INTRODUCTION LETTERS

Dear Delegates,

I will have the pleasure of being the Director for ECOFIN for the duration of this conference. I have chaired and taken part in several conferences of the past 4 years. I am looking forward to a weekend of HARDCORE debating. This may be a beginners’ committee but don’t make the mistake of thinking this will be easy.

I look forward to meeting you all soon,

Basem Zaman

Director

Distinguished Delegates,

It is my utmost honour to co-chair the Economic and Finance Committee. First of all, please allow me to introduce myself; I am a first-year student at the University of Glasgow, studying Economics and Politics with a particular interest in international economics. And this to many comes as no surprise given my Greek ancestry. Therefore feel free to ask me any questions on the Greek crisis, though I cannot guarantee a conclusive answer. This is my first chairing experience, as I consider it to be much more gratifying to stand up for a cause, debate and deliberate proposals for a resolution. A small notice on the topics: they might not be the most mainstream topics to discuss in an MUN committee, but they have meticulously been considered and set in order to amplify and mirror LIMUN’s standing as the largest university-level MUN in Europe and as one of the very best-quality conferences across the globe and they have also been designed to leave us with a clear sense of what is going on around us nowadays. May I congratulate you for your acceptance into the conference and indeed our committee, and may I further promise to do my very best from my part to make it your most constructive and joyful MUN experience. I also feel obliged to kindly urge you to use the study guides wisely as a primary introduction to the topics but not to rely on it as your sole reading. Lastly, I am honestly looking forward to meeting each and every one of you in February and let me wish you a delightful stay in London.

Best wishes,

Christopher Siakkas
Dear Delegates,

It is with great pleasure I stand before you as Co-Chair of the Economic and Finance Committee at the 15th Session of London International Model United Nations. I’m a second year Geography undergraduate at King’s College London, but taking this year at the National University of Singapore. This shall be my second chairing experience, following Paris International MUN last year, and I very much look forward to working with yourselves and Christopher, under Basem’s guidance as Committee Director. I hope the topics set before you prove to be interesting and this topic guide enlightening. We have a lot of effort into this guide to make it as useful to you as possible and to allow for a successful committee as possible. However, as with any and every MUN, the research and your work as delegates cannot stop at this guide. Please use it as just that, a guide. Use it to steer your research to the main points of debate, to enlighten yourselves on your countries priorities and those of your allies and less cooperative counterparts alike. Most of all I look forward to meeting you all in February and having lots of fun in the wonderful city of London!

I hope to see you all soon,

Will Judd
THE ECOFIN COMMITTEE

The Economic and Financial Committee, also known as ECOFIN is the second of the six committees of the United Nations General Assembly. It was formed with the rest of the General Assembly when the UN was established after the Second World War in 1945. The committee first met in London in January 1946. Since then, the committee meets once every year in October for a 4-5 week session. Its primary roles include addressing issues related to economic growth and development with specific regard to macroeconomic policy on international trade and external debt sustainability, securing financing for sustainable development, poverty eradication and globalization and interdependence.

In recent times, the Millennium Development Goals and special situations related to Least Developed Countries and Landlocked Developing Countries, as well as recovery and restructuring in the aftermath of the 2008 Financial Crisis has been focused on increasingly. The 68th session of the will start in September 2013. The ECOFIN is open to all 193 member nations of the UN, each of which has equal representation and voting rights. Though resolutions adopted by the committee are not enforceable, they carry the weight of the international community’s will. The GA also has the power to convene an emergency special session and act to ensure peace security.

The ECOFIN is administrated by one chairperson, three vice-chairpersons and one rapporteur. The ECOFIN regularly updates its working methods and practices to enable deeper debate and greater impact of the committee’s deliberations and decisions. These efforts include streamlining the agenda, holding “question time” sessions with secretariat officials after the presentation of substantive reports and reducing the number and length of draft resolutions adopted. The Committee currently holds a dialogue with the Executive Secretaries of the Regional Commissions as well as a number of side events as part of its programme of work.
Topic A: INTERNATIONAL EFFORTS TO COMBAT MONEY LAUNDERING

INTRODUCTION

Money laundering (ML) is a broad term used to describe the activity of concealing the source and ownership of money and/or property. One use of ML is to handle the profits of a crime and arrange for it to be reinvested in order to disguise its source. Thus involves a large proportion of the financial services sector, sometimes without their knowledge. A complexity is presented here with the varying definitions of crime across the world and various legal and penal definitions of money laundering. The United Nations has increasingly sought to reduce such ambiguity and inconsistencies as can be seen in the resolutions detailed below.

The illegal drugs industry exists solely due to money laundering. As increasingly globalised world drugs are being grown in one hemisphere and sold in another. However all vendors in the supply chain need to be paid. Modern day gangs use highly complex transactions to transfer money across the world. The Profit left over also needs to be kept somewhere safe where there is little or no chance of it being seized for being illegally sourced. The best way to do that would be convert the money into legal form.

Terrorists and terrorist organisations also rely on money to sustain themselves. Terrorist financing is slightly different to ML. While terrorist groups do generate funds from criminal activities such as drug trafficking and arms smuggling, they also frequently obtain revenue through legal means. Supporters of terrorist causes raise funds through various methods. In addition, some charity or relief organisations may unwittingly become the conduit through which donors contribute funds that may
eventually be used to commit a terrorist act. The funds are then routed to the recipient terrorist organisations through both informal networks and the formal financial system. While terrorists are not greatly concerned with disguising the origin of money, they are concerned with concealing its destination and the purpose for which it has been collected.

