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International Trade Liberalization (Globalization)

Topic Background

Globalization has inexorably changed our world. It is a phenomenon that has essentially contracted the world we live in, pushing states and human beings closer together and into more frequent competition for scarce resources. The term globalization itself is very broad, and embodies economic, social/cultural, and political aspects. For the purposes of our debates, we will be focusing on economic globalization, loosely defined as the process by which the economies of the world become increasingly integrated, leading to a global economy. Also implied in economic globalization is the increased openness of economies to international trade, financial flows, and direct foreign investments. Before delving into the many gains from globalization, and the unavoidable costs, it is important to first understand the core theories behind the opposing view points on globalization, and also, its historical context.

Overcoming the old interventionist developmental state with a revival of markets and market forces, as put forward in the Washington Consensus, has proved to be inappropriate in light of the challenges for developing countries and the imperfections of the global market system. Today, governments in developing countries have to make a distinct choice regarding the economic model on which to build their development strategy. The history of economic ideas offers two main approaches in the context of a market economy. One centers around the apparent dependence of developing countries on the inflow of foreign savings to support their own limited means to invest and catch up. The other stresses the need to have the right macroeconomic policies and the right

institutions in place to create savings in a process of dynamic development.

Those who are pro-globalization argue that globalization fosters faster economic growth in developing countries by allowing for the rapid transfer and implementation of new knowledge and innovation. It allows the more developed countries to invest in the lesser developed countries, thereby aiding development in the poorer countries. Globalization creates larger markets and allows for greater levels of specialization and thus efficiency. Additionally, it is argued that increasing interdependence of economies decreases the likelihood and profitability of going to war. If countries are freely trading with one another, then a war, which is likely to interrupt trade, is not an optimal course of action. This line of thinking which supports trade liberalization, free markets, and laissez-faire policies, can be classified as liberal economic theory. These developmental policies are famously promoted by the Washington Consensus, including World Bank, International Monetary Fund, and the US Treasury Department.

While these economic prescriptions have led to a rise in the standard of living and average income world wide, these policies have come under much criticism in the past few years. The typical advice given to the lesser developed countries is to take down the barriers to trade and limit government intervention in the market. However, these policies have unarguably created inequality, both inside countries, and between them. Additionally, there remain significant portions of the world that are suffering from the effects of trade liberalization. The critics of trade liberalization claim that globalization opens up underdeveloped countries to exploitation



by the more developed countries, and traps them in a cycle of dependence and poverty. While most of the advanced countries of today used protectionist methods to protect their home infant industries until they were strong enough to benefit from global trade, the less developed countries of today are discouraged from instituting tariffs. Without tariffs or government subsidies to develop high tech industries that are ultimately more profitable, the developing countries of today often simply specialize in agricultural markets since they lack the capital and technology to be competitive in the more lucrative industries. This situation is especially problematic because most countries have high tariffs on their agricultural industries in order to protect their farmers and producers, leaving the less developed countries without markets to sell their few tradable goods. The critics of the economic policies of the Washington Consensus suggest that instead of trade liberalization and limited government interference, developing countries must instead make use of some protectionist policies as well as a state-planned economy. This means that the state would institute tariffs and subsidies to allow the industries in the home country to grow and become competitive before exposing the industry to global trade. Also, the state would play a larger role in directing investments to sectors specifically chosen for development and it would exercise more control of the exchange rate.

Case Study

Economic Development of the East Asian Tigers

It has been difficult to find positive examples of successfully developing countries, and really the only cases that can

be confidently cited are the “East Asian Tigers”, or the economies of South Korea, Singapore, the Hong Kong Special Administrative Region, and the province of Taiwan. In each of these areas, the concerned economies have transformed from semi-feudal agrarian societies to high-tech export-oriented economies, generating considerable wealth for their size. It is worthwhile to explore the various alleged reasons for their success, as well as ponder if their strategies are applicable to other non-Chinese economies.

