CUIMUN XXIV
Study Guide

Economic and Financial Committee

STUDY GUIDE

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Welcome Letters from the Chairs

Dear Delegates,

It is our distinct pleasure and honour to welcome you all to the Cambridge University International Model United Nations (CUIMUN) conference for 2018. This year's conference takes place at the University of Cambridge from the 2nd to the 4th of November, with the theme 'Architects of the Better World'.

Excellent delegates are the cornerstone for a successful CUIMUN, and we are so pleased to have you all on board as we have the utmost faith that you will exceed all our expectations. This year's conference is looking to hail one of the best ECOFINs yet, and we can't wait for you all to experience what we have planned.

We have compiled this study guide to introduce to you the depth and breadth of what might be discussed in the conference. The committee topics are based on their importance to contemporary issues faced by the international community due to their global nature. The guide only gives you a flavour of the topic, for which volumes of research has been conducted, so do not let this document curb your imagination.

We hope you are looking forward to the conference as much as we are, and please do not hesitate to contact us through committee email or personally with any issues, as we are always at your disposal.

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Introduction to Committee: ECOFIN

The Economic and Financial Council (ECOFIN) is a committee that functions as a part of the UN General Assembly. Its main focus is self-explanatory: it is designed to focus on the economic and financial issues of its member states.

An easy way to separate the roles of the IMF and ECOFIN is that the IMF focuses on monetary policy, whereas ECOFIN is concerned with fiscal policy, regulation, and other market issues. That is why this ECOFIN committee now inherits the previous monetary issue of banking unions, such as the 2008 global financial crash, that is now known to be more of a structural fiscal policy issue than first thought, and is now no longer within the purview of the IMF. Additionally, the issue of taxation is purely a fiscal issue and could never be dealt with by the IMF.

Although both the IMF and ECOFIN reach globally, the IMF works unilaterally or bilaterally and acts as its own financial body. ECOFIN, however, is an advisory body that calls on and requires countries to cooperate and interact, with ECOFIN being no more than a platform, moderator, or muse for fiscal policy solutions. This is particularly important as the issues presented to you in the committee are able to impact the whole world and require global cooperation to prevent the same issues repeating themselves.

Topic A: Tracking and combating the international finance of terrorism

Introduction

In the words of President Bush: “September 11 will now be known as a horrible defining date in history”[1]. 16 years later, his statement turned out to be more than true: it is undeniable that 9/11 marked the date after which the fight against terrorism changed dramatically. The president of the United States took this opportunity to declare a ‘war on terror’. President Bush gave national authorities a “memorandum of notification”. MON basically constituted a formal permission for authorities to “undertake operations designed to capture and detain persons who cause a serious continuing threat of violence or death to US persons and interests or who are planning terrorist activities”[2]. The war on terror constituted a significant development that changed counterterrorism operations worldwide. After the events of 9/11, the hard-line approach to such policies was more widely adopted. Despite these developments, terrorist organisations continue to operate even during the present. Besides attacks on the terrorists as people, governments need to fight against financial channels that are utilised in order to keep these organisations active.

Fighting the finance of terrorism could be way harder than fighting actual terrorist subjects. This is because the financing of terrorism can occur through indirect channels that are not easily traceable. What makes counter-financing of terrorism operations even more difficult is that the targets often seem to be powerful entities or even governmental bodies. Regulating seemingly “innocent” sources of financing has been the main point of reference in such operations. These sources can even include charities and non-governmental organisations, that operate under the preface of serving a particular humanitarian purpose when in reality they are financing terrorist organisations. The main instrument that governments and security agencies have adopted for pinpointing these organisations, is the implementation of intelligence operations. However, the difficulty that arises when discussing the fight against the financing of terrorism, is the fact that terrorist organisations lack homogeneity. For example, organisations like Al Qaeda operate in a transnational network, in contrast with the IRA, which is an Irish based organisation. This difference calls for a different approach in each case, which can be proved difficult when looking to adopt a universal resolution.

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[1] President Bush in Richard Jackson, *Writing The War On Terrorism* (1st edn, Manchester University Press 2005)
[2] Dianne Feinstine, *The Senate Intelligence Committee Report On Torture* (Melville House 2014).

