ECONOMICS AND FINANCE COMMITTEE



STUDY GUIDE

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**Meet your Chairs!**

**Sukanya Upadhyaya**

Hey delegates! I am going to be your chair for PMUN this year, along with Neel, and we are going to make sure that our committee is amongst the best ones this year! :D

To all of those who don’t know me, I’m from IBDP 2, with an absolute passion for debating. Figured I definitely needed to participate in PMUN this year, because, of course, who *doesn’t* want to chair?

I chose to chair ECOFIN because I’m an ardent fan of economics, and understanding ideologies revolving around the world’s development always seemed to be an interesting choice. I also have some amazing memories of the previous PMUN in the same committee too, and I wanted to continue in the same.

We all have, and will work hard to make this MUN a success... I do look forward to your cooperation in making this an eventful and a memorable journey!

**Neel Kulkarni**

My name is Neel Kulkarni, from IBDP year 2. I enjoy MUNs because it is the closest we get to realize and acknowledge the happenings around the world. It helps us to think beyond individuality and on behalf of a whole country.

I wanted to chair ECOFIN because economics is not only my favourite subject, but it’s something I love. With your efforts combined with ours, we can me sure PMUN 2014 is a success.

Because we want to give you the awesome MUN experience that our seniors gave us. :D

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**ECOFIN**

The Economic and Finance Committee (ECOFIN) is one of the United Nation’s main committees, and resolves problems and disputes under global finances and economics.

It deals with issues associated with economic growth and development such as sustainable development, poverty eradication, international trade, globalization, and much more.

Various macroeconomic policies are researched upon, and even amended, to fully understand countries’ stands and solutions to a particular issue.

**AGENDAS**

1. Trade Relations around the global market today; this includes counterfeit goods and the black market.
2. Eradicating unemployment as a united entity, and its consequences on the global market.

INTRODUCTION (AGENDA 1)

Importance of trade in today’s world is vast, and maintaining positive trade relations is a preference to all countries. There are many products and activities that do not promote the positive trade relations. These include the buying and selling of counterfeit goods and the presence of black markets.

Counterfeit goods (or Knock-offs in colloquial terms) are products infringing the rights of a trademark. These may include fake handbags or fake shoes, which use trademarked brand names. These products are typically of inferior quality as they are not subject to corporate quality control or any kind of governing entity.

Such products are proven to be highly unsafe, if not outright deadly.

A black market or an underground market is a place where goods are traded illegally. However, the goods or services sold may not be illegal. Because the trade is illegal it takes place outside the formal economy. Some of the major reasons for black market to form include : 1) Avoid taxes

 2) Trade illegal/prohibited goods

 3) protest price controls

**USA**

The USA is ratified with the anti-counterfeiting trade agreement (ACTA) which was signed in October 2011. 62% counterfeit goods seized in USA come from China. Thus, the trade relations between these countries remain bitter.

Growing presence of black markets are destabilizing the economy and increasing crime rate in the United States.

**CHINA**

China is under great criticism relating the topic of counterfeiting and 70% of the world’s seized counterfeit goods come from china.

China has taken efforts to reduce the domestic counterfeiting and successfully did so by 35% in 2006. However, Major brands argue that the progress is unclear and the results are less than satisfactory.

Black Markets have been in the heart of the Chinese trade problems. Currently China is experiencing a boom in its black market for surrogate mothers. Whereas, surrogacy is banned in the country. As a whole black market is a major issue in China which is often being neglected.

**SINGAPORE**

Singapore is ratified with the ACTA, an agreement to act against trade of counterfeit goods. However, Singapore is one of the significant East Asian exporters of counterfeit goods.

Black markets in Singapore affect greatly to the economy as around $92 million was seized as suspected criminal proceeds. Also, Singapore’s black market is valued over $260 million.

**INDIA**

The average size of India’s counterfeit market is 45,000 crores and is harming the economy drastically. Delhi, the capital produces 75% of these goods. India also is one of the top five exporters of counterfeit goods.

The black money scandal in India is known to all. However, not exact, the mount stashed away in Swiss banks is expected to be upwards of US $1.4 trillion. Most of the counterfeit narcotics in south Asia is said to be produced in India. Also the cannabis and Heroin in Bangladesh and Nepal is produced in India.

**JAPAN**

2014 has seen the confiscation of fake brands and goods at the all time high. Counterfeiting in 2014 has increased by 5.4% from the previous year and he highest ever recorded. Out of the cases recorded 91.9% were manufactured in China.

Japan’s black market amounts for $108.3 billion which is a major leak from the economy. Japan is a victim of online piracy leaving the Japanese publishers upset due to sales drop.

