



Boston University Academy Model United Nations Conference X

Saturday, January 29th to Sunday, January 30th, 2022

Boston University Academy

Boston, MA

UN COMMITTEE: ECONOMIC AND FINANCIAL

AFFAIRS COUNCIL

(ECOFIN)

Background Guide

Introduction from the chair and vice-chair:

Hello, Delegates!

My name is Adam Quackenbush, I am a sophomore at Boston University Academy, and I will be your Chair for BUAMUN. Ollie Sloan '25 will be my co-chair. This committee will be modeled on the Economic and Financial Committee (ECOFIN), which deals with issues relating to economic growth and development such as financing for development, eradication of poverty, and more.

In terms of my experience and history with MUN, I was a part of the MUN team at my middle school for three years, where we attended multiple conferences, such as a few at Northeastern University, and one in New York. I was a vice-chair for a virtual BUAMUN conference last year, and I loved it so much that I'm back this year chairing my own committee. I'm very excited to see you all the day of the conference!

Make sure to do your research, come prepared for anything, and be open to all ideas. You may go into the conference with a very set idea of what you want to accomplish but come out of it with a whole new perspective. I hope that any delegate, whether they are experienced or not, comes out of this conference having learned something, and enjoyed themselves. Don't forget, MUN isn't just about ideas and resolutions. It's about establishing connections with people and coming to a consensus as a group.

I'm looking forward to seeing all of your brilliant ideas in the debate and welcome, delegates, to BUAMUN'S ECOFIN!

Sincerely,

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Committee Information:

The ECOFIN (Economic and Financial Affairs Council) Committee, or the Second Committee, was officially created in 1945 as one of the original six General Assemblies (GA). As a GA, membership is open to all member states of the United Nations and the committee follows the same parliamentary procedure as the rest of the general assembly. Currently, there are 193 nations being represented in this committee, chaired by Her Excellency Vanessa Frazier of Malta. ECOFIN focuses on promoting a globalized economy and supporting nations financially to secure a sound global market. In the words of the United Nations, this committee deals with issues relating to “economic growth and development such as macroeconomic policy questions; financing for development; sustainable development; human settlements; globalization and interdependence; eradication of poverty; operational activities for development; agriculture development, food security and nutrition; information and communications technologies for development; and towards global partnerships.” ECOFIN not only delves into broad ideas concerning the improvement of global financial situations but also considers issues relating to individual countries in their own unique circumstances.

Recently, ECOFIN dealt with the Israel-Palestine conflict by taking a definitive stance, demanding that “Israel end its occupation of Arab lands in Syria and cease its violation of human rights law in accordance with the Palestine people due to the evident economic impact that political, military, and social situation in the area has on the people affected by this crisis.”

In our committee, we will be discussing the effects global labor arbitrages have on the economies of developing nations, and the instability of cryptocurrency. These two issues are very relevant to our time, and, if addressed adequately, can certainly better nations.

Position Paper Guidelines:

This committee requires two position papers. They will be on the topics of the instability of cryptocurrency and evaluating the effects global labor arbitrages have on the economies of developing nations. The absence of at least one position paper will disqualify you (the delegate) from receiving an award. The quality, depth, and clarity of your position paper(s) will influence award decisions. Each position paper should be 1-3 pages and double-spaced. This includes citations which are preferably in the format of footnotes. To insert a footnote, simply click *Insert > Footnote*. Note: a footnote goes after the period. Position papers should follow a general outline with three paragraphs. This is only a suggestion, as long as the paper fits the aforementioned specifications, the number of paragraphs will not be taken into consideration.

Possible position paper outline:

- 1) Introduction to your delegation and the topic as a whole.
- 2) The position of your delegation.
- 3) Your delegations proposed solutions.

