WHSMUN 2019
United Nations General Assembly
Second Committee (Economic & Financial)

Wisconsin Model United Nations
UW Milwaukee International Affairs
March 21-22, 2019
Introduction

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Greetings Delegates

We’re excited for the return of the General Assembly’s Second Committee (Economic and Financial) to WHSMUN 2019. The UN General Assembly’s second committee promotes debate regarding sustainable development of the 21st century in the following three sectors: economic, social, and environmental. The second committee is acclaimed for its ability to foster collaboration between government, business, youth, non-governmental organizations, and civil society. In addressing global economic and social challenges we hope participants will introduce their unique perspectives to debate based upon their country’s own collaboration with partners. Only together can we give everyone a voice and work toward comprehensive sustainable development. Subcommittees addressed by the second committee at WHSMUN 2019 will include: Combating Currency Manipulation, Avoiding the Middle Income Trap, Renewable Energy in Sustainable Development, and Women’s Role in Economic Development

The WHSMUN 2019 staff has been working diligently for the past year to write and gather materials to best prepare delegates for our conference. This background guide should serve as an introduction to individual research, and although it is not required, the best background guides consult external sources. In order to be considered for an outstanding research award, position papers must be submitted to the WHSMUN website by March 1st, 2019 at 11:59 PM. On the WHSMUN website, delegates can also find tips for writing efficient position papers.

Questions unable to be answered by this background guide or the WHSMUN website can be directed to wisconsinhighschoolmun@gmail.com. We wish you luck in preparation and can’t wait to see you in March!

With diplomatic courtesy,

The WHSMUN 2019 Secretariat
Topic 2.1: Combating Currency Manipulation

2nd Main Committee

The foreign exchange market (often abbreviated “forex” or “fx”) is integral to the modern globalized economy. In order for international transactions to occur, a consumer must transfer their domestic currency holdings into that of the country from which they plan to make a purchase. Currency trading occurs through the use of pairs. For example, US Dollars can be exchanged directly for Euros and vice versa; there is no standardized middle denomination. “Currency process fluctuate rapidly but in small increments” (O’Shea). The exact exchange rate fluctuates accounting for factors such as supply and demand. For example, when this background guide was started the exchange rate was €1 in Euros = $1.1373 USD. Several hours later the exchange rate had changed to €1 in Euros = $1.1408 USD. “The United States dollar is by far the most significant currency in the global market; it is the dominant reserve currency of the world, it represents nearly half of the trading volume of the major currencies, and it is the default currency for most transactions” (Simpson). Overall, the market is massive and due to the need to exchange currency, “…the forex market is the largest, most liquid financial market in the world. It dwarfs other markets in size, even the stock market, with an average traded value of around U.S. $2,000 billion per day” (Murphy).

The vast majority of countries allow their currency to float on the forex market. However, certain countries choose to artificially manipulate exchanges involving their domestic currency to affect its overall value. From an American perspective, manipulation means “keeping a currency artificially weak relative to the US dollar” (Heeb). There are three criteria that are utilized to evaluate whether this has occurred and for a country to be considered a manipulator by American authorities, it must “have a significant trade surplus with the US, have a ‘material’ current account surplus with the US, [and] be engaged in ‘persistent, one-sided’ intervention in the foreign exchange market” (Heeb). There are a variety of policies that a country can pursue that meet these criteria, however, for the purposes of brevity and clarity, this background guide will focus on the currency manipulation policies of the People’s Republic of China, the second largest economy by nominal GDP in 2015. Analysis of a recent semi-annual report from the US Treasury Department suggests that other countries such as Thailand, South Korea, Japan, and India are all close to being labeled as manipulators. For information on the policies of these countries, as well as other historical examples of currency manipulation, feel free to conduct outside research.

The People’s Republic of China utilizes a variety of complex strategies to manipulate its domestic currency, the renminbi. Most importantly, the Chinese government does not allow the market value of the renminbi to float. “That means that unlike the U.S. dollar, which rises and falls in value in free market trading, the currency’s [renminbi’s] value against the dollar is set by the People’s Bank of China, an arm of the Chinese government” (Wallace). To accomplish this, the Chinese government utilizes what is known as a currency peg. By artificially manipulating the value of their domestic currency, China can keep the renminbi at an artificially low exchange rate. “The negative impacts are well documented…nations have utilized currency manipulation policies that keep ‘the currencies of the interveners substantially undervalued, thus boosting their international competitiveness and trade surpluses’” (Laffer). “The effects aren’t insignificant…‘the United States has lost 1 million to 5 million jobs due to currency manipulation’” (Laffer). Currency manipulation creates an unfair competitive advantage. “All
else being equal, currency devaluation makes the exports from an economy cheaper in all other economies, thereby increasing demand for these products abroad” (Downie). This advantage can have a disparate impact on domestic injuries that are unable to compete with the artificially low prices. This past year, “the U.S. dollar has appreciated 5 percent…versus the yuan [renminbi]” (Clinch). The influx of money that results from currency manipulation allows countries such as China to have gigantic surpluses of cash which they can invest in financial instruments, such as those issued by the US Department of the Treasury. This allows manipulators to have an even larger influence on domestic economies through owning debt.