Timeline of events

In order to better understand the topic of discussion, it would be helpful to provide a definition of terrorism. Even though it may seem simple at first, there is no universally accepted definition of the term. The most common elements that are found amongst 190 different definitions are the terms “violence”, “force” and “political”. The US defence department defines terrorism as; “premeditated, politically motivated violence perpetrated against non-combatant targets by subnational groups or clandestine agents”.

The UN definition finally adopted was the following; ‘…any action, in addition to actions already specified by the existing conventions on aspects of terrorism, the Geneva Conventions and Security Council resolution 1566 (2004), that is intended to cause death or serious bodily harm to civilians and non-combatants, when the purpose of such an act, by its nature or context, is to intimidate a population, or to compel a Government or an international organisation to do or to abstain from doing any act’[3].

Timeline of UN Actions against the Global Financing of Terrorism:

1988: UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic substances otherwise known as the “Vienna Convention”, focused on ways to combat money laundering

1989: The **Financial Action Task Force** (FATF) is founded with 34 member states and two regional organization members, the Co-operation Council for the Arab States of the Gulf and the European Commission

1997: Global Programme Against Money Laundering, Proceeds of Crime and the Financing of Terrorism is launched by the UN Office against Drugs and Crime, with the purpose of ratifying and implementing international legislation against the finance of terrorism.

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[3] *A More Secure World: Our Shared Responsibility* (2004)

1999: Resolution 1267 is a Security Council resolution that first authorized the freezing of the Taliban's finances

2001: With **Resolution 1373**, which was adopted after the 9.11 attacks the international community put financial measures at the centre of its efforts to combat terrorism

October 2001: The **FATF** expands its mandate to include operations against the financing of terrorism.

2002: The **International Convention for the Suppression of the Financing of Terrorism** criminalizes the financing of terrorism internationally

2003: The **UN Convention Against transnational organized crime** created an international framework against organized crime

April 2004: In **Resolution 1540** the Security Council decided that all States shall refrain from providing any form of support to non-State actors that attempt to develop, acquire, manufacture, possess, transport, transfer or use nuclear, chemical or biological weapons and their means of delivery, in particular for terrorist purposes.[4]

October 2004: In **Resolution 1566**, the Security Council "calls upon states to extradite or prosecute, any person who supports, facilitates, participates or attempts to participate in the financing, planning, preparation or commission of terrorist acts or provides safe havens"

2005: The **Convention Against Corruption** created an international legal instrument against corruption

July 2005: Security Council's **Resolution 1617** "Strongly urges all Member States to implement the comprehensive, international standards embodied in the Financial Action Task Force's (FATF) Forty Recommendations on Money Laundering and the FATF Nine Special Recommendations on Terrorist Financing".

September 2005: Security Council's **Resolution 1624** recalled that "states must co-operate fully in order to find, deny safe haven and bring to justice any person who supports, facilitates, participates or attempts to participate in the financing […] of terrorist acts"

2006: With **resolution 60/288**, the UN adopted its Global Counter-Terrorism Strategy, through which the General Assembly agreed that states should refrain from financing terrorist organisations, and also encouraged states to adopt the nine special recommendations on Terrorist Financing of the FATF.

2012: Resolution 67/186 "Strengthening the rule of law and the reform of criminal justice institutions, particularly in the areas related to the United Nations system-wide approach to fighting transnational organized crime and drug trafficking" was passed by the General Assembly.

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[4] https://www.un.org/disarmament/wmd/sc1540/

2013: Resolution 68/193 "Strengthening the United Nations crime prevention and criminal justice programme, in particular its technical cooperation capacity" was adopted by the General Assembly.

2014: With **Resolution 2178** the Security Council urges Member States to disrupt terrorist-financing activities linked to foreign terrorist fighters (FTF) and to criminalize the financing of FTF travel.

Discussion

Over 5% of the world's GDP is laundered every year. This amounts to around 1.5$ trillion US Dollars. Just to give an accurate picture, this is a table that depicts terrorist costs per attack[5];

Attack	Date	Estimated cost[6]
London transport system	7 July 2005	GBP 8000[7]
Madrid train bombings	11 March 2004	USD 10000
Istanbul truck bomb attacks	15 & 20 November 2003	USD 40000
Jakarta JW Marriot Hotel bombing	12 October 2002	USD 50000
USS Cole attack	12 October 2000	USD 10000
East Africa embassy bombings	7 August 1998	USD 50000

<u>Terrorist organisations can **raise** funds through</u>

1) Legitimate Sources
2) Criminal Proceeds
3) The utilisation of safe havens, failed states and state sponsors

Legitimate sources mostly include the exploitation of charity organisations, which can either occur by the broad exploitation of legitimate organisations, the creation of sham charities or with the diversion of funds through fraud within the legitimate charity.

