ECOSOC

Background Guide

Topic A: Create structural adjustment programs to support developing countries

Topic B: "Supporting Emerging Economies through Technical Cooperation"

The information below intends to help you with the topic that will be debated at NC MUN Celaya during the ECOSOC committee sessions. The information is meant to assist you in writing your position paper.

The NC MUN Celaya staff encourages you to make the most of it by researching the topic and your country, not just to win a prize but first to open your mind by exploring the world.

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NCMUN CELAYA 2020

Undersecretary Welcome Message

Dear delegates,

We are very pleased to welcome you to the NCMUN Celaya 2020. This year's Economic and Social Council Plenary (ECOSOC) staff is: Ana Paula De Anda Cota (Undersecretary), Karen Itzel García Arciga (Moderator), and María Isabel Manríquez Valdez (Chair).

We hope you will find this Background Guide useful as it serves to introduce you to the topics for this committee; however, it is not meant to replace further research. We highly encourage you to explore your Member State's policies in full detail, as well as use the Bibliography as part of your research to expand your knowledge on these topics and prepare to discuss solutions with fellow delegates. We will be discussing many salient and contentious issues, which we hope will provide a setting to dive into the intricacies of creating a resolution that will try to please each and every member nation in the committee. This committee is an opportunity to place yourselves in the same position of those who are actually trying to fight for and who are experiencing these issues in their everyday lives.

Good luck!

Introduction to the committee

The Economic and Social Council plays a unique role within the United Nations as a primary organ tasked with discussing cross-cutting issues related to development, cooperation, and international standard-setting. In addressing these issues, ECOSOC may initiate studies, call international conferences, submit draft conventions to the General Assembly, and make recommendations. Through policy dialogue and oversight for specialized agencies, functional commissions, and regional commissions, ECOSOC's mandate allows for the responsibility to address problems with comprehensive approaches. There are 54 members of the Economic and Social Council, elected by the General Assembly for overlapping three-year terms, based on geographical representations.

Mandate

ECOSOC, one of the six main organs of the United Nations established by the UN Charter in 1946, is the principal body for coordination, policy review, policy dialogue and recommendations on economic, social and environmental issues, as well as for implementation of the internationally agreed development goals.

ECOSOC serves as the central mechanism for the activities of the United Nations system and its specialized agencies, and supervises the subsidiary and expert bodies in the economic, social and environmental fields.

ECOSOC has undergone reforms in the last decade to strengthen the Council and its working methods, giving special attention to the integrated and coordinated implementation of, and follow-up to, the outcomes of all major United Nations conferences summits in the economic, social, environmental and related fields.

Topic A: Create structural adjustment programs to support developing countries

Introduction to the topic

Structural Adjustment refers to a set of economic policies often introduced as a condition for gaining a loan from the International Monetary Fund (IMF) and the World Bank. Structural adjustment policies usually involve a combination of free-market policies such as privatization, fiscal austerity, free trade and deregulation.

SAPs are designed to improve a country's foreign investment climate by eliminating trade and investment regulations, to boost foreign exchange earnings by promoting exports, and to reduce government deficits through cuts in spending.

Following an ideology known as neoliberalism, and spearheaded by these and other institutions known as the Washington Consensus, Structural Adjustment Policies have been imposed to ensure debt repayment and economic restructuring. But the way it has happened has required poor countries to reduce spending on things like health, education and development, while debt repayment and other economic policies have been made the priority. The IMF and World Bank have demanded that poor nations lower the standard of living of their people.

Key points

-The U.S. uses its dominant role in the global economy and in the IFIs to impose SAPs on developing countries and open up their markets to competition from U.S. companies.

-SAPs are based on a narrow economic model that perpetuates poverty, inequality, and environmental degradation.

-The growing civil society critique of structural adjustment has forced the IFIs and Washington to engage in national debates regarding SAPs, though these have not led to much change in bank policy.

History of the topic

The International Monetary Fund and the World Bank were conceived by 44 nations at the Bretton Woods Conference in 1944 with the goal of creating a stable framework for post-war global economy. The IMF was originally envisioned to promote steady growth and full employment by offering unconditional loans to economies in crisis and establishing mechanisms to stabilize exchange rates and facilitate currency exchange. Much of that vision, however, was never born out. Instead, pressured by US representatives, the IMF took to offering loans based on strict conditions, later to be known as structural adjustment.

