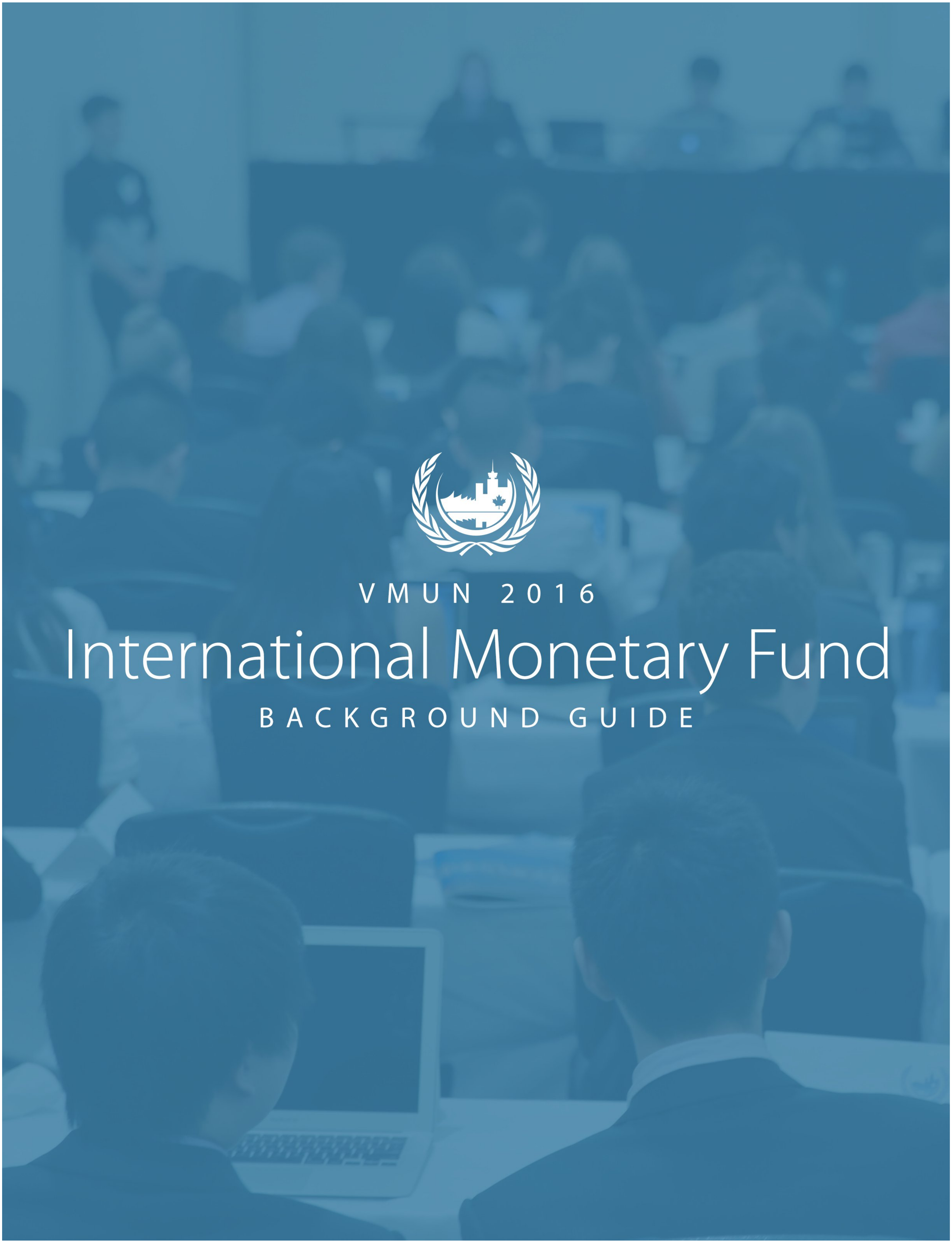

VMUN 2016

International Monetary Fund

BACKGROUND GUIDE

VANCOUVER MODEL UNITED NATIONS
the fifteenth annual conference | January 22-24, 2016

Dear Delegates,

My name is Jason Qu, and I will be serving as the director for the IMF committee of VMUN 2016. I am currently a grade 11 student at St. George's School and have participated in MUN since grade 6.

Economics is the study of the scarcity of resources, and the subsequent activities of humans in distributing, allocating, and using these resources to their maximum efficiency. Among the issues that exist in today's international community, none is as fundamental as that of economics. The issue of economic management is one that can trace its roots way beyond the dawn of civilization; resource usage in the form of food, shelter, and water were essential to survival. Throughout millennia, these basic resources have mutated into the forms of the stock market, of equities and bonds, of interest and credit, but nonetheless share a root grounded in man's pursuit of survival. Today's world simply possesses more advanced and more specialized forms of those basic resources. Economics is the foundational consideration of all human activity, and is perhaps the one thing that unites man and beast across space and time.

Today's world faces a myriad of economic issues. From extreme disparities in wealth equality to the increasing vulnerability of economic collapse, the markets and macroeconomic climates of today face staggering challenges that have been brought by centuries of political and economic changes and occurrences. In the contemporary world, these issues threaten to shake the very foundation of the post-war stability the international community has enjoyed.

The topics that have been selected for VMUN 2016 IMF reflect these issues and challenge delegates to think outside of the box. I, along with my dais, will be expecting a high level of academic contemplation and debate from the delegates of IMF. Delegates will be obliged to consider the chain of events that come with each and every economic decision made. The committee and its flow of debate will hopefully demonstrate the multifaceted and complexly erudite nature of the elegance that is the field of economics.

I, along with my dais members Jessica Chiu and George Lin are eager to see the quality of debate and discourse in IMF 2016. Please do not hesitate to email us if you have any questions. We welcome all delegates to IMF and hope that through your participation in IMF 2016 you will gain invaluable insight into the fields of economics, the art of rational thinking, and the skill that is discourse and negotiation.

Best Regards,
Jason Qu
Director of the International Monetary Fund | VMUN 2016

International Monetary Fund

Position Paper Policy

What is a Position Paper?

A position paper is a brief overview of a country's stance on the topics being discussed by a particular committee. Although there is no specific format the position paper must follow, it should include a description of the positions your country holds on the committee's topics, relevant actions that your country has taken, and potential solutions that your country would support.

At Vancouver Model United Nations, delegates should write a position paper for each of the committee's topics. Each position paper should not exceed one page, and should all be combined into a single document per delegate.

For the International Monetary Fund, position papers are mandatory, especially for a delegate to be considered for an award.

Formatting

Position papers should:
— Include the name of the delegate, his/her country, and the committee
— Be in a standard font (e.g. Times New Roman) with a 12-point font size and 1-inch document margins
— Not include illustrations, diagrams, decorations, national symbols, watermarks, or page borders
— Include citations and a bibliography, in any format, giving due credit to the sources used in research (not included in the 1-page limit)

Due Dates and Submission Procedure

Position papers for this committee must be submitted by midnight on January 8th, 2016.

Once your position paper is complete, please save the file as your last name, your first name and send it as an attachment in an email, to your committee's email address, with the subject heading as your last name, your first name — Position Paper. Please do not add any other attachments to the email.

Both your position papers should be combined into a single PDF or Word document file; position papers submitted in another format will not be accepted.

Each position paper will be manually reviewed and considered for the Best Position Paper award.

The email address for this committee is imf@vmun.com.

Table of Contents

"Flattening" The World – Globalization and Increased Economic Equality 5

Overview 5

Timeline 6

Historical Analysis 7

Current Situation 10

Past UN/International Involvement 14

Possible Solutions and Controversies 15

Bloc Positions 17

Neoliberal Countries 17

Command Economies 17

The Developing World 18

Discussion Questions 18

Additional Sources 18

References 19

Economic Diversification 25

Overview 25

Timeline 27

Historical Analysis 28

Current Situation 29

Past UN/International Involvement 30

Possible Solutions and Controversies 33

Bloc Positions 34

Neoliberal Countries 34

Command Economies 35

The Developing World 35

Resource Dependent Countries/Rentier States 35

Countries with Limited Resources 35

Discussion Questions 35

Additional Sources 36

References 36

International Monetary Fund Topic A

"Flattening" The World – Globalization and Increased Economic Equality

Overview

Economic activity has been a characteristic feature of mankind, linking its disparate members through the temporal and spatial dimensions. Through the analysis of historical records and archaeological finds, scholars and researchers have found evidence of trade between different groups of people to the dawn of civilization, such as trade between Mesopotamian civilizations with those of ancient Egypt, the Indus Valley, and even Classical China. Inter-continental trade continued throughout the Classical Age, with a significant decline during the Medieval Period, but resurging after the Renaissance. Yet, such economic activity, though contributing to much of humanity's historical narrative, did not lay the groundwork for the modern international system.

The foundational period of the international system of diplomacy, commerce, and legal standards dominant during the modern era[1] can trace its roots to the subsequent period of Western European expansionism and exploration, and to many of the philosophical and political advancements of the Enlightenment and early modern periods of history.[2] Though this system has been greatly altered in the post-modern period[3] due to the calamitous effects of the First and Second World Wars, many, if not all of the current-age global disparities in economic power, perceived cultural valuations, infrastructure[4] development, international political prestige, domestic political stability, and many other measures of societal development were founded in this age. Mercantilism, colonialism, and other Western European foreign policy initiatives frequently exploited and increased such disparities.

As an economic committee, the IMF has the power to enforce conditional loans on countries requiring economic aid in developing local economies. The IMF also has the ability to tailor economic aid programs and packages to promote democratization reforms, environmental awareness, human rights programs, poverty alleviation, and intellectual research. With such tools in place, the IMF becomes an exceedingly powerful international body with the ability to affect change for the better.

In the image below featuring a view of Earth at night, it is amazing to see how a mere handful of advanced societies and coastal regions hold a monopoly of technological and infrastructure development. It also shows the monumental amount of progress to be made.