One very important thing to note is the reasons why money is laundered. In several nations corruption is rife and when there is legitimate money to be transferred to outside the country often a big chunk is taken by the middleman upon declaring it. It is sometimes easier and more importantly cheaper to ML it across. Despite the reason Money laundering is illegal and is still a crime punishable by law. Tax evasion is considered a form of money laundering by most nations.

Money laundering does not have to involve government bodies and the financial sector, but for most large-scale operations both are often implicit often unknowingly in aiding money launderers.

There are countless ways to money launder and the list is generally increasing. The processes are extensive. Generally speaking, money is laundered whenever a person or business deals in any way with another person’s benefit from crime.
HISTORY OF THE PROBLEM

The exact origins of the practise are unknown, but many place it in gang culture of early 20th Century USA, the term ‘money laundering’ itself was first officially used in the 1980s. By 1996 the International Monetary Fund (IMF) estimated that 2-5% of global Gross Domestic Production (GDP) involved laundered money.

Below is a list of the major international development regarding money laundering and the monitoring and prevention of it.

1988 – United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. The mandate was strengthened in 1998 through the Political Declaration and Action plan against the Money Laundering at the 20th United Nations General Assembly Special Session

1989 - Financial Action Task Force (FATF) Established by the G7 Members in order to help protect the international financial systems from the negative effects of ML and also to provide policy assistance to reduce ML. In 2001 the organisation broadened its mandate to include the investigation of the sourcing of terrorism and links to ML. The organisation has now grown to 36 members and a number of observers

1997 – Global Programme against Money-Laundering, Proceeds of Crime and the Financing of Terrorism (GPML) Established by the Law Enforcement, Organized Crime and Anti-Money-Laundering Unit of the United Nations Office on Drugs and Crime under that mandate given through the 1988 convention listed above It has the aim to assist national governments in intervening in money laundering practises Under the GPML, The International Money Laundering Information Network (IMoLIN) was established to liaise between government and international organisations of ML activity and establish a database of the illicit activity in order to help fulfil the objectives of the GPML

2002 – International Convention for the Suppression of the Financing of Terrorism
STATEMENT OF THE PROBLEM

As can be seen from the above history of the problem, ML is inherently linked to both the global narcotics trade and the financing of international terrorism. Consequently, reducing ML will lead to a destruction of the illegal drugs trade and terrorist activities. The United Nations works through its resolutions and conventions (listed above) to reduce the potential for ML to occur and for illegal sources of money to enter the system as well as working to reduce the ability for those laundered sums to fund illicit and/or deadly activities. Their work is often hindered by the actions of tax havens and certain companies that are said to have less stringent regulations on the sources of the money entering their jurisdiction. Over the last decade FAFT have taken a lead in providing international guidelines and recommendations to reduce the problems. In 2003, the publication of their ‘40 Recommendations’ was seen as a landmark move in providing assistance to governments wishing to reduce ML activity in their territory and across the globe, an advance from their initial recommendations made in 1990 and reviewed in 1996. In 2001, the organisation published its ‘IX Special Recommendations’, focusing on the prevention of ML funds financing terrorism, some of which were adopted in United Nations Security Council Resolution 1617 (2005). For the latest recommendations from FAFT, review their 2012 report.
As shown in the diagram above, The Traditional model of laundering can be broken down to three processes:

- Placement, the stage at which criminally derived funds is introduced in the financial system.
- Layering, the substantive stage of the process in which the property is ‘washed’ and its ownership and source is disguised.
- Integration, the final stage at which the ‘laundered’ property is re-introduced into the economy.

This three staged definition of money laundering is highly simplistic. The reality is that the so-called stages often overlap and in some cases, for example in cases of financial crimes, there is no requirement for the proceeds of crime to be ‘placed’.
ELECTRONIC MONEY LAUNDERING

With the emergence of powerful computers much of the world’s banking has switched to binary. That does mean that payments are incredibly fast, but it also increases the vulnerability of the system. There are several electronic services available easy to abuse to launder money. Electronic currency and transactions is just the tip of the iceberg.

Electronic transactions describe systems that enable the transfer of financial value. This may change the way by which all types of financial transactions are done. Such transactions may occur via the Internet or through the use of smart cards, which unlike debit or credit cards actually contain a microchip, which stores value on the card. Some Cyber payments systems use both. The swiftness of these transfers, which is what makes the system efficient, and the anonymity that makes them secure, are important aspects which make this system appealing to money launderer. Applying any transparency to electronic transactions will mean that it will no longer be secure and it use will diminish.

Electronic currency has gained interest from around the world in the recent year. Bit coins rising exchange rate was the headlines of every newspaper. It was an electronic currency that was not regulated by any nation. The currency exchangers are still not recognised by the most government. It makes it a very efficient tool to evade taxes. Bit-coin reserves are very difficult to track and find.
DRUG CRIME

The biggest challenge in winning the war against drugs is stopping their cash flow. If we can stop the money operation, we can stop further production and severely decapitate their operations. Majority of their operations use the financial institutions such as banks. Drug cartels more or less follow the traditional sense of money laundering as they are trying to make a profit. Banks are not the only way to that money launders can convert their money in to legal money. In the UK dealers are using betting stations and casino’s to “clean” the money.

The challenge that comes in tackling the money laundering is the increasingly global operations of each cartel. The drug trade is highly profitable and is mainly grown in developing nations. With high levels of corruption within several developing nations governments are often implicit in supporting the industry in one form another.