The structural adjustment programs (SAPs) emerged in the 1980s and 1990s as a central feature of international development policy in the world's poorest and most indebted countries, In the face of economic crisis the IMF and the World Bank, along with the US Treasury Department form the "Washington Consensus", adopted `structural adjustment' as their main prescription to problems of poverty and debt. SAPs are a form of conditional lending provided through the World Bank and IMF that required nations to implement policies that emphasized economic management, microeconomic stability, privatization, trade liberalization and public sector contractor. In other words, SAPs promoted policies that supported the economic and political principles to neoliberalism.

The current situation

The World Bank and the IMF argue that SAPs are necessary to bring a developing country from crisis to economic recovery and growth. The IMF and World Bank provide financial assistance to countries seeking it, but apply a neoliberal economic ideology.

Critics of SAPs have highlighted that they resulted in the reduction of health care spending and have had deleterious health effects. For example, the UNICEF 1989 report, the State of the World's Children, was estimated SAPs were linked with some 500 000 deaths of young children in a 12-month period.

The impact of these preconditions on poorer countries are devastating and keeping them dependent on developed nations:

Poor countries must export more in order to raise enough money to pay off their debts.

Because there are so many nations being asked or forced into the global market place—before they are economically and socially stable and ready—the situation resembles a large-scale price war.

The resources from the poorer regions become even cheaper, which favors consumers in the West.

- the value of labor decreases
- capital flows become more volatile
- a spiraling race to the bottom then begins, which generates:
- social unrest, which leads to IMF riots and protests around the world

In the worst cases, capital flight can lead to economic collapse, such as the financial crisis in Asia on 1997/98/99, or in Mexico, Brazil, and many other places.

When IMF donors keep the exchange rates in their favor, it often means that the poor nations remain poor, or get even poorer.

Millions of children end up dying each year.

Past actions

The UN Economic Commission for Africa provided an alternative to SAPs in 1989. The African Alternative Framework called for "adjustment with transformation" which called for a reduction in the continent's reliance on external trade and financing, the promotion of food self-sufficiency and greater popular participation in economic planning and decision-making.

The Third World Network and Freedom from Debt Coalition have proposed numerous alternative policies in the areas of international trade and sustainable development. Some specific alternatives for reform include:

Promoting diversification in the products that Southern countries export and increase processing capacity.

Recognizing the need for states to play a greater role in facilitating the diversification away from traditional commodities, determining and promoting investment priorities.

Policies that take into account environmental impacts and include sustainable natural resource use that benefits local communities

An emphasis on non-price structural reforms such as land reform, institutional reforms to increase democratic practice and accountability;

At the international level, measures to reduce the debt problems of low income countries, regulate capital markets and address unfair trading practices.

What is urgently required is to open up the debate to allow for serious consideration of alternative measures. What stands in the way is the total control over the development debate currently exercised by the Bank and the IMF with the blessing and support of Northern governments, including Canada.

Block positions

North America: USA:

Through its aid and trade policies, Washington has worked to restructure the economic policies of the Southern nations. The U.S. plays a fundamental role in designing and financing structural adjustment programs of the main IFIs, namely the World Bank and the International Monetary Fund (IMF), as well as those of the regional multilateral banks such as the Inter-American Development Bank (IDB). Starting in the 1980s, the U.S. also routinely began conditioning its aid agreements on acceptance of a package of economic reforms and adherence to the prescriptions of the World Bank and IMF. In addition, U.S. trade representatives began to insist on changes in other nations' economic policies to facilitate increased U.S. trade and investment.

Latín América: México, Nicaragua, Costa Rica:

When the Mexican government confronted with a massive foreign debt 13 years ago, they implemented a set of structural adjustment measures, promoted by the World Bank and the International Monetary Fund, which resulted in increased unemployment, poverty and economic polarization.

With Nicaragua ineligible for new loans from the IFIs in 1990 due to debt-payment arrears, USAID became intimately involved in the design of an expanded economic adjustment program. As part of the stabilization and adjustment program, credit to the agricultural sector was slashed by 62 percent. The trade deficit increased from US$304 million in 1989 to US$433 million in 1994. Nicaragua continues to have one of the highest per capita debt burdens in the world. In 1994 its foreign debt totaled nearly US$11 billion.