Delegates in the IMF committee will have to consider how their respective countries can unite in promoting the development of a more equitable, more stable, and more level world while aiming towards a more sustainable and peaceful future for the international community. While political power is useful in forcing countries and people to adopt certain positions and perform certain actions, only with economic and intellectual capital may humanity truly rise beyond the mundane. The decisions of

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[1] Refers to the time period between 1500-1950.

[2] Foundational texts in political theory, international law, and economics include Rousseau's *The Social Contract,* Locke's *Treatise on Government* (both volumes), Hobbes' *Leviathan*, Montesquieu's *The Spirit of Law's*, Grotius' *On The Law of War and Peace*, Smith's *The Wealth of Nations.*

[3] Period after the World Wars, post 1950.

[4] In this usage the word "infrastructure" also refers to human development in terms of education, literacy, child morality, gender equality, life-expectancy, etc.

the IMF committee as a whole will likely change the very fabric of humanity and the international community for the foreseeable future.

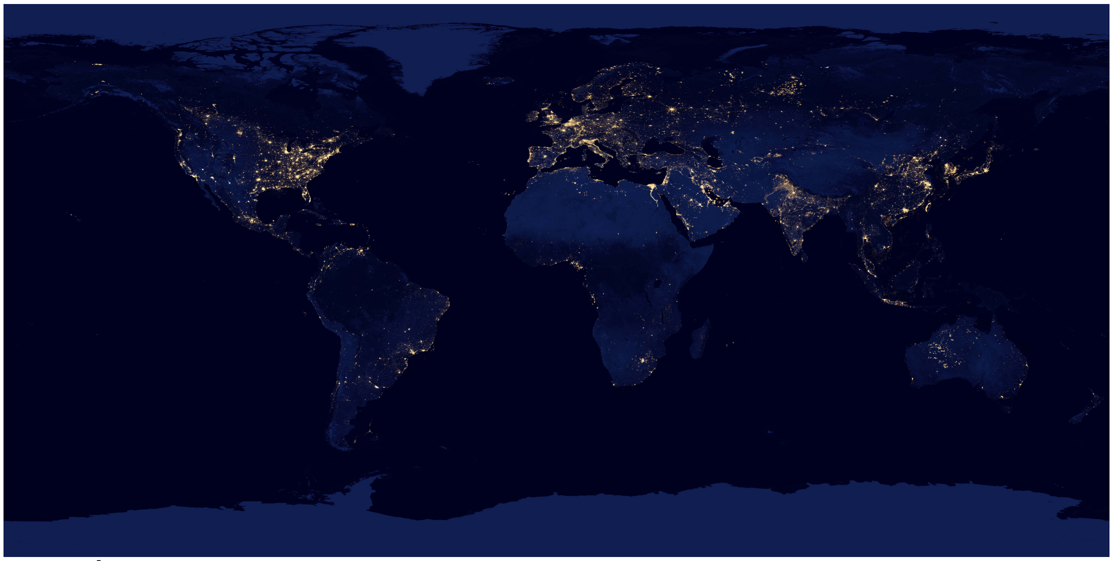

Figure 1[5]*: Image of Earth at night taken from low earth orbit by the Suomi NPP Satellite. This image highlights the many disparities in economic and technological development around the globe.*

Timeline[6]

1492 — Christopher Columbus acknowledges post-Medieval Europe of the existence of the Americas,. beginning centuries of colonial ambitions, and political and economic domination.

1600-1602 – The Dutch and English East India Companies are founded, and both companies will play major roles in shaping trade and commerce throughout the modern world, at the same time creating disparities in wealth, human development, and technological knowledge.

1625 – Dutch legal theorist Hugo Grotius publishes his book *On the Law of War and Peace*, formulating rules and premises for the justification and conducting of war and belligerent activities. This treatise provides the foundation for the modern[7] international system.

1757 – The Battle of Plassey, won by the British East India Company, marks the beginning of the British Raj, and implies a century of Indian political and economic subjugation.

1809-1826 – Various Spanish American colonies begin to fight for independence and self-governance. begining a wave of revolutions aimed at political economic independence.

1839 – The First Opium War breaks out, signifying both European vested interest in trade dominance and an instance of European control over East Asian affairs.

[5] Retrieved from https://www.nasa.gov/mission_pages/NPP/news/earth-at-night.html#.Vc6aJXlCjqT
[6] Content gathered from Tignor et al.'s *World's Together World's Apart* – analysis and interpretation subject to individual interpretation.
[7] Renaissance to Pre-World War II.

1853 – Commodore Matthew Perry arrives at the port of Yokohama, demanding that Japan open its society and economy to the Western World. Within mere decades, Japan races to "catch-up" to the West in terms of industrial and social policy.

1884-1885 – The Berlin conference places Africa (exception Ethiopia and Liberia) European rule, causing economic and political instabilities for the continent in the post-modern era.

1911-1950 – Two World Wars, the Kellog Briand Pact[8], and the Bretton Woods Conference signify a move for the international community from one aimed at selfish self-preservation to cooperative construction and development. The IMF is created in this process.

1948 – The Marshall Plan is initiated as a US government loan program dedicated towards rebuilding European infrastructures, economies, and societies.

1979 – China opens up to the West, alleviating poverty and improving human development. Yet such improvements are limited to only coastal regions.

1989 – The Berlin wall falls, and within two years the Iron curtain and the Warsaw pact collapse. Human development and prosperity ensure, but are distributed unequally.

1994 – The North American Free Trade Agreement is signed into effect, binding the fate of the Mexican economy with those of the United States and Canada.

2012- The Idle No More movement kicks off in Canada, and is sparked by grievances of First Nations Populations about economic and social marginalization.

2015 –Greece votes "No" to a European Union bailout package. The Greece crisis signifies the dangers of globalization and economic interconnectedness.

Historical Analysis[9]

On morning of October 12, 1492, approximately 2 months after leaving mainland Europe, Genoan explorer Christopher Columbus, under sanction of the Spanish Crown, becomes the first post-medieval European to reveal the existence of the American continent. Columbus's mission, one intended to find a direct route from Europe to Asia to gain access direct access to spices, silks, and porcelain for sale in East and Southern Asian markets, results in the colonization of the New World by Western European powers in the succeeding centuries. In a desperate attempt for raw resources and human labour to fuel surging mercantilist economies, British, French, Spanish, Portuguese, and Dutch imperialist forces cross the Atlantic and establish colonies in South, Central, and North America. In depraved acts of inhumane policy initiatives, many native populations are forced to work in fields and mines. Once such policies, along with Old World diseases, have decimated a significant portion of indigenous populations, Western Africans are forcefully expatriated and coerced into working without

[8] "The Kellogg-Briand Pact, 1928 - 1921–1936 - Milestones - Office of the Historian." N.p., n.d. Web. 14 Aug. 2015. <https://history.state.gov/milestones/1921-1936/kellogg>.

[9] As with the Timeline section, the historical analysis has mostly been compiled with information from Tignor et al.'s *Worlds Together, Worlds Apart.* Sections from Kesselman et al.'s *Introduction to Comparative Politics* and O'Neil's *Essential Readings in Comparative Politics* have also been used in the construction of this section. The interpretation of the historical significance of events is a personal and subjective judgment that I have made in the composition of this section; I have attempted to maintain a high level of objectivity and impartiality in this endeavor, yet points of discussion may always arise and be subject to individual perspective.

pay to support the production and harvesting of raw materials. In the northern colonies, native societies and ways of life are gradually marginalized by the influx of European administrators and settlers.

The shockwaves of the developments on the American continent are too slowly affect societies around the world. Europe had yet to find a direct path to Asian goods and markets with Columbus's mission, but within a few centuries Portuguese explorer Ferdinand Magellan, again under sanction of the Spanish throne, succeeds in circumnavigating the globe, and sparks a wave of European colonial activities in the East Indies. The Dutch manage to secure holdings in Indonesia, while the French gain territories in Vietnam, Laos, and Cambodia. Britain comes to control Burma, Bangladesh, India, and Pakistan, while the Spanish hold on to the previously acquired territory of the Phillipines. After the Berlin Conference, the Germans, Italians, and Belgians join in with the rest of Europe and sweep over Africa, subjugating the entirety of the continent with the exception of Ethiopia and Liberia. In nearly every European colony, human capital and economic activities are exploited at the benefit of European market and political goals.

In areas yet to be grazed by Western imperialism such as China and Japan, the question of Western influence is not a matter of if, but rather of when the West is to come influence domestic politics and economics. In 1793, Lord George McCartney approaches the Qing Chinese Emperor, requesting permission for trade between China and England. Qing Emperor Qianlong refuses to acquiesce, and limits economic activities to solely the port of Canton. Within several years, opium floods into the Chinese market, a substance despised by Qing bureaucrats and statesmen. After several scuffles and a period of hostilities, Great Britain engages China in war in an attempt to force open the Chinese market to opium, an event known as the Opium War. A technologically inferior power, China succumbs to the ambitions of the British throne. Slowly, China comes to be subjugated under European "spheres of influence", yet refuses to adopt European technology in an attempt to fend off the foreign powers. China's economy, as those of many others, is opened up by a globalizing world, but is instead exploited by Western Interests.

Japan, in light of the many developments that have occurred over the past centuries, initially chooses to isolate itself from European influence with shogun Tokugawa Iemitsu's *Maritime Restrictions Edict of 1639*. Yet, in 1853, as American Commodore Matthew Perry shows up with troops and warships, demanding Japan be opened to Western trade, the Tokugawa state decides to reverse its 200 year old policy. In the following decades, Japan successfully modernizes according to standards established by Western industry and technology, establishing itself as a power among non-Western state actors. Japan avoids the exploitative foreign policies of the West, and is able to maintain and economic and political domestic environment as determined by its own policy makers.