**Topics for Consideration:**

1. Should the United Nations attempt to regulate the domestic currency exchange policies of member nations? If so, how and why?
2. Can currency manipulation be effectively addressed on the international level or is this a policy area that needs to be addressed by each individual dyad?
3. How can individual countries be disincentivized from engaging in currency manipulation?
4. How will any agreement/provisions regarding the limitation on currency manipulation be enforced?
5. How can a solution be reached to this problem without alienating specific member nations? (ie. the People’s Republic of China)

**Bibliography:**


Downie, Ryan. "5 Reasons Why Currency Manipulation Matter for Average Investors."

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Topic 2.2: Avoiding the Middle Income Trap

2nd Main Committee

The Middle Income Trap can be most accurately described as a developmental plateau in terms of Gross Domestic Product (GDP) per capita in countries that move from low to middle income brackets. This trap results from the difficulty of transitioning from the middle income bracket to higher income levels, which is generally caused by low investment ratios, slow manufacturing growth, limited industrial diversification and poor labor markets. Middle income countries are generally defined as countries which have a Gross National Income (GNI) per capita within the range of $1,006 to $12,235 USD. This relatively large range of potential incomes encompasses 101 countries and approximately 73% of the global population, making a pressing matter for the majority of the world’s population.

In order to more effectively determine the symptoms of and potential solutions to the Middle Income Trap, it is necessary to analyze case studies. The two states that will be analyzed are South Korea, which is one of only 13 states which was classified as middle income in 1960 but is high income in 2018, and Brazil, which has been a stagnant middle income country since World War II.

At the beginning of its industrialization, the Republic of Korea boasted a per capita income of 91.48 USD and a standard of living well behind that of the developed world, yet now it is the 28th richest country in the world in terms of per capita income, with a GNI per capita of $28,330 USD. This change was principally brought on by three factors: government policy which aimed to create globally competitive exports, focused innovation on developing industries, and the development of large commercial conglomerates during Korean industrialization. These three factors can be distilled further into one generally guiding principle regarding economic development in Korea: it focused on developing as a part of the global economic community, rather than as a domestic economy that would eventually expand into the global market.

In contrast to the case of the Republic of Korea, Brazil boasted a relatively impressive per capita income of 203.19 USD at the beginning of its industrialization process, but its growth capped at around 3,000 USD and Brazil’s GNI per capita now rests at approximately 8,600 USD. This lack of growth can largely be attributed to weakness in the same areas that the Republic of Korea was strong. While Korea focused on developing international markets, Brazil relied heavily on its large domestic market. This domestic focus led to protectionist trade policies that prevented imported goods from competing with Brazilian products within Brazil’s borders, which inevitably led to Brazilian products being uncompetitive when introduced to the global market. There were also issues with lack of focus in terms of industrialization. The production benchmarks used in a number of their improvement plans were vague attempts to develop heavy industry, but they lacked the necessary backing to be able to result in substantive economic change.

While these cases are regionally specific, they have important implications when assessing potential actions in regards to the development of United Nations policies which seek to address the Middle Income Trap.

Topics for Consideration:
1. What unilateral initiatives can be adopted by states moving from lower to middle income brackets in order to help them avoid the Middle Income Trap?
2. What, if any, actions can be taken by this body to help stimulate the economies of states which are currently stuck in the middle income bracket?
3. What kinds of reforms that indirectly impact the economic development of a country, such as education, can be supported and implemented in order to help states avoid or escape the Middle Income Trap?
4. What, if any, actions can this body take in order to promote sustainable growth in economies that are currently developing?
5. Should developed, upper income, countries take a more active, direct role in assisting developing states in terms of economic growth? If so, in what ways?

Bibliography


[https://www.unescap.org/sites/default/files/polbrief46.pdf](https://www.unescap.org/sites/default/files/polbrief46.pdf)
Access to energy is one of the most pertinent issues facing the international community today, as world commerce, medicine, infrastructure, and communications are all dependent on well-established energy systems. Therefore, energy access is invaluable to sustainable development, as well the overall advancement of economic prosperity around the world. While general energy access is pivotal to sustainable development, the importance of access to renewable energy has been highlighted in recent years, as widespread non-renewable fossil fuel energy use has been linked with greenhouse gas emissions, the leading contributor to climate change. Renewable energy, defined as power from any source that can be replenished, typically comes from the sun, either directly as solar energy or indirectly through the weather cycle as wave power, hydroelectric power, wind power, or energy from plant photosynthesis.

