Forum: United Nations Conference on Trade and Development (UNCTAD)

Issue #1: Mechanisms to Promote Intercontinental Trade for Infrastructure Growth in Developing Nations

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Introduction

Imagine a marketplace where goods from all parts of the globe come together. Behind this lies a network of roads, ports, and bridges, working to ensure that products flow seamlessly from one place to another. These symbols of global trade, infrastructure, and connectivity projects are the builders of economic growth, building connections that fuel commerce and prosperity worldwide.

Infrastructure has a significant impact on trade by facilitating the movement of goods, services, and people. It reduces transportation costs, improves communication, and enhances the efficiency of logistics, which in turn stimulates trade flows. These changes help more than just one country; they have an impact that can raise entire regions, especially regions that include developing countries that are dependent on other nations.

When we discuss strategies to boost intercontinental trade for infrastructure growth in developing countries, we are talking about transformation, not just projects. It's all about transforming obstacles into opportunities.

The debate surrounding mechanisms to promote intercontinental trade for infrastructure growth in developing nations stems from many perspectives and challenges. Some say that if not managed properly, fast trade expansion might result in environmental damage, resource exploitation, and social inequities. There are also concerns when it comes to the impact of trade liberalization on local sectors and labor markets in developing nations.

Addressing this issue is important for creating economic development, eliminating poverty, and strengthening global collaboration. Countries can create chances for job creation and growth by developing methods to improve trade connections and infrastructure.

Definition of Key Terms

Intercontinental trade: Trade within nations, that are located on different continents.

Infrastructure growth: The development and expansion of physical systems; such as roads, bridges, water supply networks, airports, etc.

Developing nations: A nation whose income is much lower than industrial countries.

Trade agreements: A contractual agreement between nations regarding trade.

Foreign Direct Investment (FDI): A purchase of an asset in another country.

Public-Private Partnership (PPP's): Collaborative arrangements between public and private sector entities to finance and deliver infrastructure projects.

Infrastructure Development Financing: Involves PPP's, governments call upon private lenders to finance the construction of essential national infrastructure.

Capacity building: The process of developing skills, abilities, processes, and resources that organizations and communities need to thrive in a fast-changing world.

Trade facilitation: The simplification, modernization, and harmonization of export and import processes.

Regional integration: The process in which two, or more nation-states, co-operate and work together to achieve peace, stability, and wealth.

Digital Trade: Commerce enabled by digital means.

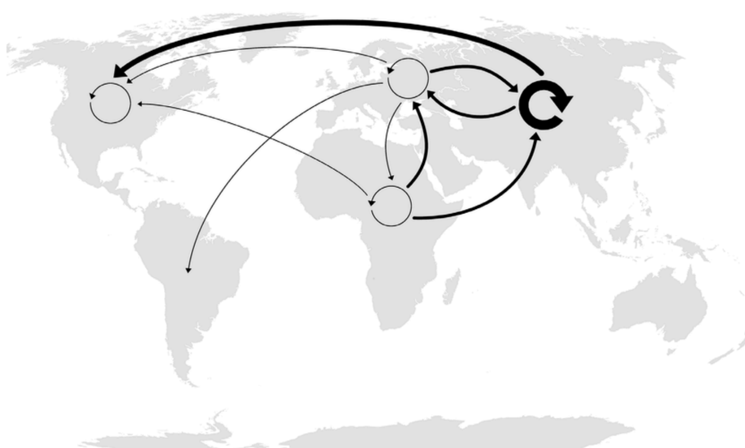
General Overview

Brief Background:

Intercontinental trade has been an important part of the market for hundreds of years. They play crucial roles in shaping economic growth and connectivity. This allows countries to expand their market and access goods that could not have been accessed otherwise. Developing nations frequently encounter obstacles such as inadequate infrastructure, restricted access to technology, and insufficient resources. Considering the case of intercontinental trade, this connects to the issue of developing countries, which benefit from trade, this helps them expand their markets, promote economic growth, integration of technology, and infrastructure growth.