Furthermore, the position paper must be titled in the following format:

Delegation: Adam Quackenbush and Ollie Sloan

School: Boston University Academy

Committee: ECOFIN

Position: _____

Topic: _____

Topic 1: Evaluating the Effects Global Labor Arbitrages have on the Economies of Developing Nations

General Overview:

“Global labor arbitrage is an economic phenomenon where, as a result of the removal of or disintegration of barriers to international trade, jobs move to nations where labor and the cost of doing business (such as environmental regulations) is inexpensive and/or impoverished labor moves to nations with higher-paying jobs. Often, a prosperous nation will integrate its labor market with those of nations with a lower cost of labor, resulting in a shifting of jobs from the prosperous nation to the developing one. The end result is an increase in the supply of labor relative to the demand for labor, which means a decrease in costs and a decrease in wages. The practice of on-shore labor and offshoring arbitrage is the combined practice of underpaying immigrant labor to suppress wages and mobility of both immigrant and native labor — while sending non-competitive jobs offshore to increase profits.”¹ The purpose of foreign outsourcing is to allow prosperous nations to produce goods and services to export to other markets at astonishingly low prices, with high-profit margins. It also allows companies to dodge national policies, like environmental regulations. Labor arbitrage can be mutually beneficial for nations, as it can open job opportunities in underdeveloped countries, and, therefore, contribute to the growth of these developing nations’ economies. Unfortunately, there are drawbacks too, such as the conditions in which low-cost laborers are forced to work under. The practice has become more prevalent due to shifting government policies and societal expectations as well as new technologies that have allowed the practice to be more broadly applied. This topic will evaluate whether global arbitrage is for the better or for the worse after analyzing its pros and cons.

What is Arbitrage?

Global labor arbitrage comes in many shapes and sizes. Some of the most common forms are foreign outsourcing, immigration and the importation of foreign labor using work visas. Global labor arbitrage also occurs in the instance of impoverished laborers moving to nations that pay a higher wage in most industries. Often an economically well off nation will totally eradicate its barriers to international trade, combining its own people with those from nations with a lower labor cost. Some experts limit the definition of labor arbitrage, saying it applies strictly to taking work from one location to another where there is the same skill set but at lower costs. However, some experts use a broader definition and say labor arbitrage encompasses multiple corporate policies that result in lowest-cost labor.

Two common barriers to international trade are tariffs (politically imposed) and the costs of transporting goods across oceans. With the advent of the Internet, the decrease of the costs of telecommunications, and the possibility of near-instantaneous document transfer, the barriers to

¹ “Global labor arbitrage.” *Wikipedia: The Free Encyclopedia*. https://en.wikipedia.org/wiki/Global_labor_arbitrage.

the trade of intellectual work product, which is essentially, any kind of work that can be performed on a computer (such as computer programming) or that makes use of a college education, have been greatly reduced. Labor, often skilled and educated, moves to a nation on a temporary or permanent basis. This has the effect of increasing the supply of labor in that nation's market. This type of labor importation may be advantageous. According to the National Venture Capital Association (NVCA), a registered political action committee, more than 25% of all startups responding to an NVCA survey, in the San Francisco Bay Area of the US in the last 15 years were "immigrant-founded" (most likely former or current H-1Bs). 40% of all publicly traded and venture-founded companies in high-tech manufacturing were started by immigrants. These account for more than half of all jobs in this sector. Impoverished labor moves towards capital in prosperous nations. This tends to increase the supply of labor relative to capital in the prosperous nations and potentially decreases wages, according to the laws of supply and demand (of and for labor). However, this decrease can be offset by job creation due to talented immigrants.

The History of Labor Arbitrage:

Companies throughout history have sought to keep labor costs in check, so in some regard the concept of labor arbitrage is not new. Historically, companies were located near their workforce and stayed in those regions over the long term. For example, in the United States, the textile industry was a New England industry through the early 20th century but then moved all its operations to Southern states in part to capitalize on lower labor costs.

Moreover, companies today can more easily opt to engage in labor arbitrage for pieces of their production, engaging contingent workers and other kinds of workers for different components of their products or services.

A number of factors have caused this shift in how companies now engage in labor arbitrage, a shift that started following World War II and has continued into this century. Lower national tariffs helped foster global workforce competition. At the same time, new technologies broke down barriers that made shifting work away from central corporate facilities easier and more efficient. The Internet and global communications technologies, for example, enable more outsourcing and offshoring, while still allowing corporate controls to be in place.

