



Topic One: Sustainable Economic Development

Background

The gross disparity in development among nations in the world today is vivid. According to 2004 World Bank estimates the 15 richest countries in the world account for almost 80% of the world's wealth (measured in GDP). The richest country in the world is 188900 times richer than the poorest country. These broad statistics do not include confounding factors that may also have a significant impact on a country's welfare, but the numbers do provide a perspective on the state we find our world in today. These numbers not only provide a comparison of wealth because from these statistics we can make inferences on the state of the world relating to debt, inflation, globalization, sustainability and poverty among other issues. Since a topic such as development encompasses a myriad of issues, which we will not have the time or resources to discuss, I plan to narrow the debate to a few, what I consider as director, important aspects of ensuring sustainable economic development. The four areas we will focus on are debt, trade, globalization, and sustainable development. As you begin to think of specific discussion points and solutions, I encourage all of you to investigate how these areas all affect each other and recognize that a viable resolution must address these issues collectively. In the following sections I will provide you with a brief introduction and relative discussion of the four focus points above.

Debt

Debt has long been recognized as a major obstacle to sustainable economic development. It has taken a major toll on developing countries and has impeded growth in developed countries as well. Debt among nations has been a feature of the international community for longer than the UN has been in existence. Furthermore, it is a feature that in all reality is likely to persevere



throughout our existence. Our mission then is to manage debt in the world so that it does not have an impeding effect on growth as a whole. The IMF (International Monetary Fund) and World Bank are the world's two leading organizations that deal with the debt in the world. On one hand the World Bank and IMF have proven successful in alleviating debt crises by helping debtor nations with loans and grants. The downside some argue is that the IMF and World Bank loan policies on delinquency and payments are not tailored to each country's needs and therefore do more harm than good in some cases. In the past decade, the IMF and World Bank success rate has fallen to 30-40 percent. This has raised many questions as to the efficiency of these large institutions. The ambiguity of the answers to these questions proves that the role of the IMF and World Bank has to be redefined if they are to become more successful in the future.

Trade

Like debt, trade has also been a characteristic of human nature for thousands of years. Hence, its prosperity is very important to the development of the countries that it involves. Economically speaking, the state of world trade today is unacceptably inefficient. By laws of economics, each country ought to produce the goods in which it has a comparative advantage. Furthermore, when a country enters into trade, this country will export the goods in which it has a comparative advantage and import those which it doesn't have the advantage in. Depending on the world price level, either the countries will all be better off or some will be better off and the others will remain at the same level. This model of trade provides the most efficient allocation of resources in all countries and the well-being of the people will be at its highest. However, this is not how trade takes place in the world today. The rampant imposition of tariffs, restriction on factor movement, laws, and regulations have negated several benefits of trade. On the other



hand, very few nations would be willing to drop these imposed tariffs and regulations for the “greater good” of global efficiency. Many countries subsidize their own products and place restrictions, in the form of tariffs, on the same goods imported. This way, nations, mainly industrialized, are able to maximize national profits. Even with this inefficient trade, countries are still better off than if there was no trade at all. However, there is a dilemma when it comes to the gains from trade. Powerful nations and corporations are able to skew trade policies in their favor at the mercy of weaker, developing nations. For example, milk production in Great Britain is heavily inefficient most notably after the Mad Cow Disease epidemic. Instead of switching over to importing milk, Great Britain gave a subsidy to cow owners in the amount of 2 dollars per cow (3 billion people worldwide live on less than 2 dollars a day). Not only did this take a toll on the British total spending budget; the subsidy was not enough to maintain Britain’s milk supply and as a result the price of milk in Britain rose. Not far away, India produces milk in a surplus and fair trade with Britain would have helped both countries.