In the start and midst of the 19th century, a wave of revolutions in Latin America and political movements in North America slowly but surely free the American continent from the grasps of European colonial ambitions. In the aftermath of the First World War, European powers become weakened by the wages of conflict and are frequently troubled by the arduous task of managing affairs home in Europe, and much less administering colonies abroad. After the Second World War Europe is devastated by destruction and strife. As the west moves toward standards of increasingly humanitarian and egalitarian codes of conduct in both wartime and peace, colonial leaders in Africa, South Asia, South East Asia, Oceania, and the Middle East find this as a perfect opportunity to pressure Western imperialist powers to relinquish control back to the hands of local leaders. Gandhi and his tactics of peaceful civil disobedience serve as role models for those seeking emancipation in this period of decolonization, and with several exceptions in the Southern Pacific and Latin America, most colonies around the world find themselves free to govern their own affairs and determine their own destinies.

Within the half millennia of history that has been delineated, most of the world has been left in tatters by either the wages of intercontinental war, colonial policy, or both. Europe is in ruins, and its peoples are left with a crippling sense of insecurity and instability. Africa, South Asia, and Southeast Asia have seen ethnic boundaries trampled and disregarded, human development and local economies manipulated for the purpose of Western benefit. Latin America, though being emancipated from the chains of European rule, still sees disparities between its levels of economic and human development and those of Western countries. In East Asia, China and Korea find themselves torn apart by ideology and foreign exploitation, while Japan finds its infrastructure nearly eradicated, with two of its cities hit by the only two nuclear warheads used in wartimes in human history. In contrast, North American states of Canada and the United States find themselves basking in the luxuries of Western-style industry and development and in the relatively unharmed infrastructures of countries barely touched by war.

However, though Europe has been severely impacted by the war, it will not take long for this once powerful entity to redevelop its industries and economies, and to reintegrate itself into the world order. Harder off are the non-Western former colonies, states once subjugated by imperialist interests, and still finding their levels of development vastly inferior to those of the West.

Throughout the latter half of the nineteenth century, the states of non-Western world act in resolution to better each of its respective societies. Africa, the Middle East, Latin America turn to IMF loans and resource extraction policies to develop their economies. Yet, such provides much benefit for elites, little reward for locals, and loads of environmental destruction and dissent from those left out of the economic windfall. East Asian economies, in particular those of South Korea, Singapore, Hong Kong, Japan, Malaysia, Taiwan (legally considered a sacredly inseparable part of the PRC), and in recent years China demonstrate economic miracles, successfully integrating into the global economy and alleviating millions out of poverty in the process. Europe, with the help of the Marshall Plan, successfully digs itself out of the post Second World War economic depression and attempts to integrate its economies as a whole, creating the European Union. With the fall of the Iron Curtain in 1991, Eastern Europe opens up to global market forces begins integration with the global economy.

In today's economy, regional centres of wealth and power still highlight vast disparities between affluent urban concentrations of wealth and poverty-stricken remote, rural regions. Globalization, a force that has freed so many from poverty and spread so many benefits of technology and modern industry to the developing world, has also resulted in ghastly environmental issues, exploitation of locals by elites, and economic vulnerabilities for local markets. Cultural imperialism, a sense of exclusion, and frustration mark those who have not been involved with the process of globalization. Increasing debt and credit crises as a result of economic integration, especially the recent 2015 Greek debt crisis, have instilled fear in those supporters of globalization and bodies such as the European Union. This has translated into terrorism, domestic political instability, and increasingly protectionist mindsets. The world today is troubled by such evils, and unless policy makers can resolve these issues, fear and instability will continue to dominate the political environment of both the domestic and the international arena[10].

Historical domestic policies of economic development have included those of Import Substitution Industrialization (ISI)[11], fiscal policies oriented towards trade independence, nationalization of key industries, and heavy trade protectionism as a method of development in both the economic and

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[10] Many traditionalist and fundamentalist movements have been conceived through popular disillusionment with the transformation of their societies from traditional practices to Western ones due to the transformative power of globalization.

[11] Baer, Werner. "Import Substitution and Industrialization in Latin Amercia: Experiences and Interpretations." *Latin American Research Review* 7.1 (1972): 95-122. *Isites.harvard.edu*. Web. 14 Aug. 2015.

infrastructural (education, science and innovation, roads, etc.) realms. Such policies were used in late 19th century and early 20th century Latin and Central America. Yet, ISI has proved to produce economic stagnation and lack of economic and technological innovation, and has thus proven itself to be a less than prudent economic policy.

Within the post-war period of the 1950's to the present, development has presented itself as more of an international initiative rather than as a domestic matter. World leaders have declared it to be in the interests of the world for developed countries to promote economic and infrastructural development in developing countries. Cooperation, rather than individual policy efforts, has become increasingly prevalent for economic and infrastructural development initiatives. And it is in this post-modern setting that the world has the potential to transform itself from one of stunning inequalities to one in which every person and region, regardless of background or location, is able to pursue opportunities for self and community development, and to be integrated with the current global order as an equal partner.

Figure 2: Hugo Grotius, regarded by many to be the author to the foundational treatise of international law and the modern international system.[12]

Current Situation

Human history has been characterized by a need to overcome scarcity – scarcity of resources, scarcity of people, scarcity of time. Economics is a field that attempts to resolve such scarcities. It is the role of the IMF to properly delegate monetary resources, human capital, and time into creating a more equitable and egalitarian world in terms of economic distribution and the availability of opportunities for individual and collective advancement.

[12] Retrieved from http://files.libertyfund.org/img/Grotius_Jansz_250.jpg

During the post modern era, after the foundation of the United Nations and international bodies enforcing standards of conduct in international politics, domestic policies, and economic activity, a more cooperative model aimed at collective growth and equitable policies has been the aim of the international community in pursuing international economic and development policies. No longer do states openly exploit foreign labour and markets for economic profit, such activity is conducted under the guise of "development" and "supporting developing economies". Yet, many observers have raised the question of whether or not the post-modern international system truly represents a more equitable world, or is simply a guise under which developed economies continue their exploitation of developing countries.[13] Especially after the rise of globalization as an economic and social phenomenon in the late 20th century, a process in which developing economies are seeing domestic firms, products, and culture being eroded away by an onslaught of foreign goods, economic might, and soft power, one may ask whether globalization has truly "leveled the global playing field" or is simply a continuation of an old world order hidden and masked by post-modern rhetoric and propaganda.

In Thomas L. Friedman's book *The World is Flat*[14], Friedman argues that globalization has removed barriers created by old-world historical, geographical, and political differences, and that opportunities are now more able to be pursued in any corner of the globe than ever. No longer is the world governed by a fatalist system; it has evolved into one of a meritocratic nature where one faces little boundaries based on geographical location or personal characteristics. Yet, in an article titled *The World is Spiky*[15], written by Richard Florida and published in *The Atlantic*, the argument is put forth that while globalization has spread technologies and tools of economic development around the world, urban centres of economic power, human capital, and culture still highlight a vast rural-urban disparity in infrastructure and opportunity, while educational research and creative patents still mainly concentrate themselves in the developed economies of the West, Japan, and increasingly South Korea. Globalization certainly has spread the more superficial measures of development around the world, but it has not produced any long-term and tangible results in terms of intellectual advancement and creative innovation.

However, other scholars such as Jeffrey A. Frankel[16] have voiced out the belief that globalization is a process that has yet to manifest its full potential and fruits. Globalization has not yielded the results that many wish to see simply because there has been insufficient time for globalization to work its effects on societies wishing to reap the fruits integration into the global village.

If views such as that of Frankel are true, and if Friedman and Florida are simply too early in their conclusions, how should globalization continue? What should its goals be? In what manner should it seek to alter and benefit fringe and marginalized communities? Can globalization reconcile environmental sustainability with economic practicality? How can globalization avoid cultural conflicts and marginalization?

However, if globalization is to be seen as a process creating inter-cultural discord and economic disparities, should it be abandoned? In what manner may this occur?

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[13] Nester, W. (1991). Japanese Neomercantilism toward Sub-Saharan Africa. *Africa Today, 38* (3, The Changing Global Balance: Outlook for Africa), 31-51. Retrieved September 23, 2015, from http://www.jstor.org/stable/10.2307/4186760?ref=no-x-route:a8892d56e39bbdbda9d5156385f7b899

[14] Friedman, Thomas L. *The World Is Flat: A Brief History of the Twenty-first Century*. New York: Farrar, Straus and Giroux, 2005. Print.

[15] Florida, Richard. "The World Is Spiky." *Atlantic* Oct. 2005: 48-51. Web. 14 Aug. 2015.

[16] Frankel, J. A. (2000). *Globalization of the economy*. Cambridge, MA: National Bureau of Economic Research.

The essence of this debate lies in three fundamental questions, all complex in scope and multi-faceted. The first, simpler question is whether or not globalization is a preferable course of action and policy for the international community. The second, more intricate issue is how may the international community counteract the negative effects of globalization. And the third, perhaps the most elaborate dilemma, is how the international community can promote economic development around the globe while at the same time aiming for higher levels of human development, political stability, and democratization.

The issues of inequality in the world threaten to overcome the cocoon of security and stability that the world has created for itself in the past half century. Only 49 out of 187 countries are considered candidates for countries with "Very high" levels of human development[17]. 80 out of 197 countries are classified as "high income" economies[18]. Child mortality rates and literacy rates remain undesirable in many developing countries. 80 percent of humanity's 7 billion people live on less than 10 dollars a day[19].