**UAE**

The UAE is the second highest exporter of counterfeit car parts to the Europe accounting for 17% of total counterfeit trade last year. Rrecently, UAE also made the top five list in counterfeit trading.

However, the black market value of the UAE remains relatively low at $1.10 billion, these figures are not exact and are subject to manipulation.

**THAILAND**

Nearly 60% of all counterfeit apparel seized in Europe comes from Thailand. Thailand government faces great criticism from multinational companies because of the government’s laid back attitude towards the adequate protection of Intellectual Property Rights (IPRs).

The value of Thailand’s black market sums up to a total of $13.95 Billion. Out of which Alcohol smuggling contributes with $334 Million. The Thailand government is accused of doing virtually nothing to control this outburst of illegal smuggling, dealing and poaching.

**ITALY**

Counterfeit goods valuing around $18 million seized by police last year. Reports reflect Chinese involvement. However, rules have got strict against tourists buying fake goods. But it’s effect lies unrecorded.

The Italian government has decided to count the revenues of prostitution and black markets in their GDP. This is however perceived as the government has given on trying to stop such illegal activities in its economy.

**LUXEMBURG**

The trade watchdog launched by Luxemburg called the ILNAS is expected to strengthen the surveillance against trade of counterfeit goods. Sale of fake Rolexes are very famous in Luxemburg said Timesofmalta.com

Only Austria and Luxemburg refuse to disclose the identities of holders of bank accounts in their countries owned by residents of other EU countries. This raises questions upon the country about encouraging black money transactions.

**GREECE**

Suspected fake Greek artwork gained great media attention in Europe and the art industry fears the legendary Greek art market may be flooded with fakes. Greek counterfeit raids add up to $30 Million topping the Euro counterfeiting seizures.

Sales of smuggled cigarettes have more than trebled in Greece, amounting to an estimate of 3.5 billion euros per year or 15% of the legal market. It is the same story for the Greek black market for gold, expanding rapidly.

**RUSSIA**

It is estimated that one-third of all consumer goods in Russia are counterfeits. Use of counterfeit aviation parts has caused twenty-four major crashes in 2014 alone (in Russia only). Despite tightening on government regulations, demand for counterfeits in Russia is rising.

Russia’s black market is valued at $49 Billion from which $29 Billion belong to counterfeiting. Russia’s underground economy relative to GDP is the highest, fluctuating around 40%-50%

**UK**

MHRA seized upto £12.2 million of counterfeit and unlicensed medicines in the UK. There was an increase in the counterfeit £1 coins. This rose from 2.74% to 3.04% last year. There was a circulation valuing around £11.5 million of these fake bank of England coins.

The UK shadow economy now has a value of £150 billion stated by ‘THE GUARDIAN”. However, they’ve defended this by stating that it is less compared to other western developed countries. Is 10% of the GDP a reasonable value of the shadow economy? The question is unanswered.

**BANGLADESH**

Bangladesh has declared a death penalty for currency counterfeiters, only two other countries have done so earlier; china and Vietnam. German banks have had a major part in suggesting and convincing the Bangladesh bank. Bangladesh is estimated to play host to 80,000 fake pharmacies holding up a $1.16 billion counterfeit medicine market.

The Bangladeshi black market values at $335 million. Most of the illegal Heroin consumed in Bangladesh comes from India. Bangladesh and India seem to allies in the counterfeit goods.

**GERMANY**

Counterfeit banknotes is also a major issue in Germany as the Bundesbank received just under 25,000 counterfeit banknotes with the nominal value of €1.5 million.

The German black market is worth $39.67 billion. Germany seized upto $1.4 million worth of counterfeit drugs last year. The reports estimate the profit margin for these fake drugs can be up to 25000 percent.

**SOUTH KOREA**

South Korean made counterfeits are considered to be the caviars of the fakes world. South Korea is one of the significant exporters of counterfeit products in East Asia. The highly growing demand for counterfeit goods in S. Korea has lead to production of first class fakes.

The S. Korean black market costs $26.2 billion of its economy. With the help of the CASTAR program, which was initially made by America, is majorly helping the S. Korean government to track down black market buyers and sellers.

**AUSTRALIA**

Counterfeiting of goods robs Australia alone for $5 billion every year. The counterfeit goods sold in Australia are increasing in value each year as some state this of the fakes becoming “ more sophisticated”.

The black market for Australia can be added up to $14.62 billion. Australia is a host to a huge black market for illegal weapons. These are easily available over the Internet or otherwise, sparking up threats of terrorist attacks.

**BRAZIL**

The demand for counterfeit goods in Brazil is on the rise. Reports say about $812 million was seized in the form of illegal consumer goods at airports, seaports and border crossings. However the capture of the leader of the country's biggest illegal rings provides a hope for the brazillian institution. The black market is Brazil operates openly in the light of the day. Even currency counterfeiters at the airport. The question is, why isn't the brazillian government taking an action?. Some may perceive it as carelessness, and some may call it conspiracy.