In 1985, Costa Rica became the first country in Central America to implement a series of structural adjustment programs imposed as a condition of lending by the International Monetary Fund, the World Bank and the U.S. Agency for International Development. After more than a decade of stabilization and structural adjustment, massive amounts of U.S. economic assistance, and significant sacrifices by the population, Costa Rica's economy appears to be in the process of further decline. Even in the narrow macroeconomic terms by which the Bank and Fund want SAPs to be judged, the economic program has failed. Despite claims that SAPs help countries ease their external debt, Costa Rica's burden actually increased under its adjustment program, from US$2.7 billion in 1980 to US$3.9 billion in 1993.

Africa: Ghana and Zambia:

Both Ghana and Zambia faced major economic crises in the 1980s.

Ghana is seen as the success story of World Bank and IMF policies, while Zambia is regarded as a prime example of failure because of non-adoption of these policies.

The Ghana programmed is not likely to be replicable by other countries and the relative success of the programmer may not be sustainable. Zambia's experience with an IMF/World Bank program, made short-term gains from adjustment impossible and led to the programmer's abandonment in favor of a government program which itself failed to address fully the nature of Zambia's economic crisis.

Cases

Tests on the impact of World Bank structural adjustment on child mortality across sub-Saharan African nation for 1990 to 2005 identified a positive association between the two. Demographic and Health Surveys were conducted in 1991 and 1998 to measure changes in childhood malnutrition in response to World Bank and IMF structural adjustment in Cameroon. The authors attribute greater levels of malnutrition in children born between 1995 and 1998 than those born between 1988 and 1991 to government health expenditure cuts experienced during structural adjustment programs between 1992 and 1994.

In addition, a comparative case study compares the effects of World Bank and IMF structural adjustment on health in Argentina and Uruguay. It finds that structural adjustment was implemented with greater severity and speed in Argentina than in Uruguay, and that the more gradual and modest reforms in Uruguay were associated with better health outcomes: Uruguay's infant and under-5 mortality rates declined at twice that of Argentina's throughout the 1980s.

Ghana launched its Structural Adjustment Program (SAP) in 1983. Since then, the country has experienced strong improvements in its socio-economic standing and the heightening of its industrial capacity.Consequently, the Bretton Woods Institutions including the World Bank and International Monetary Fund (IMF) have lauded Ghana as the most successful implementation of an SAP in Africa. Examining data from 1983-1998, this essay will consider whether Ghana has truly developed under its adjustment program as the World Bank and IMF claim.

Analysis

The IMF is supported solely by its member states, while the World Bank funds its loans with a mix of member contributions and corporate bonds. Currently there are 185 Members of the IMF and 184 members of the World Bank. The assessed quota is based upon the donor country's portion of the world economy. One of the critiques of SAPs is that the highest donating countries hold too much influence over which countries receive the loans and the SAPs that accompany them. However, the largest donor only holds 18% of the votes.

Some of the largest donors are:

United Kingdom

United States (18%)

Japan

Canada (2%)

Germany

France

Many research findings have revealed the impact of SAP on the economies of the countries that embraced the policy. As a result of SAP Africa is more integrated into the global economy than before the SAP era because the conditions meted out to the adjusting nations were measures expected to generate export-led growth which will attract foreign direct investments (FDI) that can be used to reduce debt and poverty. According to Ismi (2004), this has justified the increase of African trade as a percentage of gross domestic product from 78.1% in 1989 to 95.6% in 1999, and trade grew from US$175 billion in 1990 to US$187 billion in 1999 while FDI for the same period jumped from US$923 million to US$7.9 billion during the same period. Taylor (2004) praising SAP believes that the World Bank/IMF conditionality's are not damaging but commonsensical and aimed at helping the ordinary African.

Many authors have also assessed various negative aspects of the SAPs. For instance, in his assessment of the program, Ismi (2004) reveals that the World Bank and IMF have forced developing countries to create conditions that benefit Western corporations and governments. Reinforcing this assessment, and using figures to do so, Osabu-Kle (2000) reveals that for the period of the program the share of the world income of the poorest fifth of the world's population has declined from paltry 2.3% to only 1.4% while the same enjoyed by the richest fifth – who have been making the rules on trade and pretty much everything else – has risen from 75% to 85%. According to McGregor (2005), SAP has proven economically disastrous as all the 54 developing countries that implemented the program have ended up poorer than they started.

