





DIRECTORS'
WELCOME LETTER

Dear Delegates and Faculty Advisors,

On behalf of the organizers, the Advisory Board, and the Executive Board of AUSMUN 2019, it is my greatest pleasure to welcome you to the 12th annual AUSMUN Conference. With over 900 delegates registered from more than 40 national and international educational institutions, this conference will be the biggest one yet!

This year's background guide was diligently written to provide delegates with enough guidance for their research. It will act as a great starting point for delegates to familiarize themselves with the topics of their respective committee. After a short letter that gives the chairs a chance to welcome their delegates, a summary, a brief history, a discourse on the issue, and the latest developments of the issue will be presented. In the summary, delegates will have their first quick briefing on the issue where concerns will be defined. Followed by that, the guide delves into the root causes of the issue by identifying its history. Then, a discourse section will look into the issue with further scrutiny by presenting both sides of the topic's debate and examining some of its challenges and influences. Finally, it will aim to provide delegates with the latest activities in regards to the matter and any progressions in its respect. At the very end of the guide, delegates will find questions that will guide their thinking, some suggestions that will guide their research, and references that they can use for further relevant information. However, it is important to point out that depending solely on the guide will not be sufficient enough to prepare delegates for the conference. It is highly encouraged for delegates to look at the Delegate Handbook on the AUSMUN website and to view the "How to Research" video created by AUSMUN.

The theme of this year's conference is youth empowerment. This is very important as we are the children of tomorrow. Even if delegates are not necessarily planning on pursuing an occupation in the field of law or politics, MUN is an enriching experience to all. MUN is supposed to teach more than just details on a certain crisis, it educates them to work harder, to think on their feet, to learn from others and from themselves, to fall and to fail, and to break free from their fears. It dares them to be without hesitation. It dares them to add to the world. To Speak. To act. To know. We all understand how difficult it is to be a delegate. It requires a suspicious load of work and consumes most of one's energy. But we want delegates to give it their all and to get what they came here for.

Finally, I would like to conclude this letter by extending my gratitude to everyone who has contributed to this background guide in any way or form. It is the collaborative work of the chairs, the AUSMUN Research Team, and the AUSMUN Media Team. On behalf of them all, we truly hope that you find this background guide of great help and use.

All the best with the conference and if you have any questions or concerns, please do not hesitate to contact me at research@ausmun.com.

Nada Nassereddin
Director of Research
AUSMUN 2019



INTERNATIONAL
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MODERATORS' WELCOME LETTER

Dear Delegates,

It is our greatest pleasure to welcome you to the 12th American University of Sharjah Model United Nations (AUSMUN) conference, where we aim to provide the most beneficial sessions with the help of all of your great minds working together.

The International Monetary Fund (IMF) consists of 189 countries, which gives it a semi-global participation by the countries of the world. It was initiated in 1945 under the Bretton Woods system in order to rebuild the international economic system post the Second World War. It accomplishes its objectives by three strategies in which it provides loans for member nations and helps balance their payments difficulties, monitors and advises nations on financial and economic policy changes, as well as works with governments in order to further improve their own economic states and the global economy of the world.

The IMF has many objectives that should be met when drafting the resolutions for both topics. Furthermore, the voting procedure for the IMF will be one vote per delegate and with regards to the resolutions, it requires a simple majority in order for it to be passed.

The IMF committee chairs are looking forward to a fruitful conference. Keep in mind delegates that you are encouraged to enjoy the committee sessions and get the most beneficial experience by working with the diverse minds that will be present, while adhering to the rules of conduct of the committee. We strongly believe in all of your capabilities to make this conference worth the wait. We hope that you are as excited as we are to make this one of the best conferences yet.

If you have any questions or concerns, please contact us at any time on g00071722@aus.edu

Sincerely,

The IMF Chairs

TOPIC 1

Reformation of the Economic Policies in Structural Adjustment Programs

SUMMARY

International Monetary Fund (IMF) plays a vital role in helping combat macroeconomic dilemmas within nations. One of the key strategies employed by the IMF in order to help nations stabilize is through Structural Adjustment Programs (SAPs). They are usually imposed to guarantee that the nations can repay their debts while at the same time restructuring and maintaining their economies (Peabody, 2018). The creation of SAP was extremely essential as it aimed to provide countries who were challenged with macroeconomic issues a leverage to solve the issues composedly rather than harming the economic conditions of their nations in the long term (Dooley & Frankel, 2018). However, these structural programs have been broadly scrutinized as they have previously failed to help restore economic growth of the nations for which they were initially created. A meta-analysis conducted by Robert Barro & Jong Lee (2005) showed that the IMF structural adjustments negatively impacted the nations which took IMF SAP loans, to an extent where they were deemed better off without relying on IMF loans. The more the countries relied on IMF loans, the more negatively the SAP loans impacted them. This contradicts the purpose of the creation of SAPs and therefore, they need to be reformed immediately in order to deliver its function and purpose.

HISTORY

The Structural Adjustment Program was initiated by both the IMF and the World Bank during the 1970s when the oil prices increased rapidly and the price for other essential commodities dropped. The price decrease led to an increase in consumption, however, the nations were forced to borrow money from other nations to preserve their standard of living. This led to the borrowing countries being highly reliant upon the lending countries (Peabody, 2018). For instance, the vast gap between borrowers and lenders in Africa, led to the lack of adequate production, negative economic growth, and shortfall of foreign exchange. Eventually, in 1999, the IMF introduced structural adjustments in order to help trigger economic growth in nations through policy changes and to take advantage of any advanced economic opportunities that would have arisen (Peabody, 2018). The three goals of SAP are to decrease aggregate demand, to expand production and to change some economic policies that might lead to an economic growth of the nation.