Perhaps the most academically promoted reason for their successful growth is attributed to an overwhelming amount of political support and financial aid from the United States, in the Cold War environment. Much like how the US rebuilt the economies of Western Europe in order to prevent the growth of Communism in these areas, a similar policy was followed with regards to East Asia. Favorable trade deals, low tariffs, and the free transfer of training and technology all helped the East Asian Tigers jump ahead, and US corporate and economic interests were pushed aside in favor of national security concerns. Two problems with this explanation are that firstly, much of the rest of the world received similar US aid but failed to develop, and that secondly it would be difficult to replicate this experience due to the unique conditions of the Cold War.

Another factor that explains the success of the East Asian Tigers begins to enter the debate of democracy versus development. Many non-Western economic scholars (and increasingly more Western authorities) believe that a liberal democracy is counter-productive to economic growth and reform. For example, stable authoritarian regimes are more attractive in terms of foreign aid and investment, especially when the threat of



nationalized industries is quite faint. Authoritarian control also allows “unpopular” steps to be taken that are necessary for healthy economic growth, and promotes sustainable long-term growth rather than short-term growth limited by election cycles. Historically, all of the East Asian Tigers were authoritarian during their periods of development. South Korea and Taiwan province were led by the strict governments of Syngman Rhee and Chiang Kai-Shek. Hong Kong was a British imperialist colony, and Singapore remains authoritarian to this day (although a democracy in name). The recent economic development of China, when contrasted with the lack of development in neighboring democratic India, adds more credence to this politically-incorrect claim.

Speaking of the politically incorrect, a hotly contested debate involves the importance of Japanese interaction during the World War II occupation of all of the East Asian Tigers. According to this theory, largely advanced by Japanese historians, Japan is largely responsible for the development of early industries in the East Asian Tigers, all at a negligible financial cost. During World War II, many non-military industries were outsourced to the East Asian Tigers, and Japanese factories and processing plants wound up in these areas. Following the Japanese defeat, these industries were in turn taken over by their host economies, and provided a strong foundation for future economic growth. A similar comparison of the role of the United Kingdom in Hong Kong would parallel the theme of the “benefits” of imperialism. While this observation has been almost universally unpopular (since in a way it endorses and supports imperialism), it still has very good evidence and economic data to provide legitimate merit.

Finally, there exists the idea that the East Asian Tigers were uniquely successful because they fall under the category of Ethnic Chinese Economies, or ECEs. According to this theory, trade between economies under Chinese control is enhanced due to the absence of linguistic or cultural barriers. Additionally, Chinese business practices between the ethnic Chinese tend to favor those lacking capital for investment. Economic research on cash and investment flows between East and Southeast Asia strengthen this theory, but its chief demerit is that not all ECEs have experienced astounding economic growth (for example, Southeast Asia).

Each of these four reasons attempt to explain how trade barriers, tariff or otherwise, can be lowered through various mechanisms. Whether politically unfavorable, as in the cases of the US, Japan, and Great Britain, or systemically eliminated by authoritarian control or ethnic connections, trade barriers may be lowered, arguably much more efficiently, than by simple economic consideration.

Past UN Action

Although the UN has been working tirelessly with both the industrialized and non-industrialized countries in order to reach an equitable level of trade liberalization and low tariffs, the topic at hand is to what degree is trade liberalization desirable given the balance between global gains and national gains.

Points and Questions to Consider

In order to bring these warring parties together, there must be international agreements made to limit the negative effects of globalization and level the playing for the lesser developed countries.



On the international level, codes of conduct specifying acceptable political and economic actions for multinational corporations must be established to ensure that the equality and rights of foreign countries are being honored. Also, some national change is needed such as preventing corrupt and exploitative governments from coming into power and stealing all the gains from international trade. If any sort of agreement is to be reached between the globalization and anti-globalization movements, then international agreements and national safeguards must be enacted.