Examples of Arbitrage:

- Off-shore workers, where companies can hire workers in a foreign country and pay less for wages, payroll taxes, benefits and/or overtime.
- Using cheaper subcontractors in a company's home country instead of staff employees.

- Using work-visa programs to import foreign workers willing to take lower salaries. Companies that pressure existing workers to take lower wages to save their jobs are engaging in labor arbitrage, too.
- Some experts also consider the use of undocumented immigrants who generally work for less and aren't able to fight for their legal work rights as a form of labor arbitrage.

Questions to Consider:

- Is global labor arbitrage beneficial to underdeveloped countries?
- Is global labor arbitrage beneficial to countries which are outsourcing it?

Bloc Positions – Topic 1

- **United States:**
The United States outsources more labor to countries with low-cost workforces than any other global superpower, it is crucial to its capitalist economy and many Americans support it.
- **Canada:**
Canada benefits from labor arbitrage, and Canadians outsource labor to other countries.
- **China:**
China was once considered one of the cheapest countries to manufacture in, however, in recent years, many experts have begun to consider China an outsourcer of labor, and they are sometimes forced to outsource labor to countries with less environmental regulations.
- **Egypt:**
Egypt is an exporter of natural resources, and is on both ends of labor arbitrage (outsources labor and is the recipient of countries outsourcing labor).
- **France:**
France outsources labor; they benefit from labor arbitrage.
- **Germany:**
Germany outsources labor; they benefit from labor arbitrage.
- **India:**
India is now considered by experts one of the countries with the lowest cost for manufacturing, if not the cheapest country to outsource labor to.
- **Italy:**
Italy outsources labor; they benefit from labor arbitrage.
- **Japan:**

Countries like America temporarily outsourced labor to Japan, but like China, as they established themselves as more of a global superpower, they began to outsource labor to nearby developing countries (like the Philippines for example).

- **New Zealand:**
New Zealand outsources labor; they benefit from labor arbitrage.
- **Australia:**
Australia outsources labor; they benefit from labor arbitrage.
- **Pakistan:**
Pakistan is on a list of cheapest countries to outsource labor to.
- **Philippines:**
The Philippines is one of the cheapest countries to outsource labor to, and more and more countries are establishing connections with factories there.
- **Portugal:**
Portugal outsources labor; they benefit from labor arbitrage.
- **Singapore:**
Countries like America temporarily outsourced labor to Singapore, but as they established themselves as more of a developed country, they began to outsource labor to nearby developing countries (like the Philippines for example).
- **Spain:**
Spain outsources labor; they benefit from labor arbitrage.
- **Switzerland:**
Switzerland outsources labor; they benefit from labor arbitrage.
- **Sweden:**
Sweden outsources labor; they benefit from labor arbitrage.
- **Thailand:**
Thailand is one of the cheapest countries to outsource labor to, many countries have established relations with the government, and more and more countries are establishing connections with factories there.
- **Taiwan:**
Thailand is one of the cheapest countries to outsource labor to; many countries have established relations with the government.
- **United Kingdom:**
The United Kingdom is one of the top countries that outsources their labor to developing countries.
- **Vietnam:**
Vietnam is one of the cheapest countries to outsource labor to.
- **Malaysia:**
Malaysia is one of the cheapest countries to outsource labor to.
- **Myanmar:**

Myanmar is one of the cheapest countries to outsource labor to, although with the civil disputes within Myanmar lately, production has slowed down, and they may lose factory contracts in the future.

- **Sri Lanka:**

Sri Lanka is one of the cheapest countries to outsource labor to.

- **Indonesia:**

Indonesia is one of the cheapest countries to outsource labor to.

Topic 2: Assessing the instability of Cryptocurrency

General Overview:

The stability of cryptocurrencies has long been debated by economists. It is not entirely clear whether the increased employment of cryptocurrency will be detrimental to the global economy. It may be that crypto is the future of commerce. Alternatively, the bubble of crypto may burst and cause a modern day stock market crash. Some of the world's ultra wealthy population have a powerful hold on the crypto market, a position which is causing doubts among some world leaders.