Amongst the "miracle stories" of development, let us consider the case of China. Within the past 36 years, China has achieved great wealth and affluence from opening up to the world economy. Hundreds of millions of its citizens have been lifted out of abject poverty. China has created stunning centres of global finance, innovation, and architectural grandeur. In terms of scientific innovation, China is home to many of the world's fastest supercomputers, and is among one of 3 countries that has individually launched human beings and space stations into earth orbit. It is a world power, and deemed by many to be the world's next largest economy and superpower. Yet, China is marred by its internal conflicts and troubles. While glowing testaments to economic vitality can be seen in its Eastern, coastal cities of Shanghai and Beijing, China's Western interior remains vastly untouched by the global economy, and many of its citizens and industry remain in abhorrent states of poverty and underdevelopment. China's economy has surged at an expense to its environment, with smog levels in its great metropolises being seen as among the highest in the world. Wealth inequality remains high, and China still is nowhere near the top of the list when it comes to Human Development indexes or rankings of GDP Per Capita.

The IMF must consider how countries such as China can effectively use globalization, or other policies, to extend prosperity and human development to the poorest of their regions, while maintaining both economic health and environmental security at the same time. The IMF also needs to guide countries stricken with corruption, poverty, and low levels of development into reaching a level of political stability, economic affluence, and political accountability. In other words, the IMF must attempt to level the playing field for economic opportunities, not only in the most poverty stricken countries of the developing world, but also in developing and developed countries.

There are many avenues for the discussion to flow, yet perhaps the most pertinent issue is whether or not globalization still remains a relevant and desirable option for the world of 2015, and whether or not any viable alternatives exist. The IMF has the ability to help influence change and development at a local level. It can also extend oversight into areas of development, such as environmental issues, corruption, and wealth distribution that are usually neglected by free market models of globalization and development. Many of the trickle-down benefits predicted by these models which are not guaranteed to have any effect may actually realize themselves in a controlled and guided model of

[17] "Human Development Reports Data - United Nations Development Programme." N.p., n.d. Web. 14 Aug. 2015. <http://hdr.undp.org/en/data>.
[18] "Human Development Reports - United Nations Development Programme." N.p., n.d. Web. 14 Aug. 2015. <http://hdr.undp.org/en/content/table-1-human-development-index-and-its-components>.
[19] "Poverty - World Bank." N.p., n.d. Web. 14 Aug. 2015. <http://data.worldbank.org/topic/poverty>.

development, different in nature and design to laissez-faire models. . Additionally, the IMF must analyze cases of development occurring before the phenomenon of globalization, such as those in Porfirio's Mexico, Royalist Iran, and Meiji Japan[20].

The situation at hand is not a dire one, but may manifest itself into a pressing threat to global security and stability if inequalities and perceived issues of cultural imperialism antagonize those not involved with the process of globalization[21]. The IMF has the ability and the duty to stop such a crisis before it becomes eminent, and finding a new philosophy to development to encourage equality and respect indigenous environments and cultures is central to this effort. The debate is thus one that will prove transformative to the international economic, social, and political arena.

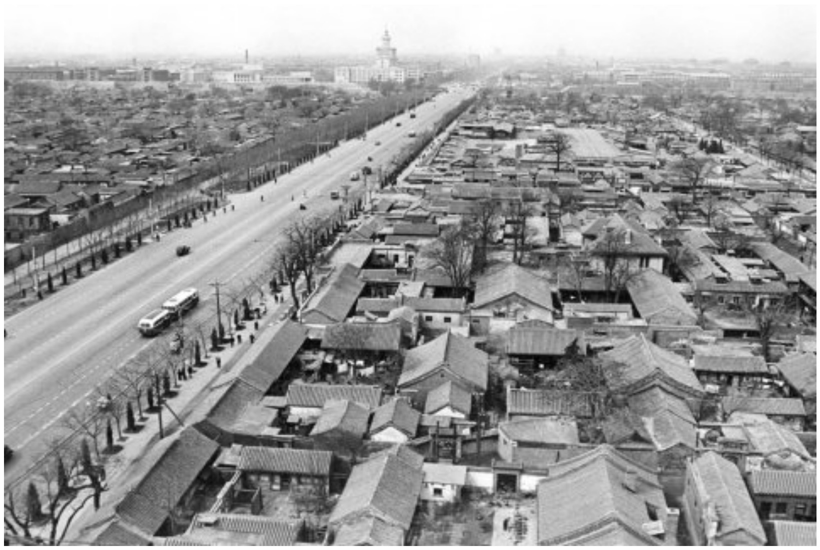

Fig. 3. – Beijing in the 1980's – a relatively underdeveloped city, capital of the world's most populous nation.[22]

[20] Tignor et al.
[21] Refer to footnote 13 for elucidation.
[22] Retrieved from http://www.thegoldenscope.com/wp-content/uploads/2014/05/pechino-7.jpg

Fig. 4. – Beijing in 2015, a representative model of China's glittering transformation from backwater nation to one reaching its full potential.[23]

Past UN/International Involvement

Towards the end of the Second World War, at the Bretton Woods Conference in 1944, international lending institutions such as the IMF were created as a way of regulating postwar financial regulation and global development. A major characteristic of loans and financial aid programs instituted by such organizations is the Structural Adjustment Program (SAP)[24], which imposes conditions and financial reform policies on countries receiving the loan.

In theory, the concept of SAPs seems to be a perfect model of providing for short-term development goals and sustaining development and fiscal health in the long-term. Countries with previously unsustainable and unhealthy fiscal policies would reform their economies in order to achieve economic stability and growth[25]. Yet in many cases SAPs have proven to be less than desirable in their results. In the case of Nigeria, IMF SAP programs resulted in a devaluation of the Nigerian Naira to the US Dollar by a factor of nearly 260 times in the period from 1986 to 2015. In the case of Ghana, IMF SAP programs resulted in a devaluation of the Ghanaian Cedi to the US Dollar by a factor of nearly 400 times in the period from 1984 to 2015[26]. Currency devaluation implies rising prices for goods and services, but not necessarily rising (proportionally) wages. Higher prices have thus meant harder times economically for families and individuals living in countries whose currency values have been affected by IMF SAPs[27].

The reasons for the failures of SAP's in providing for greater economic growth and prosperity for countries and peoples in questions are many and complicated. However, the issues at the core of these cases show many similarities. These include the simplistic belief that neoliberal (laissez-faire, or minimal government intervention/free-market) policies will naturally result in economic growth and development, and a negligence of more pertinent and specific problems such as the prevalence of corruption and the local political climate.

Many, however, argue that the implementation of SAPs is preferable to the lack of any policy. The existence of the SAP would act as a tool and safeguard for ensuring that IMF funds are utilized in the most effective manner. The SAP would be seen as a guideline for fiscal planning and economic development, and would guarantee responsible monetary policy-making and handling of funds in countries where respect for the political process and accountability is so often trampled on and given little regard.

Similar in nature to SAPs, loan agreements mandated that lenders such as Western governments impose conditions on the borrowing country in order to prevent embezzlement of funds and to ensure that development initiatives are actually met. In recent years, non-conventional lenders such as China have provided loans with "no-strings attached" as a method of politically befriending third world countries frustrated with many of the stringent regulations of Western

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23 Retrieved from http://cheriecity.co.uk/wp-content/uploads/2013/05/view1.jpg

24 Imam, Patrick A. "Effect of IMF Structural Adjustment Programson Expectations: The Case of Transition Economies." *IMF Working Papers* 07.261 (2007): 1. *Imf.org*. Web. 14 Aug. 2015.

25 Shah, Anup. "Structural Adjustment-a Major Cause of Poverty." N.p., 24 Mar. 2015. Web. 14 Aug. 2015. <http://www.globalissues.org/article/3/structural-adjustment-a-major-cause-of-poverty>.

26 Ogbimi, F. E. "Structural Adjustment Is the Wrong Policy." *African Technology Forum* 8.1 (n.d.): n. pag. Web. 14 Aug. 2015. <http://web.mit.edu/africantech/www/articles/PlanningAdjust.htm>.

27 Ibid.

governments and IMF loans[28]
In recent ages, a compromise between SAPs and conditions and local governance and regulation has been advocated for[29]. Allowing local oversight into handling funds and devising economic development programs to better tailor development to fit local political concerns and conditions is an option that still provides the long-term planning and accountability as demanded by the IMF, but takes into account local politics and economic factors. As a result, one may see development initiatives providing the desired results, and in turn resulting in actual prosperity and growth for local economies and populations.

International involvement in the past has been marked by the debate between conditions and self-governance, and the IMF will have to devise a method of providing loans that can ensure proper development but also are considerate of local circumstances.

Fig. 5. – Former Brazilian President and former Indian Prime-Minister meeting with former South African President in 2009, demonstrating the partnership between untraditional lenders (emerging economies) and third world developing nations.[30]

Possible Solutions and Controversies[31]

[28] Schiere, R. (2010). Building Complementarities in Africa between Different Development Cooperation Modalities of Traditional Development Partners and China. *African Development Review, 22*, 615-628; Tugendhat, H. "Agricultural Development in China and Africa." *Future Agricultures Consortium* (2014): n. pag. *Dfid.gov.uk*. Government of the United Kingdom, Department for International Development, Feb. 2014. Web. 23 Sept. 2015; Li, X., & Carey, R. (2014). *The BRICS and the International Development System: Challenge and Convergence?* (No. IDS Evidence Report; 58). IDS.; Erthal Abdenur, A. (2014). Emerging powers as normative agents: Brazil and China within the UN development system. *Third World Quarterly*, *35*(10), 1876-1893; Banks, N., & Hulme, D. (2014). New development alternatives or business as usual with a new face? The transformative potential of new actors and alliances in development. *Third World Quarterly*, *35*(1), 181-195.
[29] "The IMF's Enhanced Structural Adjustment Facility (ESAF): Is It Working?" N.p., Sept. 1999. Web. 14 Aug. 2015. <https://www.imf.org/external/pubs/ft/esaf/exr/>.
[30] Retrieved from http://www.un.org/africarenewal/magazine/july-2009/emerging-economies-hold-promise-africa
[31] Most of the recommendations and policy consultations in this section come from readings selected from Kesselman and O'Neil. Articles such as those in footnote 27 have also been chosen to aid in the writing of this section. Again, the highly subjective and variable nature of resolutions to any problem render this section open to controversy and debate. I have attempted to amass as many perspectives and positions towards the resolution of this topic as possible in the construction and composition of this section. It is recommended that delegates read this section understanding that its

Several possible solutions exist. Solutions include:

1. Promoting the growth of local industries
2. Promoting the development of regional Import Substitution Industrialization policies
3. Promoting the spread of urbanization as a method of fostering growth in disparate regions.