There are various mechanisms for intercontinental trade, with each of them having their own advantages and disadvantages. Some examples include trade agreements, tariffs and non-tariff barriers, foreign direct investment (FDI), public-private partnerships (PPPs), and trade facilitation measures. Each of these possesses its own disadvantages and challenges. When using tariffs and non-tariff barriers, it may sometimes lead to trade distortion, while foreign direct investment may face policy uncertainty. Public-private partnerships require risk allocation and trade facilitation measures may involve custom procedures.

The World Trade Organization, World Bank, and United Nations, all play a key role in this issue. The World Trade Organization emphasizes that effective aid can enhance growth prospects and reduce poverty. The World Bank plays a vital role in supporting developing countries with building infrastructure and trade capacity. The United Nations, through agencies like UNCTAD, collaborates with developing countries to include all development policies into their National Development Strategy.



(Map, a model of intercontinental trade)

Trade agreements and policies:

Trade is normally a good thing, but some countries restrict it altogether. For instance, some emerging countries restrict trade, so their own developing industries gain experience before branching out and reaching new competition. Trade agreements are international treaties between countries that establish trade conditions for products and services. Governments may occasionally impose restrictions on trade with other nations due to an action they do not approve of. For example, the United States placing trade restrictions on Russia after starting a war with Ukraine, or the United States placing trade restrictions on Iran and Cuba. "Trade restrictions" may include tariffs (a restriction on the number of items), standards (some safety requirements), administrative delays (inspection, paperwork), countertrade requirements, and embargoes (totally blocking trade). Trade policies can be influenced by trade agreements, and impact trade patterns, food production, or consumption. The World Trade Organization plays a major role in trade policies, as they provide a framework for negotiations, and enforce multilateral trade agreements, that aim to reduce tariffs, quotas, and other intercontinental trade barriers. Trade agreements are essential for overcoming trade barriers and creating free trade areas, as they increase efficiency and create access to a wider variety of goods and services.

Investment in transport infrastructure:

Trade infrastructure is essential for economies to succeed. When infrastructure has an issue, such as the internet malfunctioning, or a port being closed, it will have a significant impact on trade. If there is no internet, people cannot communicate online. If a port is closed, it can disrupt the supply chain. If a developing country (especially a landlocked one) does not have the proper infrastructure to deal with trade, this will create challenges that arise when participating in intercontinental trade. Adequate infrastructure development facilitates international trade and economic growth. Roads, airports, and railways prove market accessibility and productivity. A well-developed infrastructure will reduce transportation costs, minimizing delays, and help businesses move goods smoothly and easily. A country can achieve this, by ratifying international agreements, combating perfectionism, and communicating the benefits of trade. In light of this, investing in adequate infrastructure will make trade more reliable, cheaper, and more accessible. Furthermore, it will also facilitate countries' involvement in intercontinental trade, as well as attract investments from other nations.

Energy Infrastructure development

Energy infrastructure is critical for promoting intercontinental trade in developing countries. This is because energy infrastructure, such as power plants and electricity grids, enables factories to operate in a timely manner, increasing efficiency. This means more products are made, making them more appealing to the consumer's eye. Energy infrastructure also allows transportation networks, such as ports and railways, to enable fast transportation of goods intercontinentally, reducing transportation costs. Energy infrastructure contributes to job creation, and economic growth, as they can drive foreign and domestic investment. A good energy infrastructure system can motivate companies to set up manufacturing facilities, leading to an increase in jobs, investment, and economic prosperity. Furthermore, infrastructure development can contribute to regional and national growth, and If investment in energy infrastructure is made, this allows countries to add value to their raw materials, which enhances their participation in intercontinental trade.