What is cryptocurrency?

Cryptocurrency, also known as crypto, is a form of currency which exists exclusively on internet servers. It is an alternative form of payment to traditional forms such as the dollar or the pound. Some popular forms of cryptocurrency include bitcoin, Litecoin, and Ethereum. Crypto is increasingly being used for ecommerce, especially by millennials. To utilize crypto currency, one must first have a cryptocurrency wallet. This software can be stored on either a cloud based server or on a harddrive, but without it a person will be unable to access their cryptocurrency. In this way the wallet acts as a key to one's currency.

How can cryptocurrency be used?

Cryptocurrency can be used in the same way that a credit card would be used online through different services which convert it into currency usable by sellers. Additionally, some crypto bank cards are beginning to appear which allow users to pay in person using their cryptocurrency.

What are the risks associated with cryptocurrency?

The risks to the consumers of crypto are also especially high. Crypto is highly volatile, intangible, exists on a non-regulated 24-hour stock market, and is uninsured by any authority. All of which appeal to criminal/illegitimate purposes. For example, it is incredibly prone to hacking.

Questions to Consider:

- Does the power the ultra wealthy have on the crypto market need to be regulated?
- Is crypto the future of the economy?

Bloc Positions – Topic 2:

- **Australia:** Australia will create a licensing framework for cryptocurrency exchanges and consider launching a retail central bank digital currency as part of the biggest overhaul of its \$650 billion-a-day (\$463 billion) payments industry in a quarter of a century.
- **Canada:** Cryptocurrencies are not legal tender in Canada. Only coins issued by the Royal Canadian Mint and notes issued by the Bank of Canada are legal tender. However, the Bank of Canada, the country's central bank, is experimenting with token-based digital currencies.
- **China:** Chinese cryptocurrency investors say they are continuing to trade their virtual coins on overseas platforms as big exchanges end yuan support. Beijing said this year that overseas platforms serving mainland users are illegal, which came after a widespread bitcoin mining crackdown
- **Egypt:** Egypt's Dar al-Ifta, the primary Islamic legislator in Egypt, has issued a religious decree classifying commercial transactions in bitcoin as haram (prohibited under Islamic law). It is estimated that over 1.7 million people, 1.8% of Egypt's total population, currently own cryptocurrency.
- **France:** The French government has taken a keen interest in virtual currencies, teaming up with private players to boost the development of cryptocurrency and blockchain in the country. On November 4th 2021, France FinTech, a leading nonprofit association aimed at promoting FinTech growth in France, and international cryptocurrency giant, Binance, jointly announced the launch of a €100 million (\$115.4 million) initiative called “Objective Moon.”
- **Germany:** The use of cryptocurrency in Germany is increasing rapidly with Bitcoin and Ethereum being widely used in e-commerce to purchase goods. Cryptocurrencies in Germany are regularly transferred and traded and companies have invested their capital in the new digital currency. It is estimated that more than 2.1 million people – 2.62% of Germany’s total population – currently own cryptocurrency with Bitcoin as the leader.
- **India:** India has had a hot-and-cold relationship with digital currencies, which exist in a grey area. In 2018, India effectively banned crypto transactions, but the Supreme Court struck down the restriction in March 2020. India is one of the world’s fastest-growing markets for cryptocurrency trading, even though the ability to trade Bitcoin and its peers freely and anonymously undermines the country’s limits on the convertibility of its currency, the rupee. The central bank is clear that it wants all private cryptocurrencies banned while it creates an official digital currency. The government, however, is open to exceptions to promote blockchain technology.
- **Indonesia:** Cryptocurrencies themselves are not considered a legal form of payment in Indonesia. For example, you can’t buy a house with Bitcoin, but you can hold it as an asset, and trade it via a cryptocurrency exchange. Although the Indonesian government has banned cryptocurrencies as a form of payment, and the powerful Indonesian Ulema

Council has said paying with crypto is not permissible under Islamic law, the country still regulates crypto as an approved asset class.

