Forum: Special Conference

Issue: Analyzing conflicts between states and international economic entities

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Introduction

After the Second World War, the world was in dire need of reconstruction. The international community recognized this and as a result multiple international economic entities such as International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD), or more commonly referred World Bank came into fruition. The institutions have played an important role in the global economy by promoting international economic cooperation, providing financial assistance to countries in need, and helping to reduce poverty. As the world navigates the ongoing economic challenges posed by the COVID-19 pandemic, conflicts between nations and international financial institutions have taken the central stage. Which highlights the need for strong international cooperation and effective solutions to navigate these adversities in the information age. Although proven useful, these financial institutions come with their own set of problems. Due to the clashing nature of macroeconomics nations and international financial institutions have experienced conflicts. These conflicts stem from economic policies, political ideologies, and cultural differences. They lead to widespread poverty and unemployment, as well as mistrust and resentment towards international financial institutions. They have been accused of imposing Western economic ideologies on developing nations, leading to a lack of cultural sensitivity and a failure to take into account the unique needs and circumstances of each country. Additionally, the imposition of strict austerity measures, as well as the lack of transparency and accountability, has led to widespread resentment towards international financial institutions among citizens of these countries. Furthermore, conflicts between nations and international financial institutions have been exacerbated by the ongoing COVID-19 pandemic, which has caused economic turmoil and increased the need for financial assistance.

Definition of Key Terms

International Economic Entities (IEE) or International Financial Institution (IFI): Organizations, institutions, and arrangements that promote or regulate economic activity across nations. These include multinational corporations, international trade agreements, and global financial institutions such as the World Bank and the International Monetary Fund. These organizations significantly influence how goods, services, and capital move between nations and sculpt the global economy (Government of Canada).

International Monetary Fund (IMF): Established in 1944, the IMF is an international organization that provides financial assistance to countries in need and promotes international economic cooperation (International Monetary Fund).

World Bank Group: Not to be confused with World Bank, a collection of five organizations that work to fight poverty and promote development. The group consists of; International Bank for Reconstruction and Development (IBRD), International Development Association (IDA), International Finance Corporation (IFC), Multilateral Investment Guarantee Agency (MIGA), and International Center for the Settlement of Investment Disputes (ICSID).

World Bank: The World Bank is the name commonly used to refer to the International Bank for Reconstruction and Development (IBRD). The IBRD provides loans and other assistance to middle-income and creditworthy low-income countries for the pursuit of economic development and poverty reduction.

BRICS: BRICS is an acronym for the five leading emerging economies. These economies include Brazil, Russia, India, China and South Africa, though South Africa was added to the group fairly recently in 2010 (Scott).

Developing countries: Countries that are considered to be less economically and socially developed compared to industrialized nations. These countries often have lower per capita income, higher poverty rates, and lower levels of education and health (Cambridge Dictionary).

Austerity measures: The economic policies implemented by governments or, in this case, international financial organizations to reduce government spending and increase taxes in order to address budget deficits and debt levels. Austerity measures can include but not limited to; cuts to social welfare programs and increases in taxes. Such measures can cause the public to experience social and financial hardship (Eichler).

General Overview

IFIs have been an extremely important source of financing, especially in developing nations, since foreign capital may be reluctant to invest in high-risk member nations. They have particularly proven to be useful in developing post-Cold War communist nations and transitioned them to a free-market democracies. This has also been a source of criticism on IFIs since such entities as IMF and World Bank heavily enforce western economic ideologies. (Rich) Also, loans and long-term agreements have shown to hurt developing countries rather than helping. Aid in this form has been criticized since it has been used to exert political pressure on developing countries. (Al Jazeera) It is also important to note big corporations such as; Walmart, Amazon, Apple etc. also dominate the economies of many nations, especially developing nations. These corporations have the power to shape government policies and regulations, using their financial resources to align political figures. This can lead to exploitation of cheap labor in developing nations and environmental crises.

International Economic Entities vs Economic Superpowers

The United States has questioned the role of the IMF and similar institutions in the global economy. Particularly it criticized the lack of transparency. Moreover they have accused IMF of being too focused on austerity measures.(Bergsten)

China has also been critical of the World Bank's lending practices, arguing that they discriminate against developing countries. China has called for the World Bank to increase its lending to developing countries, and to adopt more flexible lending policies. (Humphrey)

The underlying causes of these conflicts are complicated, but they often stem from differences in economic ideology and political priorities. The United States criticism is rooted in its belief of free market capitalism and skepticism of government intervention in the economy. Similarly, China's criticism of the World Bank is rooted in its belief of state-led development and dislike of market-based solutions.