Globalization

One force that is seemingly taking the world by storm is that of globalization. ECOSOC in 1998 stated globalization as the "phenomenon which has wrought fundamental changes within every society." Taking this a step further, the world has begun to change politically and culturally as well. As for any new phenomenon, there are various opinions as to the effectiveness and utility of globalization in the world. These opinions vary from those who believe it is the only way for the world to successfully grow (note successful and sustainable are not always the same thing) to those who see globalization as the root of evil and unfair practices between the developed and developing nations. What all students of globalization do agree on, however, is



that this phenomenon is indeed occurring. The ultimate goal is to reach a consensus based on empirical data and theory to decide on the best way to embrace globalization to the advantage of all people. Nobel Laureate in Economics, Joseph Stiglitz, envisions globalization as a natural byproduct of humans engaged in trade, however he asserts that the prevailing form of globalization is damaging to many nations outside of the G8 circle. His main criticism is of the “international institutions” currently dealing with global economies and growth (ex. WEF, IMF, World Bank). Alternatively, Anthony Giddens who is an acclaimed sociologist understands globalization to be the way of the future. He disputes the popular claim that globalization is synonymous to Americanization by citing India as a low-cost producer who is vital to global communications.

Sustainable Development

While the previous three subjects heavily depend on each other, sustainable development is a practice that can be discussed independent of any other issue (although it can be a part of the solution to the issues raised above). The definition of sustainable development is “Development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (*Brundtland Commission 1987*). Unlike globalization in some respects, sustainable development has been embraced by the majority of humanity as an undeniable positive influence in the world. Despite this acknowledgement, few countries have put forth a concerted effort to nationally implement sustainable policies. Most progress has been made by non-governmental organizations. The UN has embraced sustainable development and ECOSOC specifically as the distributor of sustainable development policies to the world. Specific development projects are numerous ranging from combating deforestation and protecting of



endangered species to sustainable metropolitan plans and social awareness. The task at hand for the international community is to successfully establish sustainable development as the mainstream growth pattern.

Previous ECOSOC discussions

ECOSOC, as stated previously, is the main body discussing this topic. There have been numerous meetings and decisions passed over the past few decades. As sustainability has been gaining momentum in recent years, ECOSOC has created a subsidiary body called the Division for Sustainable Development which primarily provides advice, research, and knowledge of sustainability to countries. The 1993 meeting of the High-Level Advisory Board on Sustainable Development served serve as a “high-level source of advice for the Secretary-General in formulating policy proposals, elaborating innovative approaches and courses for action and identifying emerging issues to be brought to the attention of relevant intergovernmental bodies, particularly the Commission on Sustainable Development and the Economic and Social Council” (E/1993/15). As recent as 2004-2005 the ECOSOC has consistently met to discuss trade and development issues internally and multi-laterally with other UN bodies such as the WTO and UNCTAD. These meetings serve as the basis, along with long established agreements (Kyoto Protocol, Montreal Protocol, Copenhagen Declaration, to name a few), for a strong step forward in achieving global sustainability in economic social, and environmental development.



Questions to address

1. Can a large bureaucracy such as the IMF and World Bank provide country-specific aid without compromising growth and development?
2. How, if at all, can the structure and policy of the IMF and World Bank be adjusted to improve its effectiveness?
3. Why do countries decide not to engage in trade?
4. How can the ECOSOC committee overcome the political conflict for the benefit of the international community?
5. Do western nations possess unfair control of the world market?
6. Is globalization just a tool to spread the hegemony of the Western world?
7. Can globalization promote equal growth of developing nations and raise the standard of living worldwide?
8. How will the economic and political policies of individual nations affect the success of sustainable development?
9. Is it realistic for countries to grow successfully while employing sustainable practices?

References

<http://www.un.org/esa/>

<http://www.globalpolicy.org/globaliz/define/index.htm>

http://www.cgap.org/docs/SMM_delinquency.pdf

<http://www.newint.org/issue365/adjust.htm>

<http://www2.hawaii.edu/~fredr/glocon.htm>

Brown, Noel. *Ethics and Agenda 21: Moral implications of a Global Consensus*. UN Pub. 1994.



Topic Two: Emerging Markets

Background

This introduction will be best served with a short definition of an emerging market. A term coined in 1981 by Antoine W. van Agtmael of the International Finance Corporation of the World Bank, an emerging, or developing, market economy is defined as an economy with low-to-middle per capita income. Such countries constitute approximately 80% of the global population, representing about 20% of the world's economies. Countries whose economies fall into this category, varying from very big to very small, are usually considered emerging because of their developments and reforms. Hence, even though China is deemed one of the world's economic powerhouses, it is lumped into the category alongside much smaller economies with a great deal less resources, like Tunisia. Both these countries fall into the same category because their respective economies are beginning to participate in the international market. As an emerging market, a country is embarking on an economic reform program that will lead it to stronger and more responsible economic performance levels. Besides implementing reforms, an emerging market economy is also most likely receiving aid and guidance from large donor countries and/or world organizations such as the World Bank and IMF. Some emerging economies are characterized as transitional, meaning they are in the process of moving from a closed to an open market economy while building accountability within the system. The emerging economies of Central Asia and former Soviet Republics are characterized as such because these economies used to be centrally planned by the government but are now changing--or "transitioning"--to base their economies on the market. Economies in Latin America and Africa, known also as the "late" late industrializing economies are at the cusp of emergence or have already begun to emerge. India, along with China and a handful of south East Asian