**CANADA**

Counterfeit goods in Canada arrive in. Large frequencies of small shipments or couriers, effectively dodging the importance customs. Similarly, Canada's strategy of printing polymer bank notes has seemed to fail too, as fake polymer notes were spotted in BC. Is the Canadian government stumped by counterfeiters?

Canadian black market is worth $77.83 billion, with drug trafficking contributing with $44.5 billion and counterfeiting contributing with $30 billion.

Introduction (AGENDA 2)

A low rate of unemployment is what every economy in the world aims to achieve. It is one of the major goals all the governments work towards, along with the producers, households and workers of the economy.

Unemployment is defined as the total number of people willing and able to work, and actively seeking work at a particular wage level at a given period of time, but without a job.

Low unemployment always points toward a healthier economy, where more resources, i.e. labour in this case, are being utilized to their optimum value. A healthy and growing economy will have a natural rate of unemployment at about 3-6%. Anything more than this could be a concern for the government of the economy, and could push various policies to be followed or formed for unemployment eradication.

This is exactly what we’ll be concentrating on in the ECOFIN committee as part of this agenda.

**USA**

USA has witnessed expanding employment levels consistently throughout the 1990s. However, ever since the severe recessions in 2001 and 2008-2009, employment was inconsistent throughout the American economy. The unemployment rate rose from 5.0% in December 2007 to 10.0% in October 2009. It then fell to 6.1% by June 2014.

Certain economists point towards a plan that insists that individual US states should implement a 'work sharing' policy of reducing worker hours rather than laying them off, to cut costs and stabilize unemployment at the same time.

**CHINA**

Unemployment Rate in China remained unchanged at 4.10 percent in the second quarter of 2014 from the first quarter.

China is known to have a low youth unemployment rate, along the other South East and Asian countries, which is a sign of an economy with great potential, as youngsters determine the future employment levels and also have a lot of scope for newer ideologies.

However, China’s economy is driven by export-driven manufacturing, construction and large energy and capital intensive heavy industries, none of which offer large number of white-collar jobs suitable for university graduates. The country must focus on developing jobs that allow university graduates to use their potential to maximum use as well.

**SINGAPORE**

Singapore’s unemployment rate remained unchanged at 2.0 percent in the second quarter of 2014 from the first quarter of 2014. This relatively low rate of unemployment signals the labor market in the country to be tight. The workforce and human resources of the economy are being efficiently used.

The level of workers being laid off is also continually falling. What Singapore needs to concentrate on is to maintain this in the near future as well as in the long run too.

**INDIA**

The economic slowdown and slower business expansion activities in India are leading to the slight increase in the nation’s unemployment rate. This year, it is forecasted to increase to 3.8%, from 3.5% in 2011.

A large pool of youth in the age group of 18-25 years, despite being skilled, are facing unemployment issues since there are not enough opportunities for them.

Experts suggest serious investment and building skills to help overcome the sluggish growth stagnation and improve employment levels in the economy.

**JAPAN**

Japan’s unemployment rate increased to 3.7 percent in June from 3.5 percent in the previous month, as more people were looking for a job. The jobs-to-applicants ratio rose to 1.1 percent, the highest rate in twenty-two years.

Employment in education and learning support activities rose the most on the year (4.7 percent), followed by information and communications (4.6 percent) and transport and postal activities (4.5 percent). However, the number of people employed in agriculture and manufacturing fell by 3 percent and 0.7 percent respectively, and this would be that area of improvement for the nation.

**UAE**

The United Arab Emirates’ economy is predominantly manufacturing-based. Agriculture employs 3.80% of the population, manufacturing and industry employs 23.10% of the population and the service sector employs 73.10% of the population.

The UAE’s unemployment rate fell to 4.2% last year from double-digit, and it is said to be a consequence of Dubai having a low unemployment rate and a growing economy.

**THAILAND**

Unemployment in Thailand is extremely low, and has been steadily decreasing from a high of 5.73 percent in 2001 to the current rate. There are several reasons that their unemployment rate is so low. One of them is the possible fact that there exist many who are “informally employed” or “underemployed”.

Another possible cause is the fact that a rising number of people in Thailand are giving up their search for a job. This excludes them from being counted under the unemployed category as they are not “actively seeking work”.

**ITALY**

Italy’s youth unemployment rate is currently at 46 percent and the future of the economy looks dim.

The total unemployment rate, however, fell to 12.3% in June from the 12.6% it was the previous month.