Major Parties Involved and Their Views

China

China sees infrastructure growth in developing nations as basic to its financial improvement and worldwide impact. China's Belt and Street program (BRI) could be a key around the world program centered on closing the infrastructure loss in Africa, which is basic to the continent's financial success. Developing this foundation would encourage more intra-regional and worldwide exchange, decrease trade costs, boost Africa's competitiveness both locally and universally, and help the continent's financial change through industrialization, and economic development. China's Belt and Street Activity (BRI) has been successful in Africa, with 50 of the 55 countries marking notices of understanding or other BRI understandings.

United States of America

The United States sees infrastructure growth in developing nations as an important component of their financial extension. The Biden administration has boosted the sum of US open and private cash assigned to a multinational effort to form foundations in developing nations. The Association for Worldwide Foundation and Speculation (PGI), competes with China's Belt and Street

Activity (BRI). Developing these foundations has always been a crucial objective for the U.S.A.

Denmark

Denmark's ideas on infrastructure improvement in developing nations are molded by its commitment to ecologically positive arrangements. Denmark's infrastructure is advanced and working, with a steady electric course of action, secure drinking water, and well-maintained broadcast communications systems. Denmark's area makes it a simple transportation center for Northern Europe, Scandinavia, and the Baltic Ocean area.

Denmark's advancement participation arrangement centers on the headway of productive, green arrangements that are critical to accomplishing the Paris Agreement's objectives and supporting developing countries' most climate defenseless citizens. Denmark also works to promote common humanitarian and development policy priorities and promote Danish key priorities through the EU and its Member States.

Japan

The World Bank Tokyo Development Learning Center (TDLC) and the World Bank Quality Infrastructure Investment (QII) Partnership have organized a public online seminar to demonstrate how infrastructure investment that incorporates social inclusion can help not only vulnerable people but also the whole society realize their full human potential. Japan recognizes the importance of quality infrastructure investment in ending extreme poverty and boosting shared prosperity on a livable planet, and it plays an important role in social inclusion and, creating a circle of economic activities, and enhancing access to basic services to meet human needs while ensuring sound public finances.

Nigeria

The nation has been encountering broad-based and maintained development of over 7% yearly on average between 2000 and 2014, but development rates diminished and GDP per capita straightened from 2015-2022 due to different variables, and outside stuns such as the COVID-19 widespread. To address these challenges, Nigeria has been seeking after striking changes since May 2023 to reestablish macroeconomic conditions for soundness and development.

Saudi Arabia

Saudi Arabia's views on infrastructure advancement in developing nations are centered on its own financial development. The nation has been executing critical financial changes as a portion of its Vision 2030, counting changes to the ease of doing trade, framework advancement, and pulling in private sector speculation. Saudi Arabia is experiencing a once-in-a-lifetime social change with Riyadh playing a central part, and the nation is centering on creating a framework that's more brilliant and superior. The capital features a youthful and rapidly expanding population that's open to speculation, unused advances, and having a more important say within the infrastructure choices that influence the city. Saudi Arabia is additionally centering on household speculations in certain segments of the economy, counting motorways, healthcare and control.

Timeline of Events UN involvement, Relevant Resolutions, Treaties and Events

Date	Description of Event
1960	During this period, infrastructure in developing nations expanded significantly, with the amount of households with access to clean water increasing by half, and power

	production and telephone lines per capita increasing significantly.
1994	The Global Reporting Initiative (GRI) was established, providing sustainability guidelines for infrastructure projects.
1995	The World Trade Organization (WTO) was launched, facilitating international trade through standardized rules and regulations.
2000	Release of sustainability guidelines by the Global Reporting Initiative, influencing infrastructure development in developing nations.
2005	Adoption of the Millennium Development Goals (MDGs) by the United Nations, including goals related to infrastructure development, energy, and sustainable cities.
2008	The World Bank published a paper titled "Infrastructure and Growth in Developing Countries: Recent Advances and Research Challenges," which looks at the relationship between infrastructure and economic growth in developing countries.
2014	The Global Infrastructure Hub (GIH) was set up by the G20 to facilitate more investments into infrastructure for both developed and developing economies.
2015	Launch of the Sustainable Development Goals (SDGs) by the United Nations, incorporating goals related to infrastructure development, energy, and sustainable cities.