countries, are the forerunners in the developing world, economically speaking, and serve as models for the rest of the developing world. Finally, the developed, emerged markets of the world in the United States, Western Europe, Canada, Australia, etc. provide the opportunity for growth and are an essential part to the emergence of the developing economies. Developed nations have the capital and ability to invest that capital in emerging markets to benefit themselves and the market in which the capital is invested. In the long run, the development of these fledgling economies will benefit the entire global community. The following sections will provide, in brief, the specific issues concerning the different blocs of emerging markets.

Eastern Europe

The eastern European bloc consists of former republics of the Soviet Union. In this section I include central Asian countries (i.e. Kazakhstan, Uzbekistan) as they are also part of the CIS (Commonwealth of Independent States). All of these countries, newly formed independent republics are facing a mountain of struggles. As nascent autonomous countries, the eastern European bloc has to deal with weak governmental institutions trying to manage a process of change many established governments would have trouble with. For instance, the shift from the previous structure of their command economies to a market dominated economy unearths issues related to property rights, pressure on inefficient sectors, restructuring of ownership, unbalanced prices, and high demand for very scarce capital among others. One particular sector that is problematic in transition economies is agriculture. This sector is facing a very tough future in which it is not competitive with foreign producers and is losing market share. In 2000, 20 percent of agricultural lands were abandoned due to a lack of resources to maintain the soil. "Income of the people active in agriculture is one of the lowest in most transition economies. The share of



rural average income in general average income dropped considerably. Many people in rural areas have lost their motivation and agriculture is often the biggest source of unemployment.” (WTO). Such a case leads economic problems to spill over into the social realm and can result in civil unrest. The example of agriculture serves as a microcosm for the position of the transitional bloc as a whole in relation to the global community. These countries have potential, but are not able to manifest their potential in an effective growth strategy.

Latin America / Africa

The Latin American and African bloc share many common stumbling blocks along the way to development of their markets. Not to say that each group does not have their own unique situations, but it is feasible to address them inclusively. In the short time following World War I the developed world, namely the U.S., fell into depression. The United States cut off trade to all of its trading partners, including Latin America and Africa. As a result, Latin American and African economies began crashing because they were unable to import those goods for which they were dependent on the United States. The domestic response of many of these nations was to implement industrial policies. One such policy, called Import-Substitution Industrialization (I.S.I.), was accepted as the main recovery strategy for many of these developing countries. I.S.I. policies began with the goal of fostering domestic production to reduce the reliance on the developed world. Self-sufficiency was the eventuality they hoped for. I.S.I. called for heavy restriction on imports and exports so as to use the revenue gained from tariffs and other trade restrictive mechanisms to foster domestic growth of industry. In the short-run, results varied. Countries such as Brazil, Argentina, and Nigeria with large domestic markets prospered, while the smaller countries experienced considerable damage. By the mid 1970’s however, all I.S.I.



countries were failing, due in part to the oil crisis, but also because the I.S.I. policies backfired. Consequently, most of these countries are still in the recovery process and just now in the past decade are emerging as stable markets. Main issues concerning these regions involve reform of nationalized industry, stabilizing high inflation, and regaining fiscal responsibility.