TERRORISM

Terrorism has continued to adapt to meet the challenges of different and new types of conflict, and has used new developments in technology. Unfortunately, terrorist have also shown that they have the ability to adapt and counter counter-terrorist measures. Furthermore, some terrorist groups have grown in to international influencers in their own right. They are becoming more “integrated with other sub-state entities, such as criminal organisations and legitimately chartered corporations.”

With the growing emergence of militant ideologies around the world, terrorism is becoming an increasingly dangerous threat. With terrorist groups there are several things to consider which makes the situation much more complicated. Governments around the world have had their hand terrorist groups for the past two decades using
militants as proxy soldiers. Governments don’t openly say that they fund groups. The transactions are hidden using complex routes. It is safe to say that both Drugs and terrorism ML cannot succeed without the use of the financial institutions. Therefore much of the effort to reduce money laundering has been done through financial institutions.

DETECTION AND PREVENTION

The ability to prevent and detect money laundering is a highly effective and important means of identifying criminals and terrorists. By targeting the money laundering operations, not only do these organisations take a hit in terms of their funding power, but they are also much more easily identified. As such, intelligence agencies and counter terror units will be able to move in quickly on the information to raid or attack terrorist locations. The application of intelligence and investigative techniques can be one way of detecting and disrupting the activities of terrorists and their organisations.

The international aspect of crime and terrorist activities has made law enforcement and tracking more complex, with agencies overshooting their jurisdictions. The UN and other international organisations are committed to aiding law enforcement agencies where possible.

Additionally, anti-money laundering activities have also faced opposition from another area, that of data privacy. An EU working party announced a list of forty four recommendations to cut down the money laundering laws of the EU member states in order to comply with privacy rights. In the US, some groups have stated their concerns with money laundering rules, essentially painting these rules as government surveillance on the ordinary person. As such, not only do new technologies help terrorist launder money, but domestic political pressures also oppose money-laundering regulation.
During the past 13 years, the IMF’s efforts in this area helped shape international AML/CFT policies, and included over 70 AML/CFT assessments and a large number of technical assistance and research projects. The IMF’s broad experience in conducting financial sector assessments, providing technical assistance in the financial sector, and exercising surveillance over members’ economic systems has been particularly helpful in evaluating countries’ compliance with the international AML/CFT standard and in developing programs to help them address identified shortcomings.

IMPACT

Money laundering is a financial crime with potentially devastating economic and social effects. Money laundering can threaten the stability of a country’s financial sector, the integrity of the markets and the global financial framework. Moreover, money laundering can result in welfare losses, draining resources from more productive economic activities and even having destabilizing effects on the economies of other countries. Money laundering supports and facilitates global criminal and terrorist activity. International Monetary Fund studies suggest that smaller countries can become favoured by large-scale money launderers for short periods of time, causing a sharp surge in financial activity, followed by an equally sharp decline, resulting in severe macroeconomic instability as local authorities are unable to take offsetting monetary or exchange-rate measures. Money laundering has also socioeconomic effects as it transfers economic power from government, citizens and markets to criminals. It causes to some extent loss of control of the economic policy, as it is possible to result to monetary instability through misallocation of the resources and to affect currencies and interest rates. Money laundering affects both worlds’ major financial markets and emerging markets and it can cause negative impacts on developing counties.
Strong AML regimes enhance financial sector integrity and stability, which in turn facilitate countries’ integration into the global financial system. They also strengthen governance and fiscal possible solutions. Depending on the nation there are several possible solutions out there, but it all comes at a price. The most effective and efficient way of dealing things will undoubtedly mean giving up something to achieve it.

ISSUES A RESOLUTION SHOULD TACKLE

**Banks**
The Central Banks of respective nations have a crucial role to play when combating money laundering. As per their jurisdiction they have a strong relationship with all banks in the country. They can also monitor transactions and deals of the banks under its jurisdiction; giving them the ideal tools to identify any anomalies and potential shell organisations. Information shared between the central banks can help track down money launderers.

Another idea would be that local firms and banks can act as whistle-blowers and set up anonymous tips for the Central Bank to investigate reports of suspicious circumstances/transactions

**International Politics**
Conflict of interest is the greatest challenge to defeating money launderers. While it is important to realise that money laundering is damaging, many nations in the world use the exact same technique to fund foreign movements. It is important to realise we will not be able to solve all international politics in these three days. Understand and respecting the boundaries at which we can work together without compromising a great deal will be the objective
Disruption
Disruption is generally understood as meaning action which has a negative impact, particularly on organised crime. Disruption can come in many forms. A one off single seizure of counterfeit goods and drugs is not much of a disruption for gangs. However, by constantly seizing illegal goods and drugs, you are deterring traders from dealing in these items. Another effective disruption is to attack the market where such items are sold. In unstable market conditions profitability in illegal trade decreases exponentially. These disruptions don’t stop the money laundering directly but attack the source of income, which is equally important.

A global approach
While some terrorist groups only operate within one jurisdiction, a number operate transnationally. Again this parallels what occurs with organised crime groups generally. In many cases, therefore, disruption of illegal finance networks cannot be accomplished by individual nations alone, but rather requires a coordinated, global approach. Some terrorist organisations, like ordinary organised crime groups, may seek to move money through jurisdictions that lack the banking regulation to monitor transactions properly and thus exploit vulnerabilities in the world's financial systems.

