Committee: The United Nations Conference on Trade and Development

Committee Topic: Building Trade Capacity in Developing Countries

Developed Countries Present:

Hong Kong, Singapore, South Africa, Indonesia, Panama, Morocco, Egypt, Germany, Switzerland, USA, UK, France, Canada, Australia, UAE, Spain

Developing Countries Present:

Pakistan, Ivory Coast, Ghana, Nigeria, Haiti, Sri Lanka, Honduras, El Salvador, Ecuador, Sudan, Nepal, Tunisia, Iran, Senegal, Romania, China

1. COMMITTEE BACKGROUND:

The United Nations Conference on Trade and Development (UNCTAD) is a United Nations body which supports developing countries access to the benefits of the globalized economy. UNCTAD was established in 1964 as a permanent body in the United Nations and its headquarters are located in Geneva, Switzerland. The organization has 218 projects in 80 countries and all 195 United Nations countries are member states. UNCTAD receives a biennial budget and has over 400 staff. The current Secretary-General of UNCTAD is Rebeca Grynspan, and the organization has advocated for more inclusive globalization, pointing out the need for increased productive capacity in developing countries. UNCTAD also contributes to UN conferences, creating economic policies to fit the 2030 Agenda for Sustainable Development.

2. HISTORY OF THE TOPIC

Introduction:

According to the United Nations, developing countries are dependent on economic development to achieve the Sustainable Development Goals by 2030. In this regard, international trade is recognized by the United Nations, International Monetary Fund, and the World Bank, to be a powerful tool for stimulating economic growth and alleviating poverty in developing nations. The African continent is tremendously rich in natural resources, including oil, diamonds, gold, coffee, and cocoa. Similarly, South Asia is rich in minerals, metals, and contains vast fertile lands for producing rice and tropical fruits. However, many of the countries in these regions are less economically developed and are not able to take full advantage of their resources due to trade barriers and overproduction and dumping across the world economy.

a.) Early History:

Arguably the most significant cause for the failure to build trade capacity in developing countries was colonization. The scramble for Africa and imperialism during the late 19th century and early 20th century colonized regions already inhabited at the time. This meant that it has always been hard for developing countries to build trade capacity. Empires, often from Europe and the West, would travel to far away land already inhabited and claim ownership. They would enslave the people, strip the country of its raw materials and resources and force their own beliefs and culture, and laws on them. These countries were not able to build good trade capacity at the time because they were not the ones in charge, it was impossible for them to set up equitable and fair-trade systems because they lacked the personal, ability, and most importantly authority to do so. Once these countries gained their freedom from their oppressors, they had neither the resources to trade, nor the necessary, unity, or technology to effectively build good trade capacity. Once countries starting to gain their independence, there were many power struggles within these countries, usually resulting in division between countries and often war. This further aided in these newly developing countries being unable to efficiently build trade capacity because of the very small amount of funds available being spent on war efforts, rebuilding infrastructure, and dictators and corrupt government officials who forced their way into power, spending the money on luxuries rather than the necessities their country's required. Another limit to developing countries being able to build trade capacity was the fact that when the colonists left these countries, they made sure to leave them in a state in which they would need to rely on the colonists' help in the future. The colonists knew when they left the land, they conquered in the state they did, that in the future these newly formed countries would need to ask for help from their previous colonists and all trading would be done on the colonists' terms, they would make the trade rules and hold the balance of power.

b.) Modern History:

In the contemporary world, several issues block developing nations from growing their trade capacity. One such issue is the large loans taken from organizations, such as the International Monetary Fund or the World Bank, to fund growth projects, typically in infrastructure. These loans come with interest rates which, along with the amount of time it takes to repay the loan, results in developing nations having to pay several times the amount of their loan in interest. Furthermore, these loans typically come with conditions such as having to allow firms from rich nations to build the planned infrastructure, meaning the domestic industry in developing nations can't grow from these plans. On the contrary, wealthy nations can impose tariffs on less economically developed nations, which causes reduced exports and lower revenue for the developing government and people. In addition, large multinational corporations who buy goods from developing nations can use their power to force the price downwards.

Another issue for developing nations is unfair trade practices. Multinational corporations can easily take advantage of developing nations and pressure them into unfair trade agreements. The developing nations get locked into these agreements and can't exit them because multinational corporations can simply move their business elsewhere. Likewise, developed countries can send skilled negotiators for trade agreements to ensure they maximize the benefits from trade deals, whereas less developed nations may overlook parts of agreements resulting in long-term losses. To combat this, the World Trade Organization created a Trade-Related Technical Assistance program, which teaches government officials from less developed countries how to conduct such negotiations effectively.