South East Asia

In Southeast Asia, the struggle for independence from the European colonial powers held center stage during the period immediately following World War II. During the period 1954–67, many Southeast Asian nations experienced fears of Communism, thus creating the Association of Southeast Asian Nations was formed (Aug. 6, 1967) by the non-Communist Southeast Asian countries (Malaysia, the Philippines, Indonesia, Thailand, and Singapore) to deal with the threat of further Communist encroachments. In the 1950s and 1960s, similar to Latin America and Africa, all the governments in the region, excepting that of Laos, launched ambitious industrialization programs to lessen their dependencies on the export of primary commodities and the import of manufactured goods. What many consider the turning point in the success of Southeast Asia and the failure of Latin America and Africa is that by the 1970s, the initial focus on import substitution industries shifted to export-oriented industrialization in the ASEAN countries. Not all of these countries experienced growth however. Laos remains one of the poorest countries in the world along with a struggling Burmese economy. One inhibiting factor is the population crisis facing Southeast Asia. Demographically, at the end of World War II, the population in Southeast Asia just surpassed 150 million. By 1990, well over 400 million people lived in the region. From 1950 to the 1980s, the population doubled in the urban centers, and one



out of four people resided in a city. If the region is to maintain and foster more growth, nations will have to address the population crisis in a timely manner.

India

The second most populous country in the world, India has recently been the point of discussion among growth theorists. After its independence in 1947, India's growth was limited at best by incompetent governance, corrupted bureaucracy and an "old-world" mindset. India is the largest democracy in the world. With that status comes enormous obstacles of potential corruption and delays due to its very structure. The economy was centrally controlled for almost 50 years and India was stagnant. In 1991, a set of reforms were put into effect and have since turned the economy outward which has enticed foreign investment on a large scale and brought prosperity to the economy. With the second largest labor force in the world, India has been able to harness its power of people in a positive and growth-led direction.

China

In the preceding section India was mentioned as second in certain categories. In fact, China tops both those categories with a population of just over 1.2 billion and a labor force of almost 780 million. It is also the fourth largest country in geographical size. Admirably, China has been somewhat of a growth miracle. A growth miracle is a nation that sustains high rates of growth for an extended period of time. Since China opened up its markets, partially, growth in its low-skilled labor sector has been great. Global trade has enabled China to be the low cost producer in a variety of labor-intensive goods and now the market in China is opening to more expensive goods such as cars and appliances. Unfortunately the education level in China is not



high in comparison to the amount of economic growth they have. If China is to sustain an economically sound future, it needs to invest in its youth through education.

Developed World

Obviously, the developed world consists of markets that are already emerged and stable. Most of the developed world participates actively in the world market and prospers at a high level economically for world trade. The developed world consist of nations known as “first industrializers” (Great Britain) and “late industrializers” (United States, Germany, Sweden). These countries have an interest in the development of more emerging markets in the developing world because it opens up more markets to sell to and possibly to buy from. Economic growth in developing countries raises the standard of living in return and a higher standard of living is correlated to higher demand for goods produced in the developed world. In this scenario, the developed world can serve as a model for emulation as well as a source of aid in development. Not only does the developed world constitute a large market for goods, it is a potential major source of revenue for emerging markets. Substance to consider for these nations is foreign direct investment (FDI), transfer of technology and knowledge of processes, and policy advice.

Previous ECOSOC discussions

ECOSOC once again is the main body in dealing with growth of developing markets in the world. In a 2005 study, a special research envoy identified five issues in sustaining development in emerging markets:

1. Strengthen financial institutions
2. Access to capital
3. Distribution of power in capital governance



4. Restoring national economic autonomy
5. Greater regional cooperation

This recent study indicates that the UN is committed to the cooperation between countries in developing the emerging markets of the world. Worldwide development is also part of the widely acclaimed UN Millennium Development Goals. The eight Millennium Development Goals form a blueprint agreed to by all the world's countries and all the world's leading development institutions. By 2015, the UN plans to achieve its goals and through sessions such as ours, this goal is achievable.

Questions to address

1. Can the developing countries overcome cultural differences to engage in trade and foster positive relations with neighbors?
2. What general factors to success can we extract from China and India and apply them, if possible, to other emerging markets?
3. How do regional trade agreements like NAFTA, CAFTA, EU, ASEAN fit into the development goals of emerging markets economies?
4. In dealing with development, what long term goals can the ECOSOC suggest for sustained growth and stable markets in the future?
5. How will the emerging markets affect the market equilibrium currently established?



References

<http://www.un.org/esa/>

http://pffc-online.com/mag/paper_emerging_markets_doing/index.html

<http://www.ameinfo.com/40306.html>

<http://www.asria.org/publications/lib/country/china.pdf>

ADB Annual Report 1995. Printed by Asian Development Bank. 1995.