Criminal proceeds include the raising of funds through drug trafficking, credit card fraud, cheque fraud, extortion or multiple types of criminal activity.

Safe havens, failed states and state sponsors are crucial sources of financing aid for many terrorist organisations, which can be found in countries including but not limited to Somalia, Iraq, and the Pakistan-Afghanistan border. An example of this would be 1996, when the Taliban regime took over Afghanistan and it became a safe haven for terrorist activity. Resolution 1267 (mentioned above) was adopted by the Security Council against the regime and cited the safe haven provided to Osama bin Laden and Al-Qaeda.

[5] FTAF report 2008
[6] Adapted from the August 2004 report of the UN Monitoring Team Report on al-Qaeda and the Taliban
[7] The United Kingdom Home Office 2006

Ways that terrorists use in order to **transfer** their funds include;

➔ The formal financial sector

Transferring money through banks as well as the use of Money and Value Transfers (MVT[8]) has been proven to be one of the most popular ways to transfer funds to this kind of organisations. According to the Afghan Drug Trafficking report the Taliban are thought to have used the regulated bank system to transfer proceeds from drug trafficking.

➔ The trade sectors

This category is fairly wide, but most common areas utilised are the trade of diamonds in Africa, opiate trade in Afghanistan, but also legitimate trade activities such as the import of goods in Israel, a telecommunication front business in France and many more.

➔ Cash Couriers

FATF's report on terrorist financing in West Africa found that in almost all the cases it studied, cash was used and terrorist suspects were often in the possession of large amount of cash[9]. This practice is encouraged in countries were there is weak border control but also in the difficulty of detecting cash smuggling worldwide.

➔ ARS (alternative remittance systems)

The most common ARS is called "hawalas". Hawala is an informal value transfer system which is based on the performance and honour of a huge network of money brokers known as "hawaladars". Even though they can be found all around the world, most hawaladars operate in the Middle East, North Africa, the Horn of Africa and the Indian subcontinent. The way the system operates usually is; person A approaches a "hawaladar" person B, and assigns him to transfer money to person C, usually including a phrase like a password that will lead the money being payed out. Person C is also aware of the password and if the passwords match the money is transferred. A unique feature of this system is that there are no promissory instruments, and the system solely operates in a code of honour.

➔ Charities and non-profit organisations

The use of charities and NPOs, as mentioned above, can take place in various forms. The laundering of money through such activities is facilitated because of the large volume of funds and other assets held by the charitable sector.

Proposed solutions;

❖ Targeted financial sanctions for organisations/state actors that are found to be sponsoring terrorism; an example of that would be the sanctions imposed on Iran which is said to be "a terrorism sponsoring nation" by the United States. However, delegates

[8] MVT is defined as "a financial service that accepts cash, checks, other monetary instruments or other stores of value in one location and pays a corresponding sum in cash or other form to a beneficiary in another location by means of a communication, message, transfer or through a clearing network to which the MVT service belongs. Transactions performed by such services can involve one or more intermediaries and a third party final payment.

[9] FATF (2013c), pp 32-33

should keep in mind that ECOFIN cannot impose sanctions on nations, but it can instruct the Security Council to do so. FATF Special Recommendation III (SRIII) calls on countries to develop and implement targeted financial sanctions regimes that identify, freeze the assets of, and prohibit making funds available to designated terrorists and their support networks without delay[10].

- ❖ Protecting vulnerable sectors;

Formal Financial sector: State governments carry a positive obligation to protect their financial sectors from money laundering activities. FATF Special Recommendation VII aims to prevent terrorists from having access to wire transfers, by detecting the identity of the originator of the transaction in order to be subject to law enforcement procedure.

Charitable sector: FATF Special Recommendation VIII lays out a framework for protecting the charitable sector from money laundering towards terrorist activities which includes;

(1) outreach to the charitable sector; (2) supervision or monitoring of the sector; (3) information gathering and investigation of terrorists and their networks that abuse the charitable sector; and (4) international engagement to protect the sector globally[11]

Cash couriers: Regarding cash couriers, FATF Special Recommendation IX aims to ensure that countries have measures in place in order to: (1) detect the physical cross-border transportation of currency and bearer negotiable instruments, (2) stop or restrain currency and bearer negotiable instruments that are suspected to be related to terrorist financing or money laundering, (3) stop or restrain currency or bearer negotiable instruments that are falsely declared or disclosed, (4) apply appropriate sanctions for making a false declaration or disclosure and (5) to enable confiscation of currency or bearer negotiable instruments that are related to terrorist financing or money laundering consistent with FATF Recommendation 3 and Special Recommendation III[12].