Latin American Debt Crisis

In the 1980s, Latin America's economy experienced a significant decline as a result of government austerity measures that limited spending. The decrease in growth rate also led to a decline in living standards, causing widespread anger among the population towards the IMF, seen as an outside force exerting control over the region. This resulted in the dismissal of government officials who supported the IMF and public ridicule of leaders. In the late 1980s, Brazilian officials decided to "never again sign agreements with the IMF" during a debt negotiation meeting. The IMF's intervention in the region resulted in increased financial dependence on developed countries and heightened vulnerability to international economic fluctuations. Structural adjustment programs implemented by the IMF also had significant social costs, including increased unemployment, falling wages, and rising poverty. (Pastor)

Conflict between IFIs

Aside from conflicts between nations and IFIs, there have been conflicts between IFIs themselves. The World Bank and the IMF have historically had a contended relationship. The World Bank focuses more on poverty reduction while the IMF focuses more on macroeconomic stability through structural adjustment policies like austerity measures. This led to disagreements over appropriate policies to be implemented in developing countries, and has resulted in a lack of coordination between the two institutions. The lack of alignment between IFIs led to confusion and inefficiency in multiple instances. Apart from World Bank and IMF there has been other conflicts between IFIs such as the one between the European Bank for Reconstruction and Development and the Asian Development Bank. Similarly the African Development Bank and the World Bank had disagreements on financing large scale infrastructure projects.

New Development Bank

The NDB was established in 2014 by the BRICS nations; Brazil, Russia, India, China, and South Africa. The need for the NDB was felt due to lack of representation in existing institutions. The New Development Bank's primary mission is to finance infrastructure and sustainable development projects mostly in BRICS countries and other emerging markets. The NDB aims to address some challenges and criticisms faced by traditional development banks such as the World Bank and IMF. The bank's governance structure is different from the traditional development banks. The NDB is governed by a board of governors, with each member country having an equal say in the decision-making process. This is in contrast to the World Bank and IMF, where voting power is based on the size of a country's economy.

Major Parties Involved and Their Views

China

China has criticized the World Bank's lending policies, alleging that they discriminate against developing countries. China frequently asked the World Bank to expand its flexible lending to developing countries. Additionally, it has pushed for greater voting power for developing countries in the IMF and World Bank as well as a bigger role for them in global economic governance. (WSJ Editorial Board)

United States

The US has traditionally been a strong supporter of the IMF and the World Bank. US officials have often pushed for policies that protect the interests of developed nations, such as policies that promote free trade and open markets.

India

Like China, India has also been an advocate for the interests of developing nations in international financial institutions. It has pushed for an increase in the representation of developing nations on the boards of these institutions, calling for policies that promote the economic development of developing nations.

International Monetary Fund (IMF)

The International Monetary Fund (IMF) is one of the key international financial institutions on this agenda item. The IMF's role is to promote international monetary cooperation, exchange rate stability, and the orderly exchange of currencies. Simply, this means that the IMF provides financial assistance to countries in need. However, the IMF's actions and policies have been met with criticism from some nations. The IMF has been accused of imposing strict austerity measures. These measures often meant cuts in public spending and social services, which led to decreased living standards and increased poverty. Furthermore, the IMF has been criticized for its perceived Western-centric approach and lack of representation for developing countries. Also, IMF's decision-making process has been criticized for being dominated by developed nations.

Timeline of Events

July 1944	Bretton Woods Conference was held. Delegates established the IMF and World Bank Group.
15 August 1971	The United States abandoned the gold standard
1980	Latin American Debt crisis
1990s	The World Bank and the IMF are criticized for their policies in Russia and for the lack of progress in reducing poverty in Africa.
2008	The global financial crisis leads to increased calls for reform of the international financial system and for

	greater coordination and cooperation among IFIs.
25 September 2015	The United Nations adopts the Sustainable Development Goals (SDGs), which provide a framework for countries and organizations to work towards sustainable economic growth and development.
7 June 2018	Argentina enters into a $57 billion loan agreement with the IMF to stabilize its economy and address its rising debt levels. (Anspach)

UN Involvement

Many of the entities such as the UNCTAD, UNDP, Word Bank and the IMF that are involved in this conflict are all a part of the UN system. The UN system can platform such international agencies. The fact that the largest economic entities are a part of the UN system means that they are easier to regulate and reform (United Nations). The UN General Assembly has adopted various resolutions on debt relief, trade and investment, these directly provide an alternative to IFIs.