Present day	In the present day, infrastructure investment in developing countries continues to be a priority for governments and international organizations.

Previous Attempts to Resolve the Issue

Almaty Programme of Action

Landlocked countries have a lower per capita income, and mostly depend on their neighbors' markets, infrastructure, and institutions. The Almaty Programme of Action was established in 2003, and recognized that LDCs (Landlocked Developing Countries) have specific needs. It is supported by the World Bank, and focuses on connecting LDC to markets, and promotes infrastructure complemented by "soft" investment. The economic situation in LDCs has had an incremental process since 2003. They have had little diversification in export compositions, due to them being more vulnerable than their coastal neighbors. After 2000, resource-rich LDCs outperformed their resource-scarce peers, in terms of real income and exports per capita. Most growth was based on a surge in commodity prices. LDCs trade costs are above transit countries, so even though they may have valuable resources to sell, they end up losing a part of the profit due to the extra costs of trading.

African Growth and Opportunity Act

The African Growth and Opportunity Act was enacted in 2000, at the core of US economic play and commercial engagement in Africa. AGOA allows sub-Saharan countries with duty-free access to the US market for over 1,800 products, in addition to the 5,00 eligible for duty-free access under the generalized system of preference program. In order to meet AGOA's rigorous requirements, countries must establish a market-based economy, the rule of law, political pluralism, and the right to do progress. As well, countries must eliminate barriers to US trade and investments, enact policies to reduce poverty, combat corruption, and protect human rights. AGOA has helped by providing a new market, bolstering economic growth and political reform, and US economic relations. 35 countries (including Botswana, Chad, Zimbabwe, etc.) are eligible for AGO benefits in 2024.

African Continent Free Trade Area

The African Continent Free Trade Area is the flagship project of the African Union (AU) agenda for 2063: "The Africa we want". It includes critical areas of Africa's economy, such as digital trade and investment protection. The objective is to boost intra-aortic trade, particularly in value added production and trade, across all sectors of Africa's economy. They aim to be the biggest free trade area, bringing together 55 countries of the African Union and 8 regional economic communities to create a single market for the continent. Their aim is to enable the free flow of goods and services across the continent and boost Africa's trading position in the global market. AfCFTA will eliminate trade barriers and boost intra-aortic trade, this will advance in value-added production across all sectors of the African economy, and establish regional value chains. This will enable investment and job creation. AfCFTA has the potential to foster industrialization, job creation, and investment opportunities, enhancing the competitiveness of Africa.

The United Nations Office for Project Services (UNOPS)

The United Nations Office for Project Services is an operational arm of the UN, that supports the successful implementation of partners' peace building, humanitarian, and development projects. UNOPS was established in 1973, as a part of UNDP, and becoming an independent, self-financing organization in 1995. Its global headquarters in is Copenhagen, Denmark, UNOPS delivers $3 billion worth of development projects annually in over 80 countries, UNOPS provides project management for infrastructure services to governments, donors, and UN organizations. Some examples are the government of Haiti, UNICEF, and The UK's Department for International Development (DFID). UNOPS has helped in over 1,000 projects, in which they build infrastructure needed for development. In schools, hospitals, and roads in post-disaster conflict affected areas, and economies in transition. UNOPS supports peace and security, aligning with the sustainable development goals.

Evaluation of Previous Attempts to Resolve the Issue

Over the years, there have been many attempts to battle the issue of infrastructural growth in developing nations. Although a lot of progress has been made regarding this issue, the issue is still far from being eradicated completely, here are some attempts made to tackle this issue:

World Bank Paper

In 2008, the World Bank published a paper titled "Infrastructure and Growth in Developing Countries: Recent Advances and Research Challenges" that focused on economic growth and infrastructure in regards to developing countries, focusing on energy, transport, telecommunications, water, and sanitation. This paper highlighted the importance of infrastructure in promoting economic growth and productivity convergence across regions.