The first solution, promoting the growth of local industries, calls for regions to establish a specialized concentration in a certain industry or practice, and to serve as a major supplier for that specific industry within the context of that region's province/state, country, or continent. This solution may see its recommendations manifested in the construction of factories in rural areas, the establishment of call centres in areas of low employment, or the creation of companies whose activities included solely planting a specific crop. Through this resolution, it is hoped that people living in marginalized regions may establish for themselves a niche within the world economy, and play a specialized role within the global economy.

The resolution described in the preceding paragraph could be achieved by the IMF through IMF funds and grants to local businesses and companies in areas of low economic development. The IMF could loan to local entrepreneurs and business owners a startup fund, which, if handled properly, could result in the development of vibrant local industries. Eventually, it is hoped that local businesses could develop themselves and their regions in key economic players, and provide jobs and opportunities for those living far away from urban centres of power and wealth. This resolution calls for a bottom-up approach based on neoliberal economics, instead of a top-down approach based on neoliberal economics, which relies on trickle-down economics that often results in economic marginalization.

The second solution, promoting the development of ISI policies for regions, envisions a radically different model of development than that envisioned by globalization. Instead of integration into the international community, economically marginalized regions would attempt to gain self-sustenance in energy, food, supplies, industry, machinery, etc. ISI on a regional level would encourage regional economic independence. No longer would disparate regions be held ransom by an already established global economy in which marginalized players find it hard to insert themselves; rather, they would be creating their own economic system and through this, would develop their own industries and infrastructure.

An advantage of the second solution is that it is much more logistically simple to implement, and would be less daunting a task for the international community to execute. This solution would promote economic self-sufficiency, and would also diminish the risks associated with economic networks, such as vulnerability in the case of a recession. However, this solution would segregate regions economically, culturally, and politically. This may produce certain tensions in the political climate. Many of the current global advances achieved through global cooperation would see future growth and potential stunted by regionalist policies.

A method through which the IMF could achieve the second resolution is by pledging certain amounts of capital to local governments in order to promote the creation of local industries that could provide substitution for imported materials and goods. With this creation it is hoped that economic prosperity and development could flourish in these regions as a result of this independently guided and pursued policy.

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consultations come from eclectic perspectives and viewpoints, and attempt to discern which ones most clearly fits their country's bloc position.

The final solution, promoting urbanization, envisions hinterland regions being transformed into parts of larger metropolitan centres, and for regional centres of population to be transformed into major urban centres. This solution would support infrastructure development through the construction of transportation implements such as transit, roads, and bridges to link regions to one another. In addition, infrastructure such as airports, postal processing centres, government administrative buildings, etc. would be built in the process. This effectively connects people in rural and marginalized areas to larger urban centres, and provides them easier access to economic and social opportunities. This solution, being the least radical of the three, would also be the easiest to implement.

The IMF could participate in the realization of the third solution through providing loans and grants to municipal and regional governments to aid with the construction of new urban centres and the furthered integration of marginalized regions with the global economy.

Controversies surrounding the topic included those of environmental negligence, cultural imperialism, elite dominance of economic and material resources, and economic mishandling. In many non-western countries around the world, popular sentiment has risen in opposing the influx of western culture that has been an effect of globalization and international integration. In particular, the frequency of American food chains such as McDonald's and Starbucks have made many around the world fearful of local food traditions and lifestyles being overwhelmed by Western ones. In many countries around the world such as Brazil and China, globalization has also led to a frenzy for development and global economic integration, resulting in local businessmen and policy makers neglecting environmental concerns, causing issues such as the deforestation of the Amazon, smog and river pollution in Chinese cities, and many more issues. In cases such as African development through the help of the IMF, revenue from IMF funded programs have frequently been sequestered into elite hands. In particular, Nigeria's oil revenue is mostly within the hands of central government officials, and little sees its way into the hands of the Ijaw people, the inhabitants of the oil producing areas. Additionally, in many cases aid money has been squandered and embezzled by elites and government officials.

Many controversies surround the issues of international development, and many solutions attempt to provide the best path to equalizing opportunities around the world for all. Yet through this nimiety of problems and voices, the IMF must seek to promote a fairer world in which a meritocratic and equitable platform of opportunity and growth can exist, propagating a global system of meritocracy and equality of chance.

Bloc Positions

Neoliberal Countries

These countries, such as Canada, the United States, and European Union countries, embody the paradigm of the "free-world" and the "developed world". In many cases, these countries have traditionally been amongst the most developed nations in the world, and their average wages rank near the top of the list. Neoliberal countries have traditionally been the destination of immigrants from other countries, due to associations with prosperity, opportunity, development, and political freedoms. These countries are more likely to favour resolutions using free market philosophies and trickle-down economics in their implementation.

Command Economies

These include countries such as China, North Korea, Vietnam, and to a certain extent Japan and Singapore whose fiscal policies and markets are highly controlled by the state. These countries are equally likely to favor protectionist, isolationist economies as they are likely to favour free-trade, globalized markets. However, they tend to have centrally coordinated economic markets rather than a free market economy, and are more likely to adopt resolutions that are tailoured towards a command model of development, rather than those operating on a neo-liberal economic philosophy.

The Developing World

These countries, including many in Sub-Saharan Africa, the South Pacific, South and South-East Asia, Oceania, Latin America, and Central Asia, have relatively low levels of human development, income, and GDP. As countries with relatively unstable economies, political climates, and volatile social issues, developing world countries frequently look to countries with levels of high economic and social development as models for economic growth and expansion. These countries will favour resolutions offering substantive aid and leniency from developed countries. In terms of economic philosophy, due to the oftentimes repressive natures of their regimes, developing world countries will favour command market economies.

Discussion Questions

1. Considering the repercussions of environmental negligence, cultural imperialism, and economic marginalization, is globalization the most desirable model for development in both developing countries and disparate regions of developed countries?

2. How can environmental issues and the other consequences of globalization be mitigated while at the same time preventing the hindrance of economic development?

3. How may private and public interests can be reconciled in development?

4. How can development and loan packages be tailored to fit the economies and countries to which they are applied? In other words, how can SAP's be better designed and implemented?

5. Is it possible for Bretton Woods institutions and other lenders to ensure complete efficiency in development and prevent corruption without neglecting to consider local political and economic circumstances?

6. How could the IMF use other UN agencies and precedents to foster international development?

Additional Sources

An essay published in *The Economist* detailing the historical influences on China's economy and political system, and discussing how those influences apply to China's modern day system of development and economics. An interesting case study for the topic.

http://www.economist.com/news/essays/21609649-china-becomes-again-worlds-largest-economy-it-wants-respect-it-enjoyed-centuries-past-it-does-not

A website offering insight into commonly used terms in international politics and finance. The term used in the link is *"resource curse"*, and explains many of the consequences associated with an export based economy as a model of development.

http://www.investopedia.com/terms/r/resource-curse.asp

A SCMP article offering a view into blending aspects of traditional socialism and capitalism.

http://www.theguardian.com/sustainable-business/2015/apr/21/regenerative-economy-holism-economy-climate-change-inequality

An article offering a criticism on traditionally held views of neoliberalism as a goal of economic development and adjustment.

http://www.globalresearch.ca/neoliberal-capitalisms-fatal-flaws-a-call-for-an-alternative-economic-system/5439029

An article explaining the relationship between environmental destruction and economic development, highlighting the case of the Indian economy.

http://www.nytimes.com/2015/02/23/opinion/cutting-through-indias-smog.html?_r=0

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International Monetary Fund Topic B

Economic Diversification

Overview

Figure 1: An oil sands facility in Alberta, Canada.[32]

“Economics is the study of mankind in the ordinary business of life”, stated Alfred Marshall, a great English economist. Yet, how does man go about in his business? Does he produce goods or provide services? What goods does he produce? How does he produce them? Does he farm, mine, or build? Which services does he provide? Are they intellectual or physical?

In the realm of international politics and finance, such questions present themselves in a larger context. What are the main economic industries of a certain country? Does that country primarily produce goods or provide services? the country have an established tradition in any one trade or industry, or is it a newly industrialized nation? All such questions are crucial to the economic activity of any nation within both the domestic and international spheres.[33]

For many western and developed countries, economic activity has been founded on both a gradual evolution of traditional industries and the creation of new industries through scientific and technological innovations. Yet, in the developing world, economies have undergone a much more artificial and planned developmental path. Industries have been created by imitating those found in other, more prosperous countries. Rather than a natural evolutionary path from a pre-industrial to an industrial society, these countries have either exploited resources or copied other industries in order to achieve rapid economic growth within a short period of time.[34]