- ❖ Suspicious transaction reporting; State governments can enhance the fight against Terrorist Financing by establishing Financial Intelligence Units (FIUs). According to the FATF Terrorist Financing Report, the most common suspicious activity reported is the following; [13]

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[10] FTAF Terrorist Financing Report 2008
[11] Interpretive Note to Special Recommendation VIII, paragraph 6.
[12] FTAF Special Recommendation IX
[13] FTAF Terrorist Financing Report 2008 Source: Canada

Unusual business activity
Unable to ascertain source of funds
Multiple deposits in different branches
Third party deposits in US cash
Wire transfers following cash deposits
Wires to specific location/account on regular basis
Large cash deposits

Finally, intelligence programmes that gather financial information can be put in place. These programms can focus on identifying sources of TF a) following terrorist acts, b) for counterterrorism purposes and c) in order to identify indicators of future attacks[14].

Bloc Positions

International cooperation is important is a transnational activity like terrorist financing. The nature of the problem can raise jurisdictional issues and several times individual nations might lack enough resources or political feasibility to take a potent action. Furthermore, terrorists can exploit jurisdictions with poorly implemented and/or inadequate regulations to mask their transactions—this activity is called regulatory arbitrage. Generally, economically weaker countries tend to keep business regulations low or less stringent to encourage local and foreign business investment, but it can come at the cost of inviting terrorist financing. Compliance costs for businesses are greater than $8 billion globally, and it only increases over time. Therefore, countering of terrorist financing comes with an economic trade-off, which requires balancing of interests. This means not all nations will engage as proactively in universally coordinated solutions. Additionally, there are geopolitical realities that might stall or promote coordination in regional solutions.

It is expected that more developed states will have stronger institutional framework, such as judiciary and financial institutions, which can implement adequate regulations that mitigate terrorist financing. Most of such states are members of FATF, and favour most, if not all, of its recommendations. Alternatively, least developed countries face barriers such as corruption and inadequate structure, making implementation of anti-money laundering initiatives ineffective.

There are a mix of countries that are hard to define in terms of their de facto positions, if not the official diplomatic ones. Sometimes they are successful in countering terrorist financing, while other times they are either not willing to or not able to. In the Middle East, terrorist groups prevail despite measures to prevent their financing. In Latin America, countries see grass roots problems in limiting money laundering due to large criminal organisations operating within their boundaries.

With emergence of technologies that reduce the importance of political borders as impediments to channelling of funds, a coordinated approach might become inevitable. The emergence of

[14] FTAF 2008 report

virtual currencies and their applications in illicit trade is hard for any single central bank to identify and regulate given its decentralised nature. The cyberspace also creates opportunities for geographically based groups, like ISIS, to expand and recruit outside of its immediate geography.

Issues to address

- Jurisdictional issues for trans-boundary terrorist financing.
- Outreach to the private sector—how to mitigate compliance costs of necessary regulations?
- Differences between money laundering in general and financing of terrorism.
- Enhanced financial intelligence sharing—role of central banks?[15]
- Role and place of ECOFIN within other relevant international and national bodies in curbing terrorist financing.