The United Arab Emirates is said to be the hub of al-Qaeda's banking operation, as it maintains a very vulnerable banking system with few controls. Without global transformation, investigations are likely to reach the dead ends of banks in weak or uncooperative jurisdictions. The UK’s Chancellor of the Exchequer has said that every financial centre that refuses to operate in a way which fulfils international standards will increasingly be outlawed from the rest of the international community. Nevertheless, as the Financial Services Authority investigation into the Abacha case discovered, banking system vulnerabilities are not restricted to offshore jurisdictions. In addition, the US banking system has been described as 'immensely porous' and correspondent banking practices have allowed high-risk foreign banks widespread access to the US financial system
Nevertheless, regulation is expensive banks and the influence of the financial sector represents a powerful force which may yet frustrate such reform, particularly when US politicians seek fundraising for re-election campaigns. Wider political issues may also arise. Tackling possible terrorist fundraising through Islamic charities, particularly those in Saudi Arabia, is an example of a political issue.

**BLOC POSITIONS**

This report provides a summary of the regulatory regime and key cases in several countries, the estimated size of the regulated sector and the extent of compliance and enforcement activity in each jurisdiction. The second section describes the AML/CTF legislative regime in several member states. It includes the criminal provisions for money laundering and the financing of terrorism, as well as the basis of the preventative regulatory measures in place for each country.

**United States**

Criminal money laundering offences in the United States vary according to the circumstances of the laundering activity and not according to the amount of money involved or the level of intent of the launderer. The Money Laundering Control Act specifies the predicate crimes for money laundering offences in the United States. There are currently approximately 250 listed potential predicate offences (FATF-GAFI 2006), although felony offences under US federal or state law, or foreign felony offences, may be predicate crimes.

The United States has both criminal and civil asset recovery legislation. Criminal assets recovery provisions, requiring a conviction for an offence, are contained in 18 USC 982. The civil assets recovery provisions are contained in 18 USC 981. The Bank Secrecy Act is the central legislation for the money laundering regulatory system in the United States. The PATRIOT Act amended the Bank Secrecy Act in 2001 and substantially increased the regulatory requirements intended to prevent and detect
money laundering in the United States. The PATRIOT Act, in addition to expanding the regulatory regime, also increased the penalties for money laundering offences.

There are four federal criminal offences that deal directly with the financing of terrorism or terrorist organisations:

• 18 USC 2339A—providing material support for the commission of offences specified;
• 18 USC 2339B—providing material support or resources to designated foreign terrorist organisations;
• 18 USC 2339C(a)—providing or collecting terrorist funds for a specified act
• 18 USC 2339C(c)—concealing or disguising either material support to foreign terrorist organisations or funds used, or intended to be used, for terrorist acts.

The PATRIOT Act, as noted above, was passed in the aftermath of the 11 September 2001 attacks. The amendments made to the Bank Secrecy Act by the PATRIOT Act, and the regulatory regime as a whole, is targeted jointly at the financing of terrorism and money laundering activities. The United States has focused some specific measures on the financing of terrorism in response to the 11 September 2001 attacks

**European Union**


The European Union’s deadline for implementation was December 2007. The large changes many countries needed to instigate meant that implementation was realistically expected to be uneven (KPMG 2007). The introduction of the Third Money Laundering Directive was met with heavy criticism. The European Union released the Directive in a climate where some Member States had not fully implemented the

**United Kingdom**

Recent estimates of the cost of all serious organised crime to the United Kingdom approximate £15b per year (SOCA 2008a). Trafficking Class A drugs was perceived to be the greatest threat in terms of organised crime and money laundering in 2008 (SOCA 2008a, 2008b). The United Kingdom was believed to be one of the most lucrative markets in the world for Class A drug smugglers (SOCA 2006). Property purchases, cash-intensive businesses and front companies were the methods that SOCA believed to be the most commonly used to launder money in the United Kingdom (SOCA 2006).

Money laundering is criminalised in the United Kingdom by the Proceeds of Crime Act 2002 (UK) (POCA 2002 UK) as amended by the Serious Organised Crime and Police Act 2005 (UK). POCA 2002 UK states that a person commits an offence by concealing, disguising, converting, or transferring criminal property, or by removing criminal property from the United Kingdom. Entering into, or becoming concerned with, an arrangement known or suspected to facilitate the acquisition, retention, use, or control of criminal property.

**Singapore**

The principal legislation enacted to combat money laundering in Singapore is the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act (Cap 65A) (CDSA). CDSA defines that criminal conduct can be a serious offence or receiving or laundering the proceeds of a serious offence. CDSA specifically lists the crimes considered to be serious offences in the Second Schedule. These currently number 356 and include terrorism activities. The First Schedule lists an additional six offences that constitute drug trafficking in Singapore.
Singapore increased the maximum penalty for money laundering in September 2007 with the amendments of CDSA. The maximum penalties were increased to fines of SGD$500,000 or to imprisonment for a term of seven years, or both, for an individual offender while the fine for legal persons was increased to SGD$1m.

**Russian Federation**

There is no precise official estimate of the amount of laundered assets in Russia. Estimates of capital flight are frequently used as a basis for money laundering estimates. This is due to the assumption that much of the capital flight is presumed to be laundered illegal funds. The sheer size of the capital flight itself leads to suspicions about laundering. In conjunction with that, a major activity of the crime controlled businesses in Russia is money laundering, with seemingly 3000 organisations specialising in money laundering. Many of them started in 1992 and 1993, where they apparently launder around fifty billion roubles. Several legislative bills have been put forward to counter money laundering. In 1999, one was passed by the Russian Duma, before it was vetoed by the President. In August 2001 they enacted the key legislation “Countering the Legalisation (laundering) of Criminal Proceeds, which founded the national unit of intelligence in the Federal Financial Monitoring Service. This has been consistently updated in accordance to international regulation but the legislation is never deemed world leading. The Russian State has also commissioned a government watchdog which is partisan to all decisions regarding the legislation. The key player is known as the Interagency Commission on Combatting Money Laundering and Financing Terrorism. Furthermore, Consultations Council is a part of the Interagency Commission which invites leading figures in the banking industry and various other private sectors industries to engage in AML/CFT.