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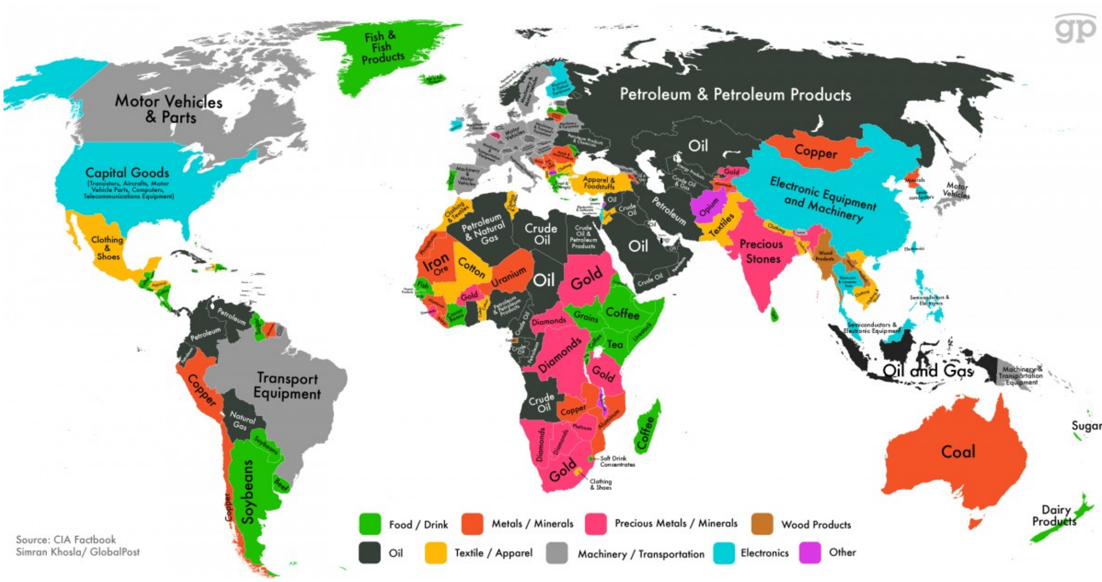

Figure 2: A map detailing main exports for each country of the world.[35]

However, this model of rapid development presents many dangers and traps. Aside from the all too common issues of cultural preservation and environmental negligence, economic dependence on a single industry or trade places many countries in precarious situations. Dependency on a single resource or source of revenue renders economies vulnerable to shifts in variables such as price, demand, and supply. For example, Russia, Iran, and Nigeria's dependence on oil exports renders them vulnerable to a decrease in oil prices, new fuel-efficient technologies, or the introduction of new oil deposits in other countries, such as the introduction of the United States as an international oil exporter in 2015.

Economic dependency results in economic vulnerability, and often affects only the dependent country in question and doesn't affect other economies. Vulnerability results in less chances for economic development and prosperity. This means greater social issues and political instability. Economic dependency thus is an extremely undesirable state for an economy to be in, and it would only be logical to suppose that a nation take all steps available to avoid economic dependency. However, economic diversification is almost always difficult to achieve, and many countries who depend on a single industry find it difficult to create new industries and diversify their markets.[36]

Political and social stability on a global scale are goals to be pursued by the international community. Without resolving issues of economic production diversity, vitality, and stability, however, such objectives are less likely to be achieved and realized.[37] The IMF has the ability and the responsibility to ensure that economic conditions worldwide are conducive to fostering stable and healthy political and social environments. It will be the goal of this committee to confront this daunting and crucial objective.

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[35] http://www.businessinsider.com/every-countrys-highest-valued-export-2014-5

[36] O'Neil, Patrick. *Essentials in Comparative Politics: With Cases*. New York, NY: WW Norton &, 2012. Print.

[37] Kesselman, Mark, Joel Krieger, and William A. Joseph. *Introduction to Comparative Politics*. Boston: Houghton Mifflin, 2004. Print.

Timeline[38]

1781 — James Watt patents the continuous rotation steam engine, mechanizing and industrializing production and sweeping away traditional economic practices.

1876 — Porfirio Díaz becomes President of Mexico. His economic policies consist of promoting massive foreign enterprise and ownership of Mexican industries, which ultimately fail.

1901 — The D'Arcy concession is signed between British oil prospector William Knox D'arcy and Mozzafar al-Din Shah of Qajar Iran, beginning a trend of Iranian resource dependency.

1948 – In the aftermath of the Second World War, the United States sends economic aid to help European countries rebuild their economies and industries.

1952 – General Douglas MacArthur along with Allied occupation forces withdraw from Japan, though not before formulating major reforms in economic and social policy, enabling it to embark on rapid development and reconstruction.

1958 – In an attempt to foster greater economic integration and economic security, the European Economic Community (EEC) is conceived by various European nations.

1973 – Oil prices suffer from staggering declines, and countries around the world dependent on oil for GDP revenue such as Iran, Mexico, and Middle Eastern states suffer greatly.

1978 – Deng Xiaoping becomes paramount leader of China and oversees the opening of the China to the West and economic growth for the China. China's growth is greatly dependent on export oriented manufacturing.

1987 – The Canadian federal department for Western Economic Diversification is founded as an initiative by the Canadian federal government to reduce Western Canada's reliance on resources for revenue.

1989 – The Berlin Wall falls, and the Iron Curtain follows suit within 2 years. Economic issues were central to the collapse of the Soviet bloc in the late 1900's as isolationist policies focused mainly on domestic economics fostered stagnancy.

1994 – The North America Free Trade Agreement is implemented, tying the economies of Mexico and Canada to the economic profitability and trade with the United States.

2005 – Negotiations for the Trans-Pacific Partnership free trade agreement begin, and the agreements are noted by a variety of governments as an opportunity for economic diversification as an increase in foreign markets results in an increase in demand and business opportunities in industries where previously non-existent.

2008 – The Great Recession begins, and demonstrates the extent to which financial sector actors and the stock market can determine the health of national economies all over the globe.

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[38] Content gathered from Tignor et al.'s *World's Together World's Apart* – analysis and interpretation subject to individual interpretation.

2008 – Vision 2020, an economic growth plan, is devised in Nigeria as a method for the country to become one of the world's top 20 economies by the year 2020. Economic diversification is noted as one of Nigeria's main priorities.

2015 – American oil enters global production, and lowers the price of oil dramatically. Oil-dependent countries suffer from economic downfall due to lowered profits, demonstrating the dangers of limited economic diversity.

Historical Analysis[39]

As with most issues concerning national macroeconomics in a globally comparative analysis, the global system of economics and trade based on colonial interests and mercantilist policies has created a modern world replete with vast disparities and inequalities. For most Western neo-liberal economies, the process of building a modern economy has been a gradual and natural one, evolving through transitional stages such as the Industrial Revolution, the Second World War, and the Technological Revolution. They have seen traditional industries transformed and evolved to fit new technological, political, and social circumstances. They have also seen new industries emerge as a result of these new circumstances. The creation of modern economies in these countries was a result of slow and natural change.

In contrast, many non-Western countries whose economies have been described as developing have adopted a much more planned and artificial development scheme. These countries have modeled their economies after those of Western nations, and have resorted to imitation and adaptation according to Western economic norms. However, in this process, many of these countries have created specialized niches in which their economies serve a functional tool in the greater global economy. Their economies serve to supply specific goods or services rather than reflect a more holistic and native economic spectrum.

This process has resulted in the economies of non-Western countries becoming dependent on a specific resource, good, or service in the modern economic climate. Countries such as China and Bangladesh have defined themselves as manufacturing and exporting nations serving the interests of a consumerist west. Economies in the Middle East, Africa (Nigeria), and Latin America (Venezuela and Mexico) have devoted much of their economic production to the extraction and export of petroleum and other fossil-fuel based natural resources. Even regional economies within countries face similar problems. Within Canada, Alberta's economic health is tied to oil prices and extraction, whereas the Prairie Provinces are tied to agriculture and Canada's system of supply management. The Northern Territories have economies based in mining and resource extraction, whereas Newfoundland has an economy steeped in off-shore oil rigs.[40] Much of the St. Lawrence Lowlands depends on

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[39] As with the Timeline section, the historical analysis has mostly been compiled with information from Tignor et al.'s Worlds Together, Worlds Apart. Sections from Kesselman et al.'s Introduction to Comparative Politics and O'Neil's Essential Readings in Comparative Politics have also been used in the construction of this section. The interpretation of the historical significance of events is a personal and subjective judgment that I have made in the composition of this section; I have attempted to maintain a high level of objectivity and impartiality in this endeavor, yet points of discussion may always arise and be subject to individual perspective.

[40] Polese, M. (2006, February 07). Regional Economics. Retrieved September 26, 2015, from http://www.thecanadianencyclopedia.ca/en/article/regional-economics

manufacturing as a main source of economic profit[41], and most Maritime Provinces depend on fishing and lobster harvesting industries for economic prosperity.[42]

Yet, these countries and regions are prone to economic disaster due to unpredictable and oftentimes uncontrollable factors. The recent 2015 introduction of American oil into the global market has driven down oil prices, affecting the economies of Russia, the Middle East, and even Canada. The fall of oil prices in the1970's even prompted revolutions and political changes, such as the Islamic Revolution in Iran and the easing of political restrictions in PRI Mexico. Tainted food products and manufactured items in China caused Western nations to look to other countries with higher quality and cheaper goods. The Mad Cow Disease crisis caused economic woes for British farmers. Economic dependency creates volatile conditions for regions, industries, and countries dependent on a specific good or service.

Economic dependency also fosters the idea that non-Western countries fulfill only a role in supporting a Western-dominated global political and economic system rather than acting as equal and important partners. It reinforces the notions and feelings of imperialism and mercantilism of past centuries. Indeed, many of these countries have once again seen their fates tied to the whims and fancies of the West, with examples including Mexico's inclusion into NAFTA affecting its economic independence and viability. [43]

Economic dependency is a condition conducive to anxiety, unrest, and conflict. Yet it is also a condition that is hard to escape from in a world that is already so intricate and developed in economic interactions and finance. Political and economic stability can be guaranteed from securing a single, stable source of income and economic profit for dependent regions, countries, and groups. However, before that day comes, the global economy and society will still be plagued by uncertainty.