Taming Italy's high unemployment rate is still among the priorities of Prime Minister Matteo Renzi's government, as household spending remains low and inconsistent. Families, moreover, are concerned over possible job losses, and the overall consumer confidence remains small; this thereby becomes one of the government’s major concerns today.

**LUXEMBURG**

Luxemburg is known to be one of the countries with the highest GDP per capita. While they are one of the richest countries in the world, however, they have an unemployment rate of 7.2%, an all time high from their unemployment rate of 1.40% in 1991.

On 30 June 2014, Luxembourg had 17 365 registered unemployed residents that were actively seeking work in the labour market. Living up to being the richest country in the world will only happen if their employment levels are raised again.

**GREECE**

Greece hit an unemployment high of 28% in November 2013.

The rate increased from 27.7% in the previous month. The youth unemployment touched 61.4%.

Harsh austerity measures have led the Greek economy to shrink by a quarter in four years.

While other economic indicators have suggested that there are signs of recovery, Greece's unemployment rate is expected to rise further in the first three months of 2014 as firms continue to restructure and cut jobs.

**RUSSIA**

Russia’s unemployment rate fell to a record low in May as businesses raised salaries faster than economists predicted, helping bridge a three-month slowdown in real-wage growth.

Unemployment fell to 4.9% in May from 5.3% a month earlier.

While growing wages trigger more employment levels, the unemployment drop is a sign of a growing labor shortage and using up of resources, or in other words, factors of production.

The falling unemployment rate could also lower labour productivity gains, some economists state.

**UK**

The Office for National Statistics have stated that the unemployment rate fell to 6.4%, the lowest since late 2008 and down from a rate of 6.5% in May.

The number of people unemployed fell by 132,000 people to 2.08 million, indicating an improving phase in the economy.

Average wages, however, excluding bonuses, rose by 0.6% in the year to June. This has been the slowest rise recorded since the year 2001.

Furthermore, people claim the rising employment levels don’t show the whole picture, as graduates are still struggling to find work in the UK labour market.

**BANGLADESH**

Bangladesh suffers from high unemployment, as do the other less developed and developing countries. The number of unemployed graduates are increasing daily in Bangladesh because of the country's education system being unable to stay consistent with the labor or job market.

Every year, almost half of the graduates came to the job market but do not get appropriate jobs according to merit. This sometimes leads to them remaining unemployed.

Currently 47 percent graduates of Bangladesh are unemployed.

**GERMANY**

Despite being one of Europe’s largest economies, the number of unemployed people in Germany rose by 24,000 to 2.905 million in May. These statistics were definitely far from what economists had expected; a 15,000 decrease.

Experts stated that the drop could partly be explained by the weather, with a loss of fewer seasonal jobs during the milder winter they experienced.

However, despite the rise in unemployment numbers, the unemployment rate surprisingly remained unchanged in May at 6.7%, due to their labour market stabilizing.

**SOUTH KOREA**

South Korea's unemployment rate slowed down and fell in July from a month earlier. This was a possible result of new jobs being created across a range of sectors.

The unemployment rate fell to 3.4 percent from the previous month's 3.6 percent, statisticians stated, and was well above the average of the year 2013.

While South Korea’s manufacturing sector continues to perform well, their wholesale and retail businesses are improving day by day. This trend should be maintained by the economy for further positive results.

**AUSTRALIA**

Since September last year, only 11,000 jobs a month have been created in the Australian economy. Shockingly, more than half of these are only part-time jobs.

The latest unemployment data released by the Australian Bureau of Statistics on August 7 shows that the economy’s unemployment rate is at a 12-year high of 6.4%.

The number of people unable to find work now stands at almost 790,000, which is the highest level since February 1997.

The Australian government promises a cut in taxes to lift growth and create more jobs if the budget measure remains stable.

**BRAZIL**

Brazil has baffled many economists with their relatively low unemployment rate despite the credit crisis that they faced in 2008 and 2009.

One of the reasons could be the fact that the real wage bill in Brazil continues to rise. It’s not rising as much as it has in the past, but Brazilian workers did manage to gain 3.0% more in March from the 2.2% gain in February.

Furthermore, while the labour force remains tight in Brazil, the rising wages trigger consumers to spend more and more.

Brazil’s unemployment rate fell to 4.90% in April 2014 from 5% in March 2014.

**CANADA**

Canada has been successful with raising the employment levels in its economy. The number of jobs in the country increased by 42000.

The unemployment rate fell to 7% in June, according to statisticians.

The youth unemployment, however, has risen. Canada’s youth unemployment rate (15-24 years of age, both sexes) was 12.2% in 2006, and it is 13.6% today. However, these statistics could be misleading as hundreds and thousands of young people have given up their job search and gone back to school, thus raising the youth unemployment values.