Environmentally Sustainable Economic Development

Topic Background

Environmentally sustainable economic development is a concept that has arisen from the international community's increasing awareness of the ravaging cycle of natural resource depletion and environmental pollution that accompanies most attempts at industrialization by the Less Developed Countries (LDCs). To break this rather complex topic into its separate components, we will begin with a definition of sustainability.

Environmentalists use the term sustainability to characterize the desired balance between economic growth and environmental preservation. Sustainability generally refers to meeting the needs of the present generation without compromising the needs of future generations. This idea of sustainability is linked to economic development for several reasons, chief among them, the fact that the early stages of urbanization and industrialization in developing countries are generally accompanied by rising incomes and worsening environmental conditions. Additionally, these developing nations, entering the global economy, are bereft of any meaningful tradable goods, except their natural resources. As a result, the LDCs often end up burning fossil fuels and cutting down rainforests in their attempts to industrialize and globalize. In short,

...the interaction between poverty and environmental degradation can lead to a self-perpetuating process in which, as a result of ignorance or economic necessity, communities may inadvertently destroy or exhaust the resources on which they depend for survival. Rising pressures on environmental resources in developing

countries can have severe consequences for self-sufficiency, income distribution, and future growth potential in the developing world (Todaro and Smith).

This present situation is of great concern to the LDCs, as it is thought that the most pressing environmental challenges in developing countries in the next few decades will be caused by poverty. These will include health hazards created by lack of access to clean water and sanitation, indoor air pollution from biomass stoves, and deforestation and severe soil degradation, all most common where households lack economic alternatives to unsustainable patterns of living. Currently, poor farmers in many developing countries are using land that cannot sustain permanent cultivation. If the land is not in some way replenished, it becomes exhausted and yields will decrease with successive harvests. Unfortunately, the poor generally do not have the ability to increase the long term productivity of their land by allowing it to sit idle while they go hungry. This chronic overuse of land results in soil erosion, as well as deforestation. It is a little known fact that the vast majority of wood cut in the developing world is used as fuel for cooking. The loss of tree cover has devastating environmental implications for the poor rural populations since it can lead to a number of environmental maladies that over time can greatly lower agricultural yields and increase rural hardships. The poor are unable to insulate themselves from the negative effects of their tainted environment, and they are more likely to suffer the serious consequences from environmental degradation since malnutrition and poor health tend to reduce



individual resistance to environmental hazards.

While environmentalists and politicians are occupied debating the Kyoto protocol and carbon credits, deforestation driven by poverty is removing a vital source of atmospheric oxygen. It is estimated that deforestation alone accounts for roughly 25% of carbon dioxide emissions worldwide. The majority of tropical rain forest destroyed, about 60%, is cleared for cultivation by small farmers. Each year, 4.5 million hectares are cleared for this purpose, much of it, like 90% of rain forest land worldwide, so infertile that it will be cultivable for no more than a few years. And yet, very little is being done to remedy this disastrous cycle, and many claim that the LDC governments are essentially incapable of changing this pattern. The rainforests play an extremely important role in the LDCs' domestic economies, and so the true political and economic cost of preserving this resource can be very high. The preservation of rain forests today will result in the loss of an important source of domestic fuel, forgone foreign-exchange earnings from timber and beef, and the loss of a temporary solution to the problem of land shortages and population pressures.

Although the depletion of natural resources may seem to be a sufficiently dire problem facing the LDCs, the issue of environmentally sustainable development is one that also greatly concerns the More Developed Countries (MDCs). There is increasing concern in the MDCs that the destruction of the world's remaining forests, which are concentrated in a number of highly indebted developing countries in Africa as well as such countries as Indonesia, Brazil, Peru, and the Philippines, will greatly contribute to global warming and the greenhouse effect. In effect, the LDCs are placing a relatively low cost on

the value of their natural resources. Their optimal usage of natural resources results in a disequilibrium because the international community also places a price on those natural resources, but this price is not being considered by the LDCs. In effect, the rest of the world would benefit more from leaving the rainforests uncut than the LDCs would benefit from cutting them down today. Similar situations of disequilibrium arise when "...goods (or bads) such as ozone depletion and global warming whose benefits (or costs) reach across national borders, generations, and population groups are known as global public goods. In addition to world environmental quality, health, knowledge, and peace may also qualify as global public goods."