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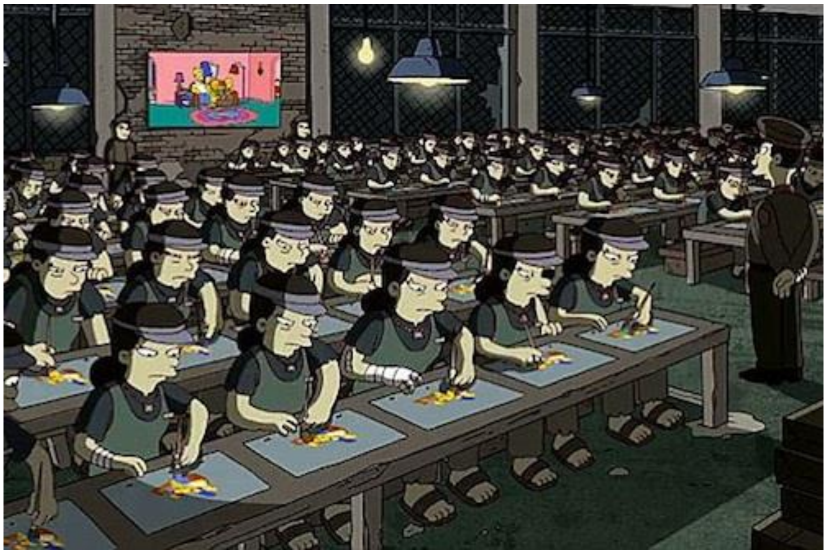
- Informal value transfer systems, Terrorism and Money Laundering https://www.ncjrs.gov/pdffiles1/nij/grants/208301.pdf
- Special Recommendations and Interpretative Notes of the FTAF October 2001 http://www.fatf-gafi.org/media/fatf/documents/reports/FATF%20Standards%20-%20IX%20Special%20Recommendations%20and%20IN%20rc.pdf

[15] Ibid

Topic B: Corporate accountability in Developing Countries

Introduction



Corporations have operated in developing nations before they managed to get their independence. Examples like the East India Trading Company as well as mining operations in the Congo showed how intertwined corporations could sometimes be with colonialism. When the colonizers left often these corporations remained and other multinationals came to these developing nations. Many saw this as a good thing, with corporations investing in the economies being an avenue for economic growth. Developed nations were embracing free trade and encouraging newly independent nations to join the General Agreement on Tariffs and Trade and engage in the global system as well as pushing for Foreign Direct Investment (FDI). The idea would be that increased investment opportunities and jobs on offer would increase general prosperity in those nations. Yet there are often worries that nations who are too dependent on free trade cannot handle corporate withdrawal. It does not do to develop a system that is dependent on corporations if they withdraw whenever they want.

Additionally, issues such as corruption and graft in these nations may lead to this investment being abused and corporations may be complicit in this, or not be able to police this. Aside from corruption some of these nations have problems enforcing the rule of law and the investment can be misappropriated. Finally, corporations are, above all, profit-seeking, and may seek to make that profit at the expense of the nation. Developing nations often lack strong labour laws, workers' rights, or unions, meaning that there are few formal frameworks to stop abuses by corporations. Often it is the weakness of the government and labour laws which are the factors that encourage such direct investment.

As a committee of the General Assembly of the United Nations, the Economic and Financial Committee will have to consider working on and developing a framework for these corporations to operate while still maintaining their social responsibility. Nations have to consider a framework to allow the benefits of Foreign Direct Investment while making it clear to corporations their responsibilities and ensuring they don't take advantage of these nations.

While the UN cannot force nations, it can provide recommendations and share best practices, so nations can legislate appropriately to ensure social responsibility. However, nations will differ in their opinions as to the level of social responsibility companies must provide as well as safeguarding their willingness to invest. Delegates will have to consider these factors when debating this topic.

Timeline of events

1973: The UN creates the **Commission on Transnational Corporations** to create a code of conduct for such corporations at the request of the Economic and Social Committee and with the assent of the Secretary General.

1976: The **OECD** adopts the **Declaration on International Investment and Multinational Enterprises** which are a set of recommendations towards standards of companies operating within developing countries. The **Guidelines for Multinational Enterprises** are published as an annex

1994: Unable to reach an agreement the **Commission on Transnational Corporations** dissolves. The Secretary General and the international community continue to demand a solution due to the increased presence of TNCs.

1998: The **Sub-Commission for the Promotion and Protection of Human Rights** establishes the **Working Group on Transnational Corporations** who in the next 5 years begin to develop such a code of conduct.

2000: The **United Nations General Assembly** passes the **Global Compact** initiative which sets out a series of guidelines to encourage social responsibility from businesses.

2003: Norms of the Responsibilities of Transnational Corporations and other Businesses with Regard to Human Rights is published and acclaimed by NGOs but opposed by business.

2004: The **Commission of Human Rights** rules that the **Norms** have no legal standing.

June 2004: Kofi Annan holds the first **Global Compact Leaders Summit** to draw attention to the **Global Compact**

2005: At the request of the **Human Rights Commission** Professor John Ruggie is appointed **Special Representative of the Secretary-General on the issue of Human Rights, Transnational Corporations, and Other Enterprises.**

2007: Ban-Ki Moon convenes the second **Global Compact Leaders Summit**, which adopted the **Geneva Declaration on Corporate Responsibility** calling for businesses to focus on building sustainable economies.