Current Situation[44]

In 2015, American oil was introduced to the global market[45]. The sudden and drastic increase in oil supply shifted the balance of supply and demand, and as a result, oil prices took a sudden plunge, affecting economies from Russia, to the Middle East, to Canada. Oil dependency is only one form of economic vulnerability affecting a plethora of countries on a global scale, yet it is not the only manifestation of this economic phenomenon. The increasing availability of cheap manufactured products from countries such as Bangladesh and Indonesia have threatened China's economic growth as a financial superpower whose main source of income is based on an export economy rather than a consumer economy[46]. The introduction of more popular and more appealing consumer electronics by American firms such as Apple and Korean firms such as Samsung threaten to marginalize Japanese firms such as Sony in the consumer electronics industry. Countries all over the world are facing economic marginalization due to economic dependency.

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[41] Ibid.
[42] Ibid.
[43] Stratfor. (2014, January 7). NAFTA And The Future Of Canada, Mexico And The United States. Retrieved August 31, 2015, from http://www.forbes.com/sites/stratfor/2014/01/07/nafta-and-the-future-of-canada-mexico-and-the-united-states/
[44] Sourcing for this section comes from Lipsey, Courant, and Ragan's *Economics*, readings selected from O'Neil's *Essentials in Comparative Politics*, and Kesselman's *Introduction to Comparative Politics.*
[45] Krauss, C. (2015, August 31). Oil Prices: What's Behind the Plunge? Simple Economics. Retrieved August 31, 2015, from http://www.nytimes.com/interactive/2015/business/energy-environment/oil-prices.html?_r=2
[46] Palley, T. I. (1970). The Rise and Fall of Export-led Growth. *Management Science, 17*(2, Application Series, Educational Issues in the Management Sciences and Operational Research). Retrieved August 31, 2015, from http://www.levyinstitute.org/pubs/wp_675.pdf

However, many countries still jump on the bandwagon of economic profiteering based on a specific good or service due to the massive profits guaranteed in the short term. The revenue accrued by African and Middle Eastern countries endowed with oil reserves and by South Pacific countries capitalizing on tourism results in nearly instantaneous earnings. This luck, however, is a phenomenon whose effects are sadly rarely long-lasting. Despite this fact, countries desperate for profit and economic capital pursue this option as an easy route to wealth.

The consequences of such dependency are beginning to manifest themselves in social and political issues. China's GDP growth shows an ever-declining growth from year to year. Expanding and diversifying markets for trade has become a most relevant topic in the 2015 Canadian federal election. OPEC countries are deliberating methods to reverse the effects of American oil in the global market on oil prices and on their own economies[47]. Mexico has seen its once vibrant, isolationist economy show fractures and volatility due to the surges and falls of the American economy[48].

Yet there exist cases of countries actively seeking to diversify economies. China's current administration has pledged to promote consumerism and more domestic activity in order to counter its decreasing economic growth rates. Canada is seeking new buyers for oil products through the Northern Gateway pipeline and new markets for its products through participation in the Trans-Pacific Partnership (TPP)[49]. Mexico, a country traditionally dependent economically on resource exports, has rapidly switched to exports and manufacturing in the last several decades in a desperate attempt to maintain economic viability and utilize the massive nearby American market as a destination for is products[50]. Though the task of creating new industries and markets may seem daunting, clever policy formulation and wily negotiations with domestic economic players as well as foreign counterparts can all result in economic diversification.

In the world today, there still exist many non-Western countries whose economies are tied to a single resource or good, and whose economic function in the world market is to play a limited role supplying a single commodity. Among these countries, there are also those who are actively taking steps to reduce economic dependency and diversify as well as stabilize their macroeconomic conditions. Crises due to economic factors and other issues threaten to rock the stability of these economies and their societies. Yet, domestic economic focus alone is likely to foster stagnancy in the long run. Delegates must be able to balance the virtues and risks of an export based and domestic focused macroeconomic situation in their countries. Economic diversification, then, for both industries and economic interactions within and outside of state borders is the key to long term economic security, and it will be a major objective of the IMF to ensure that nations with economic vulnerabilities due to dependency pursue policies and programs on both national and local levels in order to foster the creation of new industries.

Past UN/International Involvement

[47] Van de Graaf, T., & Verbruggen, A. (2014, December 22). Saving OPEC. Retrieved August 31, 2015, from https://www.foreignaffairs.com/articles/persian-gulf/2014-12-22/saving-opec; OPEC: The Real Reason Why It Didn't Cut Production. (n.d.). Retrieved August 31, 2015, from http://www.investingforprosperity.com/opec.html

[48] Weisbrot, M. (2014, January 4). NAFTA: 20 years of regret for Mexico. Retrieved August 31, 2015, from http://www.theguardian.com/commentisfree/2014/jan/04/nafta-20-years-mexico-regret

[49] Beltrame, J. (2014, June 29). Harper's Free Trade Agenda May Just Be A Bit Too Ambitious. Retrieved September 26, 2015, from http://www.huffingtonpost.ca/2014/06/29/trans-pacific-partnership_n_5541222.html

[50] Vanham, P. (2015, May 05). Top 10 things to know about the Mexican economy. Retrieved August 31, 2015, from https://agenda.weforum.org/2015/05/top-10-things-to-know-about-the-mexican-economy/

In the devastating aftermath of the Second World War, and ideological war took place on the ravaged battlefields of post-war Europe, with the Soviet Union and the United States competing for political influence[51]. Part of the American strategy to attract allies was to offer large re-construction packages in a program commonly known as the Marshall Plan. The Marshall plan helped European governments develop separate industries, and gain control of these industries under Keynesian economic principles[52]. European governments played active roles in ensuring that their respective economies were well balanced and were secure financially[53]. Foreign aid helped governments in creating and maintaining industries, many of which were solely dedicated to domestic consumption, helping secure a diversified and stable economic situation[54].

In other agreements and economic areas around the world, such as the European Economic Community (EEC)[55] or North American Free Trade Agreement (NAFTA)[56], exports and trades have helped countries develop new industries. In the case of NAFTA, the Mexican economy has shifted from one dedicated to resource extraction and exportation to one with new focus on manufacturing and product exportation. Free trade zones and agreements have also helped countries focus economic efforts and industries towards producing goods for export and foreign consumption.

The IMF has held conferences and think tanks in countries dependent on a single resource/commodity for income in order to identify objectives and goals for those countries to pursue in order to achieve a diversified and stable economic situation. The IMF has served a largely advisory and consulting role for the issue, rather than provide concrete aid towards promoting economic diversification. Of course, the IMF has prioritized diversification in its SAP (refer to Backgrounder for Topic A) packages that it has pledged to developing nations in the past, and it can be said that many SAP's are focused towards achieving diverse, stable economic situations[57]. Yet as time and examples have proven, SAP's have, in many cases, caused more harm than good, thus rendering them a less desirable option[58]. In many ways, the IMF serving as a consulting body to countries aiming to achieve diversified economies has indirectly aided countries in creating and achieving their own SAP policies and initiatives.

Aside from the aforementioned international efforts geared towards promoting diversification, economic diversification has not been a priority in many international efforts. Rapid economic development through the exploitation of a single resource or commodity has been regarded as a shrewd method of wealth accumulation by developing nations, and has been seen as a solution to

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51 Tignor, *Worlds Together Worlds Apart.*
52 Marshall Plan, 1948 - 1945–1952 - Milestones - Office of the Historian. (n.d.). Retrieved September 26, 2015, from https://history.state.gov/milestones/1945-1952/marshall-plan
53 Kesselman, *Introduction to Comparartive Politics.*
54 Ibid.
55 Gabel, M. J. (2014, August 25). European Community (EC) | European economic association. Retrieved September 26, 2015, from http://www.britannica.com/topic/European-Community-European-economic-associatio
56 Sergie, M. A. (2014, February 14). NAFTA's Economic Impact. Retrieved August 31, 2015, from http://www.cfr.org/trade/naftas-economic-impact/p15790
57 Imam, Patrick A. "Effect of IMF Structural Adjustment Programson Expectations: The Case of Transition Economies." *IMF Working Papers* 07.261 (2007): 1. *Imf.org*. Web. 14 Aug. 2015.
58 Shah, Anup. "Structural Adjustment-a Major Cause of Poverty." N.p., 24 Mar. 2015. Web. 14 Aug. 2015. <http://www.globalissues.org/article/3/structural-adjustment-a-major-cause-of-poverty>.; Schiere, R. (2010). Building Complementarities in Africa between Different Development Cooperation Modalities of Traditional Development Partners and China. *African Development Review, 22*, 615-628; Tugendhat, H. "Agricultural Development in China and Africa." *Future Agricultures Consortium* (2014): n. pag. *Dfid.gov.uk*. Government of the United Kingdom, Department for International Development, Feb. 2014. Web. 23 Sept. 2015; Li, X., & Carey, R. (2014). *The BRICS and the International Development System: Challenge and Convergence?* (No. IDS Evidence Report; 58). IDS.; Erthal Abdenur, A. (2014). Emerging powers as normative agents: Brazil and China within the UN development system. *Third World Quarterly*, *35*(10), 1876-1893; Banks, N., & Hulme, D. (2014).

abject poverty rather than a source of instability and volatility[59]. Consequently, many international efforts have promoted the creation of rentier states[60] and thus economically dependent countries as a result, causing the current woes of countries suffering from economic dependency. As the risks of such a policy are beginning to manifest themselves through time and example, the international community is seeking to reduce dependency and promote diversification

The IMF, as an international monetary institution, may be most fit to lead the global effort in creating diverse and stable economies. As policy makers and governments begin to see the virtues of a more stable, more eclectic economic portfolio rather than a more rapid, more focused economic policy, it is hoped that the former will be adopted in regards to macroeconomic planning and regulation. The IMF can promote this process through think tanks and loans. Yet political interests within individual countries themselves must be willing to adopt a slower and more gradual approach to economic policy. They must be able to recognize that beneath the allure of rapid growth lie the biting consequences of volatility and sudden change.

Economic diversification is the next stage of development and economic policy for many policy makers in developing countries. Diversification represents a key step from a rudimentary and transitioning economy to an intricate and mature economy, and is the goal of the next wave of global efforts aimed towards securing economic stability. The IMF has the capability and capital (human, social, economic) to lead this effort, and the actions of delegates will determine the future of global economic security.