**The People’s Republic of China**

The People’s Republic of China has had to face much money laundering happening on its shores. As such they started developing AML/CFT legislation in the late 1990s which, through the years, has been updated to match current illicit avenues of terrorist and money launderers. Their Anti Money Laundering/ Counter- Finance of Terrorism strategy is based on a four point system, focusing on:
1) Money laundering and confiscation: Criminalise ML/TF; means to detect, freeze, seize, confiscate proceeds and funding

2) Preventive measures - financial institutions and DNFBPs: CDD, record keeping, STR, internal control, regulatory and supervisory measures

3) Power & responsibilities of competent authorities: Financial Intelligence Unit, law enforcement authorities, supervisors; their powers & resources

4) International cooperation: Mutual legal assistance, extradition, information exchange

This strategy is being aligned to international standards. For this purpose, China has ratified the main counter terrorist conventions and also has publicly denounced money laundering and has added the crime under the capital punishment sentence. The national People’s Congress of China has also criminalized the financing of terrorists as well as inciting acts of terrorism. The national AML/CFT law which came into force in 2007 included the People’s Bank of China as the main national body coordinating activities to centralize and make the process more efficient. It also started to look into suspicious transactions of large and private funds as well as focused on implementing international regulations with little red tape.

The Anti-Money Laundering Bureau coordinates China’s AML affairs as well as carries out administrative investigations, dissemination and policy oversight. They carry out their operations through various regional and local branches of the People’s Bank of China branches. This is because the regional and local branches have direct administrative jurisdiction over the geographical region.

**Malaysia**

Located in the centre of the Golden Triangle of Southeast Asia, the county has seen a rapid growth in its financial sector due to trade and commerce. This has led the government to recognise that it has to join international efforts in developing a rigorous anti-money laundering/Counter-terrorist financing framework. Malaysia’s long, porous land and sea borders cause it to be the centre or hub of transnational
criminal activity, this includes money laundering and terrorist financing. As the centre of the Golden Triangle the country is usually a key destination for drugs heading from the East to the West. Drug trafficking is a primary source of the illicit proceeds which pass through Malaysia.

Furthermore, authorities in Malaysia frequently highlight that illegal proceeds derived from corruption lead to a significant money laundering risk. Multiple Free Trade Zones and Free Industrial Zones in Malaysia allow firms to manufacture, store and distribute their goods for zero tax and tariff costs. Although all of these international firms have the proper certification as well as licenses there are still many individuals who hijack the system and bypass the security and safeguards in place. A number of terrorist organisations have been operating actively within Malaysia. The financing of terrorists in Malaysia is primarily carried out through cash drops and heavily relies on clandestine networks. Finally, the Ministry of Finance issues licenses and regulates Casinos under the AML/CFT guidelines. There are also periodic reviews by the Financial Intelligence and Enforcement Dept. of the Central Bank.

**Nigeria**

The Money Laundering Decree in 1995 was notable given its reputation for fraud, corruption and drug trafficking. This decree meets most of the recommendations of international initiatives, exceeding them in certain aspects. It ensures that a documentary trail is left in all money laundering transactions through banks, and to forge closer links between these banks and law enforcement agencies, in order to prevent and track money launderers. In order to identify and locate these drug traffickers, the law enforcement agency have wide reaching powers, putting banks under surveillance, phone tapping, and gaining access to private computers. Furthermore, transfers to or from foreign countries of sums greater than $10,000 will be reported to the Central Bank. Additionally, even all casinos are required to identify gamblers, and record all transactions in chronological order. As such, Nigeria takes this rather seriously, with military style tribunals amended to try offences under this
decree, with penalties being long and severe, which include, long jail sentences, large fines, and the seizure of assets.

FURTHER READING


Misuse of the non-profit sector for money laundering and terrorism financing


TOPIC B: THE EUROZONE CRISIS (PIIGS) AND ITS EFFECT ON THE GLOBAL MARKET

INTRODUCTION

The Euro experiment has been set up with the Maastricht Treaty as an attempt to further integrate the economies of the EU member states and provide the academia with tangible evidence that monetary integration within a trading bloc can be successful. The experiment seemed to be working exceptionally well, with the euro gradually eating up the status quo of the dollar primacy and the Eurozone becoming the oasis of every exporter and the safe haven for every investor. Nevertheless in the wake of a seemingly ordinary house market crisis by the late 2007, Eurozone’s defects begun to show, but it was not until early 2009 that the hazards of a real crisis and economic depression were explicitly prevalent. After five years of continuous economic turmoil and destabilisation, utterly in contrast with the previous assertive status quo, with the main features and characteristics of the Eurozone Area changing from one economic semester to the next, or indeed from one Eurogroup meeting to the other, the established monetary union is far from stable and resolved to maintain itself.

Nonetheless, given the new economic regime under which the world markets operate, namely the ‘third-round’ of globalisation, and thus each single economy, the Eurozone crisis and the emergence of a dualistic single currency market (PIIGS phenomenon) concerns the global economies much more than it would thirty years ago. International economists disagree over the magnitude of the current impact of the euro crisis across different economies and the global markets as a whole; though a general consensus has been reached regarding the past influence of the unprecedented chain effect inflicted by an economic region on the global markets (not necessarily each and every national economy).
A single agreed upon timeline of the events that have led to the Eurozone crisis is broadly disputed as different countries and indeed different economists or even administrations express different views on the pre-crisis *modus operandi* and economic regime of world markets. It is evident though that a couple of causes are acknowledged, causes like the globalisation that enabled the horizontal spread of the American subprime mortgage crisis virus to other economies around the world, one of them being the Eurozone; while others like the increased politicisation of economics that attributed a political nature to the crisis and weakened the poorly-organised political structures deepening the vertical aspect of the crisis.