2008: Professor Ruggie presents the **Protect, Respect, and Remedy Framework** which says states have a duty to protect workers from human rights abuses, that companies are responsible for respecting human rights, and there needed to be more methods to remedy abuses set up. His mandate is extended for another 3 years.

2010: The third **Global Compact Leaders Summit** convenes and releases the **Blueprint for Corporate Sustainability Leadership** identifying leadership criteria in line with the **Global Compact.**

2011: The **OECD** updated their **Guidelines for Multinational Enterprises** to detail that states had a responsibility to ensure human rights within the workplace of all corporations

June 2011: Professor John Ruggie presents the **United Nations Guiding Principles on Business and Human Rights** which is unanimously approved by the **United Nations Human Rights Council** in **Resolution 17/4** and a **Working Group** is set up to implement these policies.

2012: The **Working Group on the United Nations Guiding Principles of Business and Human Rights** meets for the first time in Geneva.

2013: The **OECD Investment Committee** sets up a **Working Party on Responsible Business Conduct** to help implement the **Guidelines**

2016: The **OECD's National Contact Points** to enforce the **Guidelines** begin scheduling peer reviews of workplaces with the intent to investigate 4-6 workplaces a year

Discussion

Corporations engage with developing nations in the following ways

1) Importing and exporting goods
2) Investing in a developing nation
3) Investing directly within companies in a nation
4) Directly producing goods within the nation

Imports and exports are when a multinational corporation will either sell goods from other nations within a nation or sell goods from that nation to other nations. Imports and exports make up aggregate demand in an economy and corporations can often play a large role in boosting such demand. However, corporations may not necessarily have the economy's best interests in mind and may prioritise their bottom line at the expense of a developing nation's economy (e.g. prioritising imports when a nation needs to export more).

Investment in a nation involves corporations providing money directly to the government or within the nation. Often this money can be used on public goods and can directly benefit the people within the nation. However, if corruption is an issue in the nation, it can lead to the investment being misappropriated.

Foreign Direct Investment is when a foreign corporation acquires a controlling stake in a local corporation, allowing them to become a local franchisee and create goods that the foreign corporation holds a patent for. Often developing nations provide incentives for multinationals to engage in such investment. However, sometimes this can lead to the foreign corporations not policing their franchisees' policies, especially towards their workers.

Directly producing goods is when a corporation builds a factory or other production venue within a developing nation. This has the effect of directly producing jobs within the nation. However, these corporations are often able to avoid laws and take advantage of lax labour standards while being able to blackmail governments out of providing any more protections.

<u>Corporations can cause problems in developing nations and shirk their social responsibilities in the following ways</u>;

- ➔ <u>Oppressive work environments</u>
  Corporations can often abuse their workers by forcing them to work unreasonable hours or paying them paupers wages. Often developing nations do not have strong employment laws or protections for their workers. Therefore, corporations take advantage of this by paying the bare minimum or cracking down on organised labour such as unions.
- ➔ <u>Corruption within governments</u>
  Corporations may often attempt to leverage governments in developing nations through paying bribes to get special treatment and avoid investigation for illegal practices. Furthermore, these corporations often pressure governments to pass anti-union legislation to hurt workers' rights.
- ➔ <u>Corporate withdrawal</u>
  Corporations may choose to leave a country if they feel that remaining in the nation is no longer in their interests. However, a withdrawal with no alternatives in place can cause economic disruption within the nation where they leave. Furthermore, the reduction of investment of movement of assets can also cause unemployment.
- ➔ <u>Illegal activities</u>
  Some corporations even engage in illegal activities and force workers into what can be described as semi-slavery. They will sometimes take the papers of workers so that they cannot escape their employment and only pay the workers in food or clothing rather than money to ensure the workers will not leave. As demonstrated, some nations have a high level of corruption and therefore the police can be easily bought off by the corporations to ensure that they will not only avoid enforcing the law but even act on the corporations' behalf against the workers. Some nations do not even have an effective rule of law throughout the country, meaning that corporations with private security forces are able to establish their own law which may not always work to the best interests of their workers.

➔ Acting against the economic interest of the nation
Corporations that engage in imports and exports will often work in their own interests and may be net importers to a nation whose economic interest is to be a net exporter and vice versa.