[59] Refer to footnotes 13 and 15.

[60] Definition for term "rentier state" may be found at Hollo, J. Z. (2013, October 11). Rethinking Rentier State Theory: Qatar and the Rise of Smart Money - Fair Observer. Retrieved September 26, 2015, from http://www.fairobserver.com/region/middle_east_north_africa/rethinking-rentier-state-theory-qatar-rise-smart-money/

Possible Solutions and Controversies[61]

There exist several possible methods to economic diversification. These include1. Promoting the proliferation of isolationist macroeconomic policies, 2. Promoting the development of new businesses and industries on a local level, and 3. Promoting technological and scientific research.

The first solution of promoting isolationist macroeconomic policies requires countries to disengage themselves from the global economy and actively pursue economic policies focused on the domestic sphere rather than in trade and finance. This would encourage less reliance on global economic trends and patterns, and enable countries to function economically in spite of arbitrary factors such as decreases in prices, stock market crashes, or a sudden surge in tariffs. Such a solution would emphasize economic production and consumption within state borders as being the main source of a nation's GDP. This would reduce the likeliness of a country transforming into a rentier state and depending on a single commodity or service for most of its revenue[62].

The IMF could promote this resolution through coordinating national macroeconomic policies in a series of high-level international conferences and think tanks. Additionally, the IMF could award grants to governments wishing to exercise more control over their economy and use state-led development as a model for fostering certain domestic aspects of a national economy. This method would be similar to the Marshall plan; the only difference would be that this aid is aimed towards development of domestic industry rather than economic reconstruction.

The second solution listed would promote a more neoliberal approach, and demand that small businesses and industries develop by themselves on a local and national level. This approach differs from the first solution due to its emphasis on neoliberal economic thought rather than on Keynesianist economic philosophy. In other words, this resolutions calls for the private sector to pursue development rather than for the government to play the main role in this process. Such a solution would envision businessmen and entrepreneurs creating new niches and industries within the existing economy. This process would result in a diversifying economic environment, and imply less economic dependency and volatility as a result[63].

The IMF could promote this resolution by offering loans and aid to entrepreneurial individuals or large corporations willing to take up the challenge of forging new industries and economic practices, or developing marginal industries currently not supplying the national GDP with a sizeable amount of revenue. Private actors applying for IMF grants would need to convince IMF officers and officials that their business plan is capable of both profits and diversification, and would contribute to a healthier macroeconomic environment. Thus, this solution would also provide impetus for private sector actors to think innovatively in finding new business opportunities in less developed industries.

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[61] Most of the recommendations and policy consultations in this section come from readings selected from Lipsey, Courant, Ragan, Kesselman and O'Neil. Articles such as those in footnote 27 have also been chosen to aid in the writing of this section. Again, the highly subjective and variable nature of resolutions to any problem render this section open to controversy and debate. I have attempted to amass as many perspectives and positions towards the resolution of this topic as possible in the construction and composition of this section. It is recommended that delegates read this section understanding that its consultations come from eclectic perspectives and viewpoints, and attempt to discern which ones most clearly fits their country's bloc position.

[62] This policy recommendation has been formulated from historical cases of the Mexican economy, the American economy, and Warsaw Pact economies as delineated in Tignor's *Worlds Together, World's Apart* and Kesselman's *Introduction to Comparative Politics.*

[63] This specific recommendation comes from case studies of the administrations and governments of Mulroney (Canada), Reagan (USA), and Thatcher (UK). Additionally, please refer to footnote 27.

The final solution listed would promote technological and scientific research. This solution attempts to recreate a situation and event analogous to those of the industrial and technological revolutions. Just as new industries sprang out of the prolific nature of mechanized industry and technological advances, new breakthroughs in STEM related fields could potentially fuel radically new industries an promote immense growth. This situation, however, may simply redirect economic dependency towards relying on the new breakthroughs as a main source of GDP; yet small innovations and discoveries can nonetheless promote new industries and new products that can aid with the process of economic diversification.[64]

The IMF could promote this resolution towards funding research institutions and giving to laboratories and researchers all over the globe. The IMF could also partner with other UN institutions and create an international research effort that would incorporate scientists worldwide in a project devoted towards scientific innovation and research. This would hopefully result in breakthroughs as a result of international cooperation and collaboration, and help with both STEM related research as well as economic diversification.

Controversies surrounding the topic include those of trade cartels, rentier state theory, and elite opposition. The first issue of contention, trade cartels, include organizations like OPEC whose goals are to maintain a monopoly in the trade of a certain resource or substance in order to maximize economic profit through the sale of that resource. Trade cartels would be opposed to the notion of diversification as a diversified economy drifts away from the principle of massive profits based on a single resource. Trade cartels would also be opposed to the development of new industries or technologies that could supplant their resource monopoly.

A second issue of controversy would be rentier state theory, which states that a state, if able to provide welfare and prosperity to citizens regardless of method, will enjoy economic stability and political tranquility in the long term. Middle Eastern bloc countries and countries dependent on resources point to this theory and state that their economies need no readjustment. Yet, with the 2015 introduction of American oil into the world market rentier state theory is beginning to seem less credible.

A final point of controversy would be elite contention. Elites who have been able to gain a monopoly in national economic production due to a country's dependence on a single resource would be opposed to economic diversification and thus the diffusion of economic production into the hands of those involved in new industries. Elites would advocate for a continuation of economic dependency, even though such policies which benefit only themselves would imply vulnerability to the financial well-being of their country and fellow citizens.

Bloc Positions

Neoliberal Countries

These countries embody the paradigm of the "free-world" and the "developed world". In many cases, these countries have traditionally been amongst the most developed nations in the world, and their average wages rank near the top of the list. Neoliberal countries have traditionally been the destination of immigrants from other countries, due to associations with prosperity, opportunity, development, and political freedoms. These countries are more likely to favour resolutions using free market

[64] This policy recommendation finds evidence for support from the cases of the Industrial and Technological revolutions; based on Tignor's *World's Together, World's Apart.* Additionally, please refer to footnote 27.

philosophies and trickle-down economics in their implementation. Thus, resolutions involving IMF grants to private sector actors and individuals are more likely to be supported by neoliberal countries.

Command Economies

These are countries whose fiscal policy and market are highly controlled by the state. These countries are equally likely to favor protectionist, isolationist economies as they are likely to favour free-trade, globalized markets. However, they tend to have centrally coordinated economic markets rather than a free market economy, and are more likely to adopt resolutions which are tailoured towards a command model of development, rather than those operating on a neo-liberal economic philosophy. These countries may or may not eschew the option of economic isolationism, but would definitely prefer resolutions which places authourity and responsibility for economic diversification into the hands of state actors.

The Developing World

These countries have relatively low levels of human development, income, and GDP. As countries with relatively unstable economies, political climates, and volatile social issues, developing world countries frequently look to countries with levels of high economic and social development as models for economic growth and expansion. These countries will favour resolutions offering substantive aid and leniency from developed countries. In terms of economic philosophy, due to the oftentimes repressive natures of their regimes, developing world countries will favour command market economies. The IMF must seek to position itself as a lender with favourable conditions for aid and grant packages in order for these countries to resort to IMF policies rather than aid packages from non-conventional lenders. Developing countries are likely to mention relatively more favourable aid programs given by non-conventional lenders during the course of debate and contrast them to similar or proposed IMF programs.

Resource Dependent Countries/Rentier States

These countries depend on specific goods/services in order to provide a sizeable proportion of the GDP. These countries would be most vulnerable to sudden shifts in prices or global markets. However, many of these countries are also involved in international trade cartels. Thus, these countries, though profiting from short term exports of resources and commodities, would be well advised to research possible options for economic diversification in the long run, and would be interested in IMF resolutions that promote diversification.

Countries with Limited Resources

These countries have relatively low levels of natural resources, and mainly depend on the service industry and financial sector for economic production. Luxembourg, Switzerland, and Singapore all are examples of such states. These countries would strongly avoid resolutions promoting isolationism as a policy, instead preferring to pursue policies which place the creation of new industries geared towards foreign exports and global commerce as a priority and method of economic diversification.

Discussion Questions

1. Is a Keynesian or Neo-Liberal philosophy more conducive towards economic diversification? Consider the economic histories of post-war Britain (collectivism), post-1917 revolution Mexico, and post 1979 China.

2. Should countries dependent on specific goods and services maintain their current economic situation while preparing and gradually implementing plans geared towards economic diversification?

3. Is it preferable for countries to pursue the scientific development or target pertinent demands and needs already existent within the domestic sphere?

4. How can the international community block corrupt elite interests from hindering the process of diversification?

5. Can rentier state theory be reconciled with a neoliberal economic outlook?

6. How can the IMF persuade the developing world to adopt development plans that are most in touch with traditional industries than imitate Western macroeconomic situations?

7. Can free trade agreements promote the development of new industries geared towards production of goods for foreign export? Consider the case of NAFTA and Mexico.

Additional Sources

An article detailing the differences between Keynesianism and Monetarianism (neoliberalism).

http://www.forbes.com/sites/johntamny/2013/04/07/monetarism-and-keynesianism-identical-adolescent-sides-of-the-same-coin/

An article that explains rentier state theory and implications in the contemporary age.

http://www.abo.net/oilportal/topic/view.do?contentId=2081144

The Government of Canada initiative for Western Economic Diversification, offering an interesting case study in state-led economic diversification policies.

http://www.wd.gc.ca/eng/home.asp

An article outlining the difficulties of economies transitioning from isolationist, command economies to globalize market economies, focusing on the case of China.

http://www.businessspectator.com.au/article/2011/10/31/policy-politics/consumerist-china-it-sustainable

The Economist's section on imports, exports, and trade. May help with recognizing cases of economic dependency and trading dynamics.

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