Asian Development Bank (ADB)

The ADB has been actively involved in promoting infrastructure development in Asia and the Pacific region since its establishment in 1966. The bank provides financing and technical assistance to support infrastructure projects. ADB's efforts have contributed to improving access to infrastructure services, promoting economic growth, and reducing poverty in the region.

China's Belt and Road Initiative (BRI)

Launched in 2013, the BRI is a global infrastructure development strategy led by China that aims to enhance regional connectivity and promote economic cooperation among countries across Asia, Africa, and Europe. The initiative involves investments in infrastructure projects such as roads, railways, ports, and energy facilities to improve trade and economic growth in participating countries.

Possible Solutions

A possible solution for this issue is foreign direct investment. It serves as a mechanism for intercontinental trade. It is a process in which companies from economically advanced countries invest in businesses or resources in less developed or emerging economies. FDI's have a number of benefits for the host country: economic stimulation, development of human capital, increase in employment, and access to management, expertise, and technology. Despite these advantages, there are still two main disadvantages: displacement of local businesses, and profit repatriation. In other words, FDI's help the host country by growing the economy, by bringing job opportunities, bringing expertise and technology, but at the same time harming the local businesses and leading to profits leaving the country.

Another option may be Public-Private partnerships. These are partnerships between the public sector and the private sector for the purpose of delivering a project or a service traditionally provided by the public sector. Some benefits include: good management, better value for money (increases efficiency), better quality for the public, and speeds up infrastructure development. Yet another option is trade liberalization. Trade liberalization is the process of removing or reducing obstacles that prevent the exchange of goods and services between countries. Trade liberalization aims to stimulate economic activity by expanding market access and fostering competition. It also includes removing and reducing tariffs charged on imported goods, and removing non-tariff options, such as: licensing rules, quotas, or other requirements to promote economic activity. Trade liberalization can lead to the creation of more products and foster economic growth. As a result, this enables countries to specialize in goods or services that they're known for, upping production.

Sustainable Development Goal (SDG)

SDG #9: Industry, Innovation, and Infrastructure

This goal aims to build resilient infrastructure, promote sustainable industrialization, and foster innovation to support economic growth, social development, and climate action. By enhancing infrastructure development in developing countries, progress is made towards achieving SDG 9 and addressing the challenges related to industrialization, innovation, and economic sustainability.

SDG #8: Decent Work and Economic Growth

Infrastructure development is a key driver of economic growth and job creation. The construction of infrastructure projects generates employment opportunities, while improved connectivity and access to markets stimulate business growth and productivity. Investments in energy, water, and telecommunications infrastructure support industrial development and economic diversification, contributing to decent work and economic growth.

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Appendix

I. An article from the corporate finance institute, regarding foreign direct investments (FDI's), different types of FDI's, its benefits, and examples.
   A. https://corporatefinanceinstitute.com/resources/economics/foreign-direct-investment-fdi/
II. A video explaining what trade agreements consist of, the different types of trade restrictions, and what advantages and disadvantages they may have for individual countries, and intercontinental trade.
   A. https://www.youtube.com/watch?v=DHIl_zmmhzg
III. An article clarifying what is trade, the different types of trade and how trade is used in different scenarios, such as in goods, trade, and investments.

   A. https://www.esce.fr/en/faq-all-the-answers-to-your-questions/what-are-the-different-types-of-international-trade/

IV. The "Infra4Dev Conference" by the World Bank showcases insights and research regarding the roles that infrastructure can play in development.

   A. https://blogs.worldbank.org/en/digital-development/how-does-infrastructure-support-sustainable-growth

V. A report from the World Bank, on infrastructure development for landlocked countries, and its programme to fix this issue: "The Amalty programme of action".

   A. https://www.worldbank.org/en/topic/trade/publication/landlocked-countries