2017/09/21/corruption-in-latin-america-taking-stock.

opportunities are provided to all members of society. When institutions are weak or subject to political manipulation, policies, and initiatives that aim to help marginalized communities often become obsolete. By strengthening governance structures, governments can ensure that policies are implemented as intended and that the rule of law is upheld. This creates an environment where individuals and businesses can thrive based on merit rather than connections or privilege, ultimately contributing to a more just distribution of wealth and opportunities. In the Latin American and Caribbean case, effective governance may pose challenges from elites that prefer ease of access to government policies, unstable political climates that change governing regimes and prevent them from completing reform, and weak law enforcement.

In countries where corruption is rampant, foreign and domestic investments might be deterred due to concerns about unfair business practices and lack of transparency. However, by promoting accountable governance, South American and Caribbean nations can attract more investments, leading to economic growth that benefits all segments of society. This growth and investment brings capital that is needed in the region to develop more advanced economies with more productive labor. They can also help generate employment opportunities through new or expanding companies and enhance social safety nets by providing more tax revenue for the government to receive income from, further reducing inequality. A caveat to this is that the government should make sure that growing companies do not exert too much influence on the economy and make sure they abide by labor rights and regulations.

Creating Opportunities

As we discussed in previous sections, education is the cornerstone of opportunity and one of the main tools for social and economic mobility. By investing in quality education for all, governments can break the cycle of generational poverty. Reforms that ensure access to education, regardless of socioeconomic background, and focus on enhancing educational quality can empower individuals to compete on a level playing field. Shifting the education system to a more skill-oriented curriculum also helps students gain the necessary skillset they need to be more competitive before diving into the workforce. This can create a highly skilled workforce, driving economic growth while reducing income disparities. The obstacles that may come up from this reform include unprepared educational infrastructure and inadequate teaching force.

In addition to education, a fair and dynamic economy is also crucial for addressing inequality as people leave the education system. Implementing policies that support small and medium-sized enterprises, encourage

entrepreneurship, and provide opportunities for marginalized communities to participate in economic activities can narrow the wealth gap. These can be done through the privatization of the economy to increase competitiveness and encourage innovation. In turn, this opens up more working positions and imposes a living minimum wage. However, such a move may draw an opposite effect where an open and competitive economy leads to increasing inequality. This case in particular happened in the United States where its Gini coefficient trend has been growing since the 1970s.[83] To anticipate this problem, states in the Latin American and Caribbean region should limit the control of corporations in critical public resources or fields, and prevent the economy from being dominated by only a few companies. They can also impose progressive taxation and social safety nets that can help redistribute resources, offering a safety net for the most vulnerable and preventing extreme concentrations of wealth.

Healthcare access is another key opportunity for equality. Reforms that prioritize universal healthcare, regardless of income, can provide essential services to all citizens. This not only improves overall health outcomes but also prevents healthcare costs from plunging families into poverty due to medical expenses. Investments in preventive healthcare and public health infrastructure can further level the playing field, ensuring that all citizens have a fair shot at a healthy life and preventing poverty from expensive medical bills or sick workers. As we can see in the American case, healthcare should also be handled with care and balance to ensure insurance companies abide by regulations and fulfill patients' medical needs.

These three reforms are interconnected in creating more opportunities for people in the region, both within every country and the region. A well-educated workforce can drive economic innovation and productivity, which in turn generates resources for comprehensive healthcare systems. In turn, a healthy population is more likely to access education and contribute to economic activities. This positive feedback loop can catalyze a virtuous cycle of development and shared prosperity in South America and the Caribbean.

Securing Program Funding

Implementing programs that are aimed at reducing inequality is certainly not free. Since governments have limited funding, they need to source external funding from other countries or international organizations in the form of development aid, loans, or investments. It is then necessary for the countries and the region to secure funding for desired programs for them to move forward.

[83] Our World in Data. "Inequality Data Explorer: World Bank Data." Our World in Data, 2023. https://ourworldindata.org/explorers/pip-inequality-explorer.

International aid plays a pivotal role in reducing inequality. Donor countries and international organizations can provide financial assistance to support social programs, healthcare initiatives, and education reforms. This aid can enable governments to extend vital services to underserved populations, offering a safety net for vulnerable individuals and families. Additionally, international aid can facilitate the development of local institutions and capacity-building efforts, empowering countries to better address the root causes of inequality. This aid comes in the form of grants that are given without any necessity to pay them back. One important thing to note is that donors may often determine where the funds are allocated.

Another tool for funding is targeted investment in key sectors that can spark economic growth that benefits all segments of society. By channeling resources into infrastructure development, education, healthcare, and sustainable industries, governments can create jobs, enhance productivity, and improve living standards. Such investments have the potential to uplift marginalized communities, narrowing the wealth gap and fostering social mobility. Investments can come from the government itself or foreign investment, such as private companies. This source of funding is more specific to infrastructure or businesses within the region and has a more strict relationship with its investors.