An account of events that led but at the same time contained the manifestation of the Eurozone crisis is suggested by the ECB. The timeline suggests that the underestimation by the relevant bodies (and most prominently the ECB) of the crisis during the first period of its transmission from the US into the Euro Area was crucial. The Eurozone though, by that time was already a chronically very diverse economic union.

However, due to this initial inaction, several indices, like the sovereign spreads demonstrated below, indicate that considerably valuable time was wasted since the outbreak of the crisis and in many cases this signalled a sustained destabilisation of the euro financial markets. It became evident that the US mortgage crisis would be expressed in the Euro Region as a debt crisis: the Euro’s Achilles’ heel. Apparently, the economies that were mostly in danger were Portugal, Greece, Italy and Spain due to their accumulated debt and Ireland, primarily due to its banks and house bubble, hence the acronym PIIGS. PIIGS became the main culprits for the debt crisis.
Critics of the euro suggest that the relative institutional inactivity from the summer to the winter of 2009 indicate that regardless of the fears that ECB reported throughout 2008 and some spasmodic cuts of the interest rates, the main organ for monetary consolidation was not resolved into taking immediate and decisive
measures vis-à-vis the crisis. More pro-euro economists argue that although some limited degree of risk was identified by the euro authorities, it was deemed either too early or too extreme to take measures against an ‘overseas’ economic turmoil, especially provided with their inability to foresee the speculation that would follow. Moreover the authorities and the politicians that governed them had to consider the political risk of implementing harsher ‘precautionary’ monetary and fiscal measures that could upset the then-tranquil European markets, as well as the public distrust that would be the by-product of such measures and could endanger these politicians’ political survival. This framework proposes a rather ‘wait and see’ approach of European decision-makers at that time and sets the borderline between the different opinions of what caused the Eurozone crisis, and therefore how it should be tackled at a European level, as well as at an international level.

The Eurozone reacted to the crisis initially by ordering France, Spain, Ireland and Greece to reduce their budget deficit in April 2009, officially recognising the potential contagion of the American crisis. However, provided these economies’ perceived inability to handle their debt, Greece is agreed to receive a €110bn-bailout package on 2 May 2010 from the EU and the IMF, followed by the €85bn-bailout to Ireland in November. The crisis is exacerbated, obliging the European leaders to eventually bailout Portugal with €78bn in May 2011, but to this point the crisis seems to be a matter of European periphery’s incompetency, too small to ‘touch’ the European strong economies and indeed the world markets. This was shown only after Christine Lagarde, Director of the IMF rings the bell for Eurozone to “act now and act together”. The European debt crisis afterwards gradually became top-agenda matter for the G20 and the US Treasury Secretary, Timothy Geithner. The crisis increasingly rang bigger, international bells, with the OECD advising Eurozone leaders to double their ‘firewall’ rescue package in March 2012. Nevertheless, 2012 signalled the internalisation of the crisis into the Eurozone, as it became apparent that politics played a major role in “containing the crisis”; thus to many commentators from mid-2012 onwards the world ‘stood back’, leaving space for the Eurozone to escape its identity crisis, substantially decreasing the global interest on the region.
The globe’s reactions to the crisis at the initial stage was equally characterised by ‘numbness’, as the Eurozone issue was discussed only occasionally in the media and was not given superseding status until the Eurozone itself undertook action. With the exemption of the US, Japan and China, no important soar of foreign investment is reported from other economies. China, for instance increased it investments in the EU cumulatively from 2010 and in 2012 it further injected $30bn into strategic assets through its China Investment Corporation. But this approach is exceptional, emerging economies like Brazil, SE Asian economies and even Russia still remain rather selective in their transactions with the Eurozone, provided the existence of friendlier places for businesses like the US, Japan “or even China”. Others, like India, S. Korea etc. do not have the extroverted capital, entrepreneurial experience or even the willingness to finance the Eurozone more than their current account transactions.
STATEMENT OF THE PROBLEM

The global translation of the Eurozone problem is subject to many arguments and disagreements. There is one school of political economics that indicates the main influence of the Eurozone crisis in the global markets and other economies being of general economic nature. Livio Stracca’s report for the ECB suggests that trade links, or namely “economic links” are a more significant factor for outward contagion of the Eurozone crisis than “financial channels”. This school, in tandem with Rose’s findings that measures for financial integration cannot justify the incident of crisis, argues that economic events are transferred across economies primarily via the economic links, that is the real economy: exports-imports in an economy, international trade etc. Contrarily, Van Rijckengen and Weder (2001) represent the opposite school, which argues that spillovers of economic incidents occur mainly through financial episodes, currency crises and borrowing. This disagreement of what caused the transmission of the crisis into the Eurozone and what can potentially cause its contagion to other economies is central to the quest for measures to contain the Eurozone crisis.