Relevant UN Documents

Trade and Development Report, 2012 (UNCTAD/TDR/2012)

Articles of Agreement of the International Monetary Fund, December 15, 2010 (Resolution No. 66–2)

The Secretary-General’s Strategy For Financing The 2030 Agenda For Sustainable Development (2018-2021)
Strong Partnerships, Stronger Impact: Governments, International Financial Institutions and UNDP Working Together for Development Results

Treaties and Events

Bretton Woods Conference

This conference, held in New Hampshire, USA, established the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD), known collectively as the World Bank. The purpose of these institutions was to promote international economic cooperation and to provide financial assistance to countries in need.

The General Agreement on Tariffs and Trade (GATT)

The General Agreement on Tariffs and Trade was an international treaty aimed at reducing barriers to trade between countries. International trade was managed with GATT until the creation of World Trade Organization in 1995.

The Group of 77 (G77)

The Group of 77 is a coalition of developing nations formed to promote their collective economic interests. This group has been actively pushing for more representation in international financial institutions and for policies that promote their economic development. (Moffat)

The United Nations Conference on Trade and Development (UNCTAD)

UNCTAD is a forum for developing countries to discuss trade and development issues and to negotiate with developed countries. It has been active in advocating for the interests of developing nations in the global financial system.

The Sustainable Development Goals (SDGs)

The Sustainable Development Goals were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030. SDGs such as “Goal 8: Decent Work and Economic Growth” and “Goal 9: Industry, Innovation and Infrastructure” directly align with goals of IFIs.

Evaluation of Previous Attempts to Resolve the Issue

Reforms of the IMF and World Bank

In response to criticism of their policies and perceived lack of transparency, the IMF and World Bank have undertaken a series of reforms to increase transparency, accountability, and representation for developing countries. These reforms include the establishment of independent evaluation offices, the creation of a new governance structure that provides for greater representation of developing countries, and the implementation of new lending policies that take into account the needs of the borrower.

Regional financial institutions

Some countries and regions have established their own regional financial institutions as an alternative to the IMF and World Bank. These institutions, such as the Asian Development Bank, the African Development Bank, and the Inter-American Development Bank, are seen as more responsive to the needs of their member countries and less likely to impose harsh austerity measures.

Bilateral agreements

Some countries have entered into bilateral agreements with other nations or with IFIs to address economic challenges. These agreements can include financial assistance, trade agreements, and technical assistance.

Economic Regulation

Regulating entities such as large corporations can help alleviate politics played inside IFIs and prevent these corporations from intervening in the internal affairs of developing nations.

Possible Solutions

Flexible lending policies

IFIs such as the International Monetary Fund (IMF) and the World Bank could adopt more flexible lending policies that take into account the unique needs and circumstances of the borrower. This could include lower interest rates, longer repayment periods, and greater flexibility in the use of funds.

Greater representation for developing countries

Developing countries have often criticized the IMF and World Bank for their lack of representation and for imposing policies that do not take into account the needs of these countries. To address this issue, IFIs could increase representation for developing countries in their governance structures and decision-making processes.

Greater transparency and accountability

IFIs have been criticized for lack of transparency and accountability. To address this issue, IFIs could increase transparency and accountability by providing more information about their policies and operations, and by establishing independent evaluation offices.

Notes from the Chair

Delegates should do further research on conflicts provided in this chair report and understand their context. It is really essential that delegates understand power dynamics between nations funding and the international financial institutions. Understanding the different promises of aid and the disputes between countries is essential for delegates to build their positions. Additionally, researching the treaties and laws that govern the disagreements between all parties is essential in understanding the conflict and devising an effective resolution. Finally, delegates should also understand the macroeconomic dynamics related to the conflict. This includes researching topics such as inflation, currency exchange rates, and trade flows.

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