The seventh UN Sustainable Development Goal is to ensure access to affordable, reliable, sustainable, and modern energy. By 2030, the United Nations aims to double the global rate of energy efficiency and substantially increase the share of renewable energy in the global energy mix. Another target of the Sustainable Development Goal on Affordable and Clean Energy is to “expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing states, in particular least developed countries, small island developing states, and land-locked developing states.” The International Renewable Energy Agency (IRENA), while not part of the United Nations, is another intergovernmental organization whose work is dedicated to ensuring universal access clean energy, and has a Clean Energy Corridors initiative to help three developing world regions gain access to renewable energy: Africa, West Africa, and Central America.

While there is a general consensus in the international community that a global proportional increase the use of renewable energy is essential for sustainable development, the question lingers as to how feasible it is for every United Nations member state to make a substantial shift to renewable use from fossil fuels. As it currently stands, 13% of the world’s population still lacks access to electricity from any source, including both fossil-fuel and renewable sources. Furthermore, 3 billion people rely on wood, coal, charcoal, or animal waste for cooking and heating, and renewable energy only accounts for 17.5% of the global share. Renewable energy is costly, especially taking into consideration the upfront capital costs of building the infrastructure to harness renewable energy forms, like wind and solar farms. For example, the Union of Concerned Scientists estimates that as of 2017, the installation cost for a solar energy system ranges from $2,000 to $3,700 per kilowatt of energy, although costs of renewable energy are declining internationally. Additionally, geographic factors limit the feasibility for universal utilization of certain renewable sources. Wind power, for example, is best utilized in flat terrains, and land-locked countries lack access to tidal power and wave energy. This body is tasked with addressing the feasibility of utilizing renewable energy sources with concern for previously mentioned challenges.

**Topics for Consideration**

1. What are the key challenges for universal access to affordable, reliable, sustainable, and modern energy?
2. Is there a trade-off in least-developed countries between economic development and energy access, and environmental sustainability? If so, what is the trade-off and potential impacts on both the environment and on individuals, communities, nation states, etc.?

3. What role can the international community play to ensure that least-developed countries have the access to renewable energy, and the infrastructure systems required to harness these energy sources?

4. What issue is more pressing: ensuring that more people across the world have access to electricity or ensuring that more electricity comes from the form of renewable energy?

5. Is there a link between energy access and energy forms? If so, how do we know?

Bibliography


Topic 2.4: Women’s Role in Economic Development

2nd Main Committee

It is undeniable that women’s role in the development of the world has historically been underrepresented. In the 1970’s, the Women in Development approach was born after research on African Farmers concluded that this lack of representation was due to the exclusion of women from simple economic processes. These processes included access to the market sphere and limited access to or control over resources. The key then, many have posited, is to pass legislation that prohibits discrimination against women and encourages them to not only participate in the educational and economic systems, but to lead these systems. The participation of women in our infrastructure would impact the socioeconomic system as well as gender equality and equity movements that have been increasingly popular around the world. Think about the influence that increased diversity within governments can have regarding the economic development of a nation.

In the past, the United Nations Economic and Social Council has stressed the need for greater investment in women and girls by creating the UN Entity for Gender Equality and the Empowerment of Women (UN Women) by merging four of the body’s agencies and offices. Unfortunately, the statistics of participation by women in government, education, and the workforce in general remain bleak. The male employment to population ratio for men in 2013 was 72.2 percent while the female employment to population ratio was 47.1 percent. On top of this employment gap, women are paid less than men on the global scale; often only earning between 60 and 75 percent of what their male counterparts make.

Many explanatory cases have been made in order to attempt to excuse this gap. These explanations include the increased likelihood for women to be wage workers and unpaid family workers. Another factor that is cited as causation for the wage gap is that women are often tasked with taking care of children and elderly members of their families. These familial responsibilities are said to diminish women’s economic mobility and categorize them as members of the economically dependent population. Those countries who oppose action on the issue often cite familial and societal expectations of women according to tradition as the only acceptable role to be played.

Topics for consideration:

1. How can the body begin to address the economic gender gap that accounts for disproportionate wages and employment?
2. What can be done to encourage early equal and equitable education among the genders in developed and developing countries?
3. In what ways can individual member states participate in the involvement of women in the economic sphere?
4. How do underlying social structures contribute to the role that women play in development of a nation?
5. What can be done to mitigate the discrimination that women face when entering spheres that they have not traditionally inhabited?

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