Follow up questions (Topic A)

- How has structural adjustment affected your country? (Positive and negative aspects).
- Is your country a SAP donator?

- Why are the actual structural adjustment programmers not working?
- What actions is your country taking to improve structural adjustment programs?
- What can be done to help developing countries and prevent them from becoming poorer because of the SAPs?

Extra resources (Topic A)

- International Monetary Fund. (1999, September). The IMF's Enhanced Structural Adjustment Facility (ESAF): Is It Working? Retrieved January 16, 2020, from https://www.imf.org/external/pubs/ft/esaf/exr/
- World Bank Group. (2016, mayo). World Banks's experience with structural reforms for growth and development. Recuperado 17 septiembre, 2019, de http://documents.worldbank.org/curated/en/826251468185377264/pdf/105822-NWP-ADD-SERIES-MFM-Discussion-Paper-11-PUBLIC.pdf
- Shah, A. S. Anup. (2013, 24 marzo). Structural Adjustment—a Major Cause of Poverty — Global Issues. Recuperado 16 enero, 2020, de http://www.globalissues.org/article/3/structural-adjustment-a-major-cause-of-poverty
- Animal Production and Health Division. (1999,January). THE EFFECT OF STRUCTURAL ADJUSTMENT PROGRAMMES ON THE DELIVERY OF VETERINARY SERVICES IN AFRICA. Recuperado 16 enero, 2020, de http://www.fao.org/3/a-ah933e.pdf
- Institute for policy students. (2014, May 8). Structural Adjustment Programs & Poverty Reduction Strategy - Institute for Policy Studies. Retrieved January 16, 2020, from https://ips-dc.org/structural_adjustment_programs_poverty_reduction_strategy/

Topic B: Supporting Emerging Economies through Technical Cooperation

Introduction of topic

Technical cooperation includes projects and capacity building activities in areas including environment, energy, transport, trade, statistics, and gender mainstreaming. Technical cooperation portfolio focuses on projects that support sub regional and regional integration, promote multispectral and/or trans boundary solutions to shared problems, and aim at achieving long-term impact and sustainability.

History of the topic

The World Economic and Social Survey 2017 reviews the policy analysis presented in WESS over the past seventy years. A careful retrospective analysis of the underlying factors and policy decisions that framed these major events is particularly relevant to the current debate centered on the implementation of policies for sustainable development. While the 1990s was characterized by an acceleration of the globalization process, especially in the second half of the decade, fast economic growth remained limited to a few developing countries. At the beginning of the new millennium, however, a larger number of emerging economies experienced fast economic growth, allowing for a narrowing of the income gap with respect to developed economies. Starting in 2002, the pace of growth in per capita GDP was different for different groups of developing regions, but all of them were experiencing faster growth in some sort of 'catching up' process with developed economies.

The current situation

Whether it is true that every great challenge offers great opportunity, emerging markets were certainly handed plenty of both over the past several months. Between global trade tensions and homegrown problems, 2018 proved to be an especially transformative year for many economies. Currency concerns, declining commodity prices and dwindling investor confidence only added to the turbulence.

Hardships, however, helped bring out the peculiar often unsung strengths of these nations, proving once again that developing markets are not all created equal. Near term constraints and negative sentiment about stock markets have, in many cases, obscured their solid macroeconomic fundamentals and longerterm prospects. The road to prosperity isn't a straight line, and emerging markets remain poised for a continued expansion that will generate much of the world's growth in the years ahead.

At current growth rates, it would take more than 50 years for a typical emerging market economy to close half of its current income gap in living standards, and 90 years for a typical developing economy.

October 2019 World Economic Outlook finds that implementing major reforms in six key areas at the same time—domestic finance, external finance, trade, labor markets, product markets, and governance—can double the speed of income convergence of the average emerging market and developing economy to the living standards of advanced economies. This could raise output levels by more than 7 percent over a six-year period. Based on our empirical research of reforms in 48 current and former emerging markets and 20 developing economies, we find that reforms can yield sizable payoffs. But these gains take time to materialize and vary across different types of regulations.