- **Italy:** Italy didn't have any special Bitcoin regulations and there was no legal framework for cryptocurrency in Italy until 2018. Currently, Italian professionals in the blockchain industry, such as exchanges and investors, are required to be registered by the Institution of Agents and Mediators by providing documentation data and the websites of businesses. Italy does not have cryptocurrency taxes, but a list of cryptocurrency agents will be available to the Financial Police to conduct investigations of money laundering and terrorism funding.
- **Japan:** Bitcoin in Japan has a notable following, as does cryptocurrency and blockchain as a whole. The country's regulators have deemed Bitcoin an approved money type. Japan hosts a number of crypto exchanges, and the country has regulatory requirements around the industry, creating a scene more favorable for compliant crypto-asset entities. Bitcoin's anonymous creator, Satoshi Nakamoto, is thought to be from Japan, although little is confirmed about Nakamoto's identity.
- **Malaysia:** The Malaysian government has issued no Bitcoin regulations. Malaysia allows Bitcoin mining and trading with no restrictions. However, the Central Bank of Malaysia issued a statement that Bitcoin is not considered to be legal tender and its users are poorly protected from fraudulent schemes and operational risks.
- **Myanmar:** Myanmar's shadow government said it would allow the use of the world's largest stablecoin, Tether, as an official currency, potentially making it easier for it to raise funds and make payments
- **New Zealand:** New Zealand has no strict Bitcoin regulations. Blockchain-based currencies are totally legal in New Zealand for any kind of lawful activity. New Zealand's central bank stated that the use of Bitcoin is allowed for any kind of financial operations besides issuing money in a physical form. Fintech in New Zealand is an actively progressing and developing sphere of industry and the country's government is not willing to prevent its further development.
- **Pakistan:** Pakistan has seen a boom in trading and mining cryptocurrency, with interest proliferating in thousands of views of related videos on social media and transactions on online exchanges. While cryptocurrency is not illegal in Pakistan, the global money laundering watchdog, the Financial Action Task Force (FATF), has called on the government to better regulate the industry. Pakistan is on the FATF's grey list of countries it monitors for failing to check terror financing and money laundering. In response, the federal government has set up a committee to study cryptocurrency regulation, which includes observers from the FATF, federal ministers, and heads of the country's intelligence agencies.
- **Philippines:** With a score of 2.94/10, Philippines is the 17th most crypto aware country, according to this report, falling behind countries like Nigeria, South Africa, Kenya and India. 4,360,579 Filipinos are crypto owners which amounts to 3.98 percent of the

population. However, the adoption rate of crypto in the Philippines (0.26 per cent) falls far short of that of US and Russia's (0.627 and 0.931 per cent respectively).

- **Portugal:** Cryptocurrency is tax-free in Portugal. The country has announced several incentives over the years and today cryptocurrency traders and miners enjoy Portugal's crypto-friendly environment. Earnings from crypto are exempt from VAT in the country and there's a less legal and regulatory burden on cryptocurrency businesses.
- **Singapore:** Although Singapore has regulations around the industry, the country is commonly known for showing positivity toward blockchain and crypto. Regarding fintech, Singapore has a bustling scene. In Singapore, cryptocurrency trading is prevalent. The country's central bank, the Monetary Authority of Singapore, or MAS, has put forth a number of efforts relating to crypto regulation. A sign of its leadership in innovation, Singapore's government was discussing Bitcoin taxes back in 2014, in the asset's early days.
- **Spain:** Spain has no regulations toward Bitcoin. Bitcoin transactions in Spain are considered to fall under the rules of bartering under the Civil Code. Such laws consider Bitcoin to be digital good or a thing. Bitcoin-accepting businesses are required to make an account statement with a value-added tax in euros. Spain's financial supervisors were the second to confiscate Bitcoins while investigating frauds performed with Bitcoin in 2013. Spain is working on implementing blockchain into the infrastructure of its cities and in other fields.
- **Sri Lanka:** Sri Lanka's central bank has not yet approved cryptocurrencies for transactions. Sri Lanka's cabinet of ministers appointed a committee to look into blockchain and cryptocurrency use in the country. The committee is mandated to study the regulations and initiatives of other countries such as Dubai, Malaysia, Philippines, European Union and Singapore and propose a suitable framework for Sri Lanka. Sri Lanka's currency unit is the rupee. Only the rupee is approved by the central bank.
- **Switzerland:** The Swiss franc is Switzerland's main currency. Switzerland is a country that is friendly to crypto and blockchain, and home to numerous industry companies and regulation that is sensitive to the sector. In Switzerland, cryptocurrency has become a focal point within the nation's Zug canton, nicknamed "Crypto Valley."
- **Sweden:** Swedish authorities have called for an EU-wide ban on energy-intensive cryptocurrency mining, which they say threatens targets to limit global warming to 1.5°C under the 2015 Paris Agreement. It is currently possible to drive a mid-size electric car 1.8 million kilometres using the same energy it takes to mine one single Bitcoin.
- **Thailand:** The Bank of Thailand is currently discussing how to regulate cryptocurrency with the Thai Securities and Exchange Commission (SEC), related agencies, and stakeholders. The bank aims to limit consumer risks associated with using cryptocurrency for payments. The Thai central bank previously said that cryptocurrency is not legal tender in the country and using it as a medium of exchange "constitutes barter trade between the owner of the digital asset and the provider of goods and services, where the