Possible solutions;

- A system of naming and shaming corporations who do not maintain their social responsibility within developing nations. Many NGOs work to publicise illegal or immoral work practices by multinational corporations. The United Nations or other International Organisations can attempt to do the same thing and make it clear what behaviour is acceptable and what is not. Furthermore, such publicity may lead developed nations to investigate these companies who are based on their borders and for them to take action against them, as the US has done with its Alien Tort Statute. Such investigations have caused changes in behaviour
- Providing blueprints for labour rights

Oppressive work environments: The OECD have established National Contact Points to help peer-review corporations to ensure that they are providing an appropriate working environment. This in tandem with encouraging nations to pass strong labour laws could see those environments become a lot friendlier.

Corruption and illegal activities:

International watchdogs have played a role in detecting corruption and could be used to continue this process, possibly this time broadening their scope to follow corporations and whether they are involved in corrupt practices. Furthermore, the UN can also aim to play a role in determining the level of corporate corruption in general as a distinct category as well as working with the OECD who have attempted to lead the way as well as train law enforcement and work to root out corruption in those forces.

Acting against the economic interests of a nation: To tackle corporations who have a history of leaving nations where they are the main employer the international community and OECD may be able to encourage subsidies for those companies to stay in the nation, making it profitable for them to stay. Additionally, there can be a register of companies that have a history of doing so which can hamper business deals in future nations. These measures can prevent withdrawal. Furthermore, the international community can provide guidelines to ensure that no corporation becomes too dominant in an economy, pushing for diversification to mitigate the damage of a withdrawal.

As for imports and exports developed nations may be able to apply pressure to make exports or imports from that nation more competitive in line with the nation’s need. This will allow the right type of import or export to be profitable for the corporation, so they will adjust accordingly and help the economy of the developing nation that they are operating within.

Bloc Positions

There are contrasting perspectives of member states about corporate responsibility in developing countries, based on their economic development and corporate history. Interests of member states may also be guided by business lobbies and civil society groups, in conflicting or coordinated way, which highlights their role in voluntarily contributing towards international problems, and solutions, to environmental, social, and economic problems.

Developing countries in general tend to have lower labour standards, much to the anathema for workers’ rights in those countries. This is one reason for multinational corporations to invest and operate in these countries, which acts as a comparative advantage to them—it minimises the cost of production, or of low-skilled service jobs. It creates employment for the large low-skilled and unemployed workforce, who shall otherwise stay unemployed had the multinationals did not outsource such jobs to the developing countries. This is a wider rationale for relatively lax corporate regulation. As these early jobs provide necessary skills and employment to the workforce, over the long-term, the countries shall move towards self-sufficiency, making it financially feasible to raise labour standards.

Furthermore, there is an aspect of game theory relevant to the positioning of member states. For two neighbouring developing countries, one with lower corporate accountability shall create more incentives for certain FDI. The first one to enforce UN codes of conduct might lose the foreign investment, and subsequent job creation opportunities, to the neighbouring countries. In effect, there is a tendency to race to the bottom. To avoid such scenarios, several regions could possibly have agreed on guidelines and policies that convergence to a single way of making corporations accountable. This makes it worthwhile for delegates to explore the policies of similar countries.

Several developed countries have assumed part-responsibility for the ethics of multinational operations of corporations headquartered in their countries. However, there is diversity of positions, emanating from similar economic considerations made by developing countries. These include the benefit of tax revenue and skilled jobs creation generated by corporations that headquarter in a country. Such corporations are more likely to locate their headquarters and regional offices in countries where regulations favour them the most, including the level of oversight of their multinational operations. Such regulatory arbitrage, i.e. race to the bottom, would again make international convergence an ideal. However, economic interests might thwart this convergence—most voluntary convergent agreements are not enforceable. Therefore, any approach should focus on the underlying structural causes of strife between multinational corporations and stakeholders impacted by their activities.

Issues to address

- Who is responsible and who is accountable for multinational corporations operating in developing countries?
- How much should be enforced, for example by supranational organisations, regional blocs, and member states of UN; and, how much should be kept voluntary, with name-and-shame, boycotts and brand-image playing the key role of correction?
- The balance between universal convergence of corporate regulation or regional diversity?
- How can ECOFIN coordinate with UN specialized agencies concerned with corporate accountability?

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