The third source, international loans, must be approached with caution by governments. While they can provide temporary financial relief, they often come with conditions that may lead to increased debt burdens in the long term. Thus, it's imperative that loans are used judiciously for investments that generate sustainable returns and contribute to inclusive growth. Transparency and accountability in loan management are essential to ensure that borrowed funds are effectively utilized to reduce inequality. Loans can be requested by governments to international banks, such as the World Bank, IMF, or the Inter-American Development Bank. These banks provide a certain amount of funding with the requirement to return it by a certain date, plus interest rates.

A balanced approach that combines international aid, targeted investment, and international loans can create a synergy that accelerates progress. This approach requires close collaboration between recipient nations, international organizations, and lending institutions to ensure that resources are allocated efficiently and that the benefits reach the most marginalized communities.

Bloc Positions

The following section provides an initial and potential division of the committee as it tries to reduce inequality in South America and the Caribbean. Please do not feel obligated to create blocs based on these distinctions, as this is only a guide. We highly encourage delegates to interact and collaborate with other delegates from different views for a more diverse resolution.

Interventionist vs. Market-Based Solutions

Governments leaning towards interventionist solutions often prioritize social welfare programs that intervene more in the community and the markets. They may implement policies such as conditional cash transfers, food banks, and free education and healthcare to directly support low-income and disadvantaged populations. Interventionist government might also implement minimum wages and other regulations in the workplace.

Conversely, governments leaning towards market-based solutions often believe in the markets to reduce inequality. This includes promoting free market policies, attracting foreign investment, and creating a business-friendly environment to stimulate economic activity and create jobs. Furthermore, they prefer to implement subsidies as a way to redistribute money in society.

GDP Per Capita

GDP per capita represents the average income of individuals in a country and can significantly influence government policies as the amount of income determines the tax that the government receives as well as the resources it has to implement policies and programs. GDP per Capita data before the COVID-19 pandemic is shown in Figure 14 below.

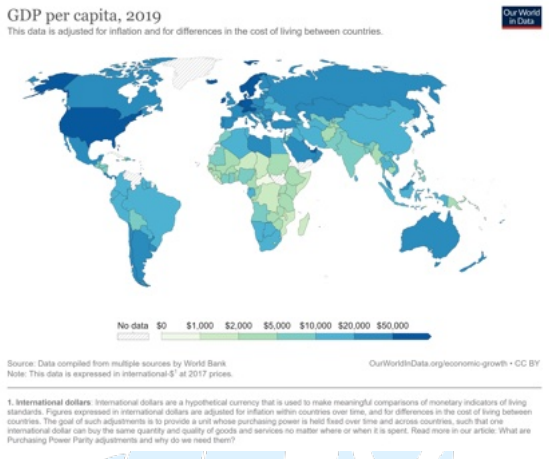

Fig. 14 GDP per Capita in 2019[84]

Countries with a high GDP per capita generally have greater financial resources to allocate toward social programs, infrastructure development, and poverty reduction initiatives since their citizens earn more money and, therefore, more income from taxes. In addition, these governments have greater room to implement progressive taxation policies where those with higher incomes pay a higher percentage of their income in taxes. These increases in income can then be used to fund

[84] Figure by Our World in Data. In "World Bank GDP per Capita Grapher". By Our World in Data. https://ourworldindata.org/grapher/gdp-per-capita-worldbank

social safety nets and targeted poverty reduction efforts. Therefore, countries with higher GDP per capita have more resources and the ability to implement policies or programs that are aimed at reducing inequality.

On the other hand, countries with lower GDP per capita face budget constraints that can limit the scope and scale of inequality-reduction policies. Government income through tax is low in these countries as their population receives low levels of income. These limited resources may force governments to prioritize and focus on the most pressing issues and basic needs, such as access to clean water, sanitation, and nutrition, instead of policies aimed at reducing inequality. Therefore, these countries are less likely to implement necessary policies to reduce inequality by themselves, relying on international aid, loans, or investments.

Glossary

Conditional Cash Transfers (CCTs): Government transfers to the public in the form of cash payments that are provided when someone fulfills certain conditions or requirements.

Creoles: European descents born in the New World, including Latin America and the Caribbean.

Elites: A select group or class of people seen as having the greatest power and influence within a society, especially because of their wealth or privilege.

Gini coefficient/index: The most frequent measure used in measuring inequality within a country, ranging from 0 (perfectly equal) to 1 (perfectly unequal).

Gross Domestic Product (GDP): A measure that reflects the total income earned from production or the total amount spent on goods and services of a country.

Gross Domestic Product (GDP) per Capita: Average GDP per person within a country, derived by dividing the GDP of a country by its population.

Income Inequality: Uneven manner of distribution of income in the population, where income is concentrated at only a certain part of the population.

Latin American Debt Crisis of the 1980s: Financial crisis in the 1980s that was caused by Latin American countries defaulting (unable to pay) their foreign debts.

Non-Govermental Organizations (NGOs): Mission-driven advocacy or service organizations in the nonprofit sector that are neither government bodies nor private organizations.

Reform: The action or process of changing an institution, system, or practice.

Welfare: The health, happiness, fortunes, and well-being of a person or group.

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