Cases

This paper debates the main reasons why Chinese and Brazilian energy policies have not focused on Concentrating Solar Power (CSP) deployment until now. Like most emerging economies, China and Brazil have registered large increases in energy demand, as well as considerable growth of energy-related greenhouse gas (GHG) emissions. On the other hand, both countries have played an important role on the expansion of renewable energy infrastructure and – considering that large portions of their territories present high levels of "Direct Normal Irradiation" (DNI) – CSP technologies might have figured as an important strategy for the mitigation of atmosphere pollution and global warming.

The current shift of technology development work by multinationals to the emerging economies is distinctive, as many are now observing, though less understood are the implications for innovative capacity and location. It is now high-end (rather than adaptive) development that is being carried out in countries like India, China, Brazil and Mexico. And, increasingly, multinationals from the U.S., Japan and Europe are finding themselves competing against, or working with, new technology-based companies from the emerging economies.

Past actions

Emerging economies have the potential to offer a couple attractive advantages for foreign firms, including government policies favoring economic liberalization, a rapid pace of economic growth (Arnold & Quelch, 1998), and the ability to form entry barriers as a result of developing first mover advantages. Local governments tend to favor foreign firms that invest in their countries as these firms often have expertise in a specific industry and technology, and the emerging governments have a strong interest to import the firm's advanced knowledge (Luo, 2002). First movers can select the most profitable market segments in which to invest, access the local marketing and distribution channels, and build their corporate image at the local level (Mitchell, Shaver & Yeung, 1992). Results from several studies have shown that an established firm in a country such as China is perceived quite positively by local consumers and by actors in the value chain (Luo, 2002; Luo, 1997; Peng, 1999).

Early movers and technology leaders attained superior performance in emerging economic regions. We assessed the determinants and performance consequences of two key aspects of entry strategy, resource commitment to technology transfer and timing of entry, using survey data from over 220 Sino-Japanese joint ventures (JVs) in China. Both high commitment and early entry had positive impacts on the perceived economic performance of the JVs. Yet these relationships were found to be significantly contingent on several internal and external factors, such as the strategic importance of an investment, parental control of a JV, and the availability of supporting local infrastructure.

The case study focuses on the 2002 Brazilian presidential elections. The first section of the article provides a critical review of the available literature. The second section presents an empirical study of Wall Street analysts' perceptions of the 2002 presidential elections in Brazil, based on reports produced by leading Wall Street investment firms. The final section uses polling and financial data from previous Brazilian elections to place the events of 2002 in comparative historical perspective.

Follow up questions (Topic B)

- How is your country supporting emerging economies through technical cooperation?
- Your country's actual situation about supporting emerging economies?
- What actions has your country taken about supporting emerging economies?
- Is your country agree about supporting emerging economies through technical cooperation?
- What economies did your country help?

Extra resources (Topic B)

✓ About Us | UNITED NATIONS ECONOMIC and SOCIAL COUNCIL. https://www.un.org/ecosoc/en/about-us

✓ Home. https://www.unece.org/$operact/welcome.html

✓ Global development trends at the turn of the century | Department of Economic and Social Affairs. (2017). https://www.un.org/development/desa/dpad/publication/policy-brief-54-global-development-trends-at-the-turn-of-the-century/

✓ Bibliografía: Duval, R., & Furcer, D. (2019). How To Reignite Growth in Emerging Market and Developing Economies. https://blogs.imf.org/2019/10/09/how-to-reignite-growth-in-emerging-market-and-developing-economies/

✓ Lynn, L., & Salzman, H. (2007). "Innovation Shift" To the Emerging Economies: Cases From IT and Heavy Industries. https://rucore.libraries.rutgers.edu/rutgers-lib/46556/

- Global Finance Magazine - Emerging Markets Hot Spots 2019. (2019). https://www.gfmag.com/global-data/economic-data/emerging-markets-hot-spots-2019

- Isobe, T., Makino, S., & Montgomery, D. (2017). Resource Commitment, Entry Timing, and Market Performance of Foreign Direct Investments in Emerging Economies: The Case of Japanese International Joint Ventures in China | Academy of Management Journal. https://journals.aom.org/doi/abs/10.5465/1556405