payer and the receiver mutually accept all risks involved.” Cryptocurrency has been gaining popularity as a way to pay for goods and services in Thailand

- **Taiwan:** Taiwan is a dynamic, capitalistic and a high-tech, free-market economy. However, Taiwan has some Bitcoin regulations. Taiwan banned Bitcoin ATMs and explained it as a countermeasure against Bitcoin usage as a currency for bank payments. Taiwan has no regulations on Bitcoin exchanges, Bitcoin is accepted at three of the four major convenience store chains. Taiwan also does not restrict mining of any cryptocurrencies nor cryptocurrency trading.
- **United Kingdom:** There are no strict regulations on Bitcoin in the UK. Bitcoin has no established legal status but is commonly treated as a foreign currency for most purposes, including value-added and goods-and-service taxes. Cryptocurrencies profits and losses are subject to capital gains tax. However, the UK government is planning on implementing some legal procedures in the cryptocurrency market. Their primary goal is to require UK Bitcoin exchanges to conduct due diligence in relation to customers and include cryptocurrency platforms in anti-money laundering and counter-terrorism financing policies. The UK has issued a warning about the risks of investing in ICOs and cryptocurrencies, though it has yet to establish any direct rules concerning it. Still, it was stated multiple times that the United Kingdom is working on cryptocurrency regulations and has no intentions to leave it in a legal gray area.
- **United States:** The U.S. government won't ban cryptocurrencies and American politicians are investing in them. The U.S. is signaling that it will embrace and regulate Bitcoin, blockchain technology and other cryptocurrencies. The U.S. is on track to become the leader in decentralized finance over the coming years as regulators continue to work with the cryptocurrency community to build a sustainable and secure industry.
- **Vietnam:** Vietnam leads the world in cryptocurrency adoption despite the fact that cryptocurrency is not a legal means of payment in the country.

Further Research:

[UN ECOFIN Page](#) - The official UN ECOFIN webpage

[MUN ECOFIN Homepage](#) - MUN's page with ECOFIN related information

[Extra Info #1](#) - The Political Economy of Global Labor Arbitrage

[Extra Info #2](#) - How Global Labor Arbitrage Will Shape The World Economy

[Main Link #1](#) - Wiki page for Labor Arbitrage (Basic definitions, history, etc.)

[Main Link #2](#) - Forms of Arbitrage

[Main Link #3](#) - What is Global Labor Arbitrage? A brief overview

[Main Link #4](#) - What is Global Labor Arbitrage? SearchCIO Definition

[Main Link #5](#) - What is Cryptocurrency? The Basics

[Youtube Link #1](#) - What is Global Labor Arbitrage? Video Explanation

[Youtube Link #2](#) - Just for fun