However there is also some debate on these ‘economic links’ and the extent to which in the case of the Eurozone crisis have been generalised or sector-specific, that is whether the economies across the globe have been affected in specific areas, like bilateral trade with the Eurozone or whether they have experienced a major tremble of their domestic economics. For instance, the ECB report suggests that the euro’s exchange rate is touched against other currencies like the US dollar or the Swiss franc, but this does not entail but marginal effects of the exchange rate between them. These effects should be identified for every delegated economy to determine what policy line each country will adopt vis-à-vis the Eurozone crisis.
CURRENT SITUATION

The most significant repercussion of the Eurozone crisis is the confusion it has brought forth to its members. The current state of affairs within the Euro area is briefly summarised by the term: ‘persistent identity crisis; the crisis might have brought substantial financial and economic troubles to the global economies, but it has brought back the awkwardness of what the ‘leaders of Europe’ should do with this experiment that is called the European single currency. Currently, the Eurozone is inconspicuously inclining toward a selectively-integrated economic union, that is that the European elite is choosing the areas that it integrates, *id est* banking union under the intended Single Supervisory Mechanism (SSM) and the ECB. A more cautious and restrained approach was initiated with the temporary European Financial Stability Facility on 9 May 2010 (continuing its programme in Greece, Portugal and Ireland) and its permanent ‘seed’ the European Stability Mechanism (ESM-since 8 October 2012), both entitled to rescue euro-economies in cases of emergency by issuing bonds and “other instruments on capital markets”. However the extent to which the chronic trade imbalances and relative trade independence of Member States is addressed is debatable.

At the same, international markets and economies keep a close eye on the developments occurring within the Eurozone, for three main reasons. Firstly, Europe houses the largest and for many, the most prosperous consumer market, comprising 500 million consumers and trading $17 trillion annually, according to Eurostat. Secondly, due to its aforementioned size and significance, Europe can commence a chain effect across world economies. The precedent of the crisis transmission from the US market to the Eurozone, indeed expressed as a debt crisis, marks the potential danger of reoccurrence toward other directions as well; therefore world economies- also endorsing globalisation and seemingly ‘fortressed’ against crisis transfusion run a
possible risk. Thirdly, the Eurozone crisis is of particular interest to third states because the world markets had invested huge amounts of money in the euro-experiment, in terms of loans, investment funds and currency reserves, but more importantly huge amount of confidence in the Eurozone, and the severe crisis has hampered this trust. It took five years for the stock market indicators (German DAX, but basically the French CAC 40, the Spanish IBEX and the Italian FTSE MIB) to recover their pre-crisis levels of confidence⁴, and even though these levels might have been restored, the central confidence deficit created by the crisis has left the Eurozone much less genuinely and unconditionally trusted.

The above-mentioned parameters are only the beginning of a huge list of reasons why the world is interested in the Eurozone, however they briefly summarise three areas where the Eurozone debt crisis has alerted the world economies in a way that shifted their spheres of priorities.

**BLOC POSITIONS**

The debate might seem irrelevant with the functions and competencies of the UN, but it is truth that the latter hosts forums for the discussions of multiple matters of international interest. Through the discussion of the Eurozone crisis, the PIIGS phenomenon and their global effects on the markets it should be clear what each country’s economic relation is with the Eurozone. Thus, it is logical that the European South, periphery and the PIIGS will once again put forth their argument for ‘smoother’ harmonised fiscal policies and will pressure for more effective political union with their active participation in the decision-making. It is thus expected that arguments for political restructuration of the union will be brought up.
The European “core” on the other hand, is expected to bring up arguments for more solid compliance (fiscal honesty and discipline) with the set economic limits and requirements. However, in order to both contain the effects of the crisis overseas and effectively handle the crisis from the inside, economies like Germany, Denmark, Austria or Benelux will want to bolster the union’s current structure and maintain the status quo, without further unconditional fiscal integration.

For the emerging economies, the Eurozone crisis might be an issue of either increased interest or marginal and occasional scrutiny. For instance, China has renewed its interest in the Eurozone and has instigated several policies to help contain the effects of the crisis both within and outside the Euro Area, through investment funds and opening trade relations. Other members of the BRICS take up a more cautious and perfunctory stance toward the Eurozone crisis, signifying much of the interest ‘shift-away’. Similarly, there have been attempts from Greece and Italy to engage the oil-rich Near East, but these pleas have not been enthusiastically entertained and in many cases talks stagnated, indicating the lower priority placed on European affairs ad crisis.

Contrarily, many countries of the underdeveloped and gradually developing world are extremely interlinked with the European economies like Mozambique or Kenya and will be deprived of significant humanitarian aid and developmental funds from the EU, if the latter fails to resolve the crisis. Nevertheless, others like Mali, Burkina Faso and other CFA franc-zone countries will profit immensely from a depreciated euro, as they have pegged their currency to the euro, by boosting their exports, and thus are keen on maintaining the situation in the Eurozone destabilised and hence the euro at certain low levels. The determination of the blocs heavily depends on the trade/terms of exchange relations of each delegation’s economy with the Eurozone in this debate. For this reason consultation of European Commission’s site with the trade statistics of the EU with foreign economies/trading partners might expound important factors for each delegation’s stance on the debate:

http://ec.europa.eu/trade/policy/countries-and-
QUESTIONS A RESOLUTION MUST ANSWER

Through the constructive deliberations, delegations should reach some points of agreement on how the Eurozone crisis is seen by the world and secondly how it should be tackled. Some of the causes of the crisis (either economic or political) discussed before could be addressed to propose measures to handle it.

One of these causes that are usually brought up is speculation. Speculators’ activity was argued to hinder any effort of recovery of the Eurozone. Currently there is little international co-ordination in this field and if addressed in a UN resolution explicitly it could initiate a new international struggle against speculators. If delegates agree the central role of speculation in the Eurozone crisis, it must firstly be properly defined, in order to establish the borders between legally-binding or acceptable business activity and risky activities to be averted. Once speculation is defined, measures against it should be proposed. An example of legislation against speculation is the US Dodd-Frank Act of 2010, which established the Financial Stability Oversight Council aiming to safeguard the US financial sector. As there is no such international parallel body that sets targets for healthy financial transactions, comparable to the WTO, it might be a fruitful inclusion to the Resolution.