Finally, many governments establish protectionist policies to protect their domestic industry from foreign competition. These policies include tariffs, domestic subsidies, import quotas, or other restrictions to accomplish this. Protectionist policies reduce the trade growth potential for developing nations as exporting becomes more expensive for domestic producers. On the contrary, developing nations can't impose substantial protectionist measures due to their agreements on loans and with other nations. This results in dumping in the markets of developing countries, which is where goods are imported with artificially low prices due to subsidies in developed nations. The domestic farmers can't compete with these artificially low prices and are forced out of the market and possibly into poverty. In addition, firms may increase prices once they have eliminated most of the competition in the markets of developing nations, which can severely hinder their economic growth if the imported goods are a necessity such as food or medicine. In summary, the contemporary world leaves developing nations with many barriers to trade and economic growth, mainly large interest on loans, unfair trade practices, and protectionist policies.

c.) Current Issues:

In developing countries international trade can be a powerful tool for stimulating economic growth, but many issues can prevent trade from growing to its full potential. Issues such as poverty, poor infrastructure, lack of urbanization, and corruption can hinder growth. Many developing countries have poor quality structures usually due to rapid urbanization. Failure to cope with these problems in infrastructure can make international trade a struggle.

4. UN ACTION:

Since the establishment of UNCTAD the committee has provided 72 developing countries assistance, UNCTAD has helped developing countries with many things, such as Tariff reclassification, Integrated Programme on Commodities, and Reducing Debt Burdens. Reclassifying tariff systems was an attempt by UNCTAD to improve trade. In partnership with the Customs Cooperation Council, they finished various technical studies for developing countries. To attain cheaper tariff rates, products from developing countries were combined. UNCTAD also asked embassies to correctly identify products in order for developing nations to benefit from tariff reductions. UNCTAD has also taken action to reduce price fluctuations in the main exports of developing countries, as they are a source of difficulty for them. As foreign exchange gains from the export of primary products become less predictable, UNCTAD advocated the creation of a buffer stock, resulting in the creation of the Integrated Program on Commodities. Finally, UNCTAD has assisted developing countries in reducing their debt burden. Bilateral and multilateral lending agencies provide substantial amounts of money to underdeveloped countries. As a result, the debt servicing burden for developing countries has increased and developing nations have dedicated much more of their revenue to interest payments. UNCTAD has persuaded creditors to forgive a portion of developing nations’ debt, and some wealthy nations have also agreed to the proposal, aiding developing countries to reduce debt burdens.

The illegal global market (or black market as it's more commonly known) is a system of exchanging goods outside established, regulated systems. Whether physical or virtual, goods and services are exchanged illegally. What makes the market "black" can either be the illegal nature of the goods such as illegal drugs, guns, or illegal elephant ivory or the illegal nature of the transaction to avoid paying import taxes for example. A few reasons the illegal global market is so concerning is because it includes the risk of fraud, the possibility of violence, and being saddled with counterfeit goods or adulterated products, which is especially dangerous in the case of medications.

5. ESSENTIAL QUESTIONS:

- How is your country affected by this issue?

- What was the history of your country in the development of international trading relationships?

- How Can Technical Assistance Be Increased for Developing Countries?

- Should barriers to trade such as tariffs, quotas and domestic subsidies be removed from high income economies to enable developing countries market access?

- Should trade liberalization be encouraged as a path towards economic growth?

- Should There Be Reparations for Post-Colonial States?

- Should Regional Trade in Developing Areas Be Encouraged?

    - How to stop illegal trading?

6. SOURCES:

https://ustr.gov/about-us/policy-offices/press-office/blog/trade-key-africa%E2%80%99s-economic-growth

https://www.un.org/en/chronicle/article/trade-and-mdgs-how-trade-can-help-developing-countries-eradicate-poverty#:~:text=In%20the%20last%20decade%2C%20trade,than%20those%20of%20developed%20countries

https://accountlearning.com/achievements-of-unctad/

https://www.imf.org/external/np/exr/ib/2001/110801.htm

https://www.bbc.co.uk/bitesize/guides/z3666sg/revision/3

https://unctad.org/about/history

https://unctad.org/about

https://www.wto.org/english/tratop_e/devel_e/teccop_e/ta_factsheet_e.htm

https://www.investopedia.com/articles/economics/12/mechanics-black-market.asp