As such, the international community must step in to not only help the LDCs industrialize in a way that is environmentally sustainable, but also to protect global public goods. This is a highly contentious matter as there is little agreement on exactly what sacrifices need to be made, and who should make them. The LDCs frequently point to the fact that most of the cumulative environmental destruction to date has been caused by the developed world. However, this is a point that will not hold much longer. With high fertility rates, rising average incomes, and increasing greenhouse gas emissions in the developing world, LDCs will replace the MDCs as the leading source of total environmental degradation.

Apportionment of responsibility for reducing environmental damage essentially hinges on the manner in which the question is framed. For example, if a limit is placed globally on levels of per capita pollution emissions, the approach would clearly favor lower-income countries that have much lower per capita consumption levels. Conversely, if international pressures try to



limit the growth rate of per capita emissions or even to impose limits on the growth of national emissions, any movement in that direction would tend to freeze incomes in the developing world at a higher rate than their developed-world counterparts (Todaro and Smith).

Past UN Action

For the purposes of our committee, I do not wish for the delegates to become side-tracked attempting to assign the blame for global warming. Instead, our committee and the delegates will focus on how the UN can best respond to this evolving dilemma. The facts remain that the developed countries currently consume over 70% of the earth's resources, and that the poorest 20% of the world's population will suffer the most as a consequences of environmental ills. Substantial new development assistance is necessary in developing countries to achieve sustainable development.

The United Nations has been among the first to recognize the need for international cooperation in order to protect and promote environmentally sustainable economic development. Goal 7 of the Millennium Development Goals proposes to integrate the principles of sustainable development in an effort to reverse the depletion of environmental resources. MDG 7 brings attention to fact that there is an inherent tradeoff between economic development and environmental sustainability. So while the global concerns for a healthy planet must be taken into consideration by our committee, so must the demands for industrialization of the 2.4 billion people who currently lack access to proper sanitation facilities and the one billion people who lack access to safe, drinkable water.

The international community has a variety of resources available to assist in preservation efforts and to create incentives for developing countries to take global demands and needs into their economies' domestic decisions. The delegates should discuss various methods such as reducing trade barriers to alternative goods which could reduce the dependence of LDCs on unsustainable modes of production. Another option may be debt forgiveness, or debt-for-nature deals. Debt relief would allow LDC governments to allocate more money towards domestic social programs, including those designed to alleviate poverty and reduce environmental degradation. Debt-for-nature deals would allow heavily indebted countries to pay back their debts through the safekeeping of natural resources, which benefits all parties involved. Yet another possibility may be setting aside funds for the preservation and maintenance of natural resources deemed to be global public goods. These measures would each help reduce the need for rapid exploitation of forests.

Points and Issues to Consider

What I am looking for from the delegates is a complex understanding of their countries' economies and policies toward environmentally sustainable development. This means going beyond a simple understanding of whether the delegate's country currently depends on natural resources as a major source of economic growth, or if the country is an industrialized or non-industrialized nation. Successful delegates must show an understanding of how their country can play a role in helping solve this global dilemma while considering the needs of the world's poorest people, along with the abilities and policies of their individual countries.



Some valuable sources to begin research are:

1. The United Nations Development Group website at www.undp.org. Follow their links to the Millennium Development Goals “basic” information regarding Goal 7.
2. The World Bank, *World Development Report* which can be found at www.worldbank.org/wdr2007
3. The United Nations website for the Millennium Development Goals at www.mdgs.un.org and specifically, look at the MDG Report for 2006
4. The United Nations website for sustainable development at <http://www.un.org/issues/m-susdev.html>

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