Another area of contemplation are the credit-rating agencies (CRAs), which are also assumed to have aggravated the crisis. Since November 2011, when the European Commission proposed a “reinforced regulatory framework” on CRAs, the issue is increasingly brought forth as a major destabilising factor if left unregulated. According to the Commission’s proposals, four options are identified as policies to constrain CRAS:
“– Option 1: keeping the status quo (self-regulatory approach based on the IOSCO code coupled with individual initiatives by credit rating agencies);

– Option 2: drafting a European code of conduct and setting up a body to monitor credit rating agencies’ compliance with the code, albeit with no enforcement powers;

– Option 3: issuing a (non-binding) Commission recommendation;

– Option 4: legislating to set up a registration and surveillance framework for credit rating agencies.”

Even though the European authorities assumed the fourth option, and new rules have been adopted henceforth regarding the disclosure of data to the public, the communication of methodologies that the CRAs follow and their legal answerability; there has yet to be an international, coordinated according activity.

Indeed, a question that needs to be answered is the extent of global effects of the crisis: was it only marginal and contained into the Euro Region and few other economies or did it manage to shake the world economic order? Hence, is the world justified to discuss the matter and propose suggestions by strengthening the international coordination in the event of future crises or should it affirm its confidence in the Eurozone and the free-markets to handle this and future crises? Lastly, what kind of fiscal and financial co-ordination the global governance should attain in future crises so as to safeguard markets from the contagion effects: is the creation of a new international body imperative?
CONCLUSION

Many politicians, commentators, journalists, political scientists and economists have attempted to suggest an alternative or even to predict the effects of a policy in the case of the Eurozone, but really few have succeeded anything more than adding a little bit of worries and concerns. However, ECOFIN’s task will be to primarily define the effects of the Eurozone crisis in the outer world and determine the extent to which it might be of interest overseas or the idea of the Eurozone’s “bringing-together of economies” might seem obsolete or provoking nothing but the globe’s nonchalance.
FURTHER READING

BBC: ‘Eurozone crisis explained’
http://www.bbc.co.uk/news/business-16290598

Council on Foreign Affairs: ‘What is the impact of the Eurozone crisis on the US economy?’

European Commission: ‘Trade Statistics’

European Journal of Economic and Political Studies: ‘The Effects of Global Crisis into Euro Region: A case study of Greek crisis’
http://ejeps.fatih.edu.tr/docs/articles/132.pdf


NPR: ‘The crisis in Europe, explained’
http://www.npr.org/blogs/money/2012/06/04/154282337/the-crisis-in-europe-explained

The Centre for European Policy Studies
http://www.ceps.be

The Economist: ‘Europe’s rescue plan’
http://www.economist.com/node/21534849

The Guardian: ‘Eurozone debt crisis poses serious threat to emerging markets’
http://www.nytimes.com/interactive/2010/05/02/weekinreview/02marsh.html?ref=weekinreview


WTO. Press Release 2013: ‘Trade to remain subdued in 2013 after sluggish growth in 2012 as European economies continue to struggle’
http://www.wto.org/english/news_e/pres13_e/pr688_e.htm
BIBLIOGRAPHY


EFSF (official site); [http://www.efs prominca.eu/about/index.htm](http://www.efs prominca.eu/about/index.htm)


CONFERENCE INFORMATION

When looking for information regarding LIMUN 2014 (and subsequent editions) your first step should be to visit our website: www.limun.org.uk

LIMUN in social media

Please follow updates from us through our social media channels:

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When tweeting about this year’s conference (your preparations, journey to/from London or when live-tweeting the events during the conference itself) – please use hashtag #LIMUN2014

Agenda & Rules of Procedure

The agenda for the 2014 conference is available online at www.limun.org.uk/agenda

Since its 14th session last year, LIMUN has introduced changes to its Rules of Procedure. The revised Rules can be accessed here: http://limun.org.uk/rules
POSITION PAPERS

What is a position paper?
A position paper is a statement of policy, which is intended to communicate an overall position of a country on a particular topic debated in the committee. Position papers should be brief and outline the general policies rather than specific measures.

Each delegate should submit one position paper per topic to be debated by the committee (note: most of the committees have two proposed topics). Each paper should be approximately one page per topic.

LIMUN offers a short guide on how to write a position paper. It is available on our website: http://limun.org.uk/FCKfiles/File/Position_Paper_Guide.pdf

Deadlines
There are two deadlines for submission of delegates’ position papers:

   February 11th (Tuesday) – position papers submitted before this deadline will be reviewed by the Directors and the delegates will receive feedback and will be given a chance to submit a corrected version of their policy papers (if necessary).

   February 14th (Friday) – position papers submitted before this deadline will still receive feedback from the Directors, but their re-submission will not be permitted.

Submitted position papers will be circulated by the Directors among the committee members. Please note: LIMUN 2014 Awards Policy revision has introduced a Best Position Paper award.
CONTACT DETAILS

For any enquiries relating to your committee proceedings or if you want to get in touch with your committee’s Directors, or for submission of position papers -

- please e-mail: ecofin@limun.org.uk

Other enquiries regarding the Conference should be made to enquiries@limun.org.uk

Before contacting LIMUN please make sure you have read FAQ section on our website: http://limun.org.uk/faq