DISCOURSE ON THE ISSUE

The IMF SAPs have had devastating impacts on African countries, in contrary to the aims of the SAPs, which were to eliminate poverty, to help with the economic growth, and to restructure the economy. However, it must also be observed that macroeconomic stability has improved in some African countries, but their stability can be highly questionable when compared to the current state of Zimbabwe, Senegal, Uganda and the Ivory Coast (Kingston, 2011). Furthermore, countries have used SAPs in order to develop their basic infrastructure in order to improve sustainable development and growth. In most African countries the human capital formation and infrastructural base is considered to be extremely poor. IMF stepped up and provided these countries with SAPs (Kingston, 2011).

However, since the countries received the SAP, their human capital formation and infrastructural base have further deteriorated; this highlights the inefficiency of the structural adjustment programs as it had the opposite effect. It also led to other issues such as increase in corruption, decrease in wages, and elevation in the poverty level, given they were already combating low life expectancy, high infant mortality, and low literacy rates. As a result of IMF providing SAPs, African countries increased their spending on their arms imports, leading to the proliferation of arms. This can result in the violation of human rights and conflicts in the long run. In order for structural adjustment programs to be successful in African countries and elsewhere, the IMF-World Bank Structural Adjustment Programs need to be reformed.

PAST IO ACTIONS AND THE LATEST DEVELOPMENTS

The primary Structural Adjustment Programs in 1986, concentrated on providing payments to underdeveloped countries in order to help them move away from industrial to developing nations. This was initially officialized among the G-7 during the Plaza Agreement of 1985. Soon after, the IMF recognized that Structural Adjustment Programs did not impact all the countries in the same manner, as they received varying results within the first year. Therefore, in 1987, the IMF reformed some SAPs and renamed the new policies as Enhanced Structural Adjustment Facility (ESAF). The IMF has altered SAPs repeatedly since the 1990's. According to the IMF, "The Executive Board undertakes periodic reviews of conditionality and, on many occasions, it has adjusted the policies and practices relating to the use of the IMF's resources. In its most recent discussion of issues related to conditionality and program design, in July 1991, the Executive Board affirmed that the current guidelines on conditionality, which the Board adopted in 1979, remain broadly appropriate" (Przeworski & Vreeland, 2000).

QUESTIONS THE DISCUSSIONS AND THE RESOLUTIONS SHOULD ADDRESS

- How can the current criticisms of SAPs be used to reform them?
- How can the SAPs effect not only the macro-imbalances but also the micro-economic issues of a nation?
- Which other organization or policies can SAPs be combined with, in order to limit the IMFs cost?
- How can the SAPs be altered and directed to East Asian countries?
- How can the social consequence, poverty, and environmental impacts of SAPs be decreased?

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TOPIC 2

Cryptocurrency Management and Regulation

SUMMARY

Thomas Carper, US Senator, said, “Virtual currencies, perhaps most notably Bitcoin, have captured the imagination of some, struck fear among others, and confused the heck out of the rest of us” (As cited in Mills, 2018).

As the quote shows, cryptocurrencies, while having become a commonplace term, are complex and not fully understood by the majority of the populace. However, cryptocurrencies have dominated the news, whether it be through the price spikes and falls or the stories of overnight millionaires. Still, the question holds, what are cryptocurrencies? Cryptocurrencies basically attempt to completely digitalize the bookkeeping that is integral to modern financial systems. Rather than having a central authority control and monitor all transactions, cryptocurrencies use a decentralized network and a distributed ledger (a public record of all transactions) to accommodate those transactions. With time, cryptocurrencies gained the attention of the public, leading to higher levels of demand and pushing the prices higher. This caused the establishment of highly volatile speculative markets with spikes that could go as high as 100% each day. While cryptocurrencies began with the establishment of Bitcoin, there are currently more than 1,500 different cryptocurrencies on the market. Cryptocurrencies have many features that are of major concern to the IMF, such as anonymity and volatility. All of these affect global and international flow of money and investment. For example, money would be diverted towards cryptocurrencies investment rather than national projects which would stimulate economies. This has led the IMF to make cryptocurrencies a major part of their current agenda.

HISTORY

In the 1990s, there were many attempts to create a decentralized digital cash system. This would be a system where there is no central authority controlling the supply or monitoring the transactions to ensure their legitimacy. It was only during 2008 and 2009, and by Satoshi Nakamoto, that the foundations for such a system were put into place. This decentralized system led to the establishment of Bitcoin, the golden standard of cryptocurrencies (Bouveret & Haskar, 2018). The main problem solved by Satoshi was how to have a distributed network validate and process transactions without a

central authority through what is now known as Blockchain Technology (Smith, 2017). A Blockchain represents a computer data structure that provides all the functionality needed for cryptocurrencies while satisfying all criteria. His work was so revolutionary (In fact, it was hypothesized that it is impossible to implement a decentralized system!) and led to the emergence of hundreds of other cryptocurrencies, most important being Ethereum, Ripple, Litecoin, and Monero (Adriano, 2018). While each may have a different system set in place for validation, mining, and security, they all make use of the same fundamental building blocks that made Bitcoin possible.

DISCOURSE ON THE ISSUE

In order to manage and regulate cryptocurrencies, a much deeper understanding of their properties and building blocks is required. Cryptocurrencies have two main monetary properties, controlled supply and no debt aspect. The supply of cryptocurrencies is controlled using formulas that control how much currency there is in circulation. For example, the Bitcoin total supply is expected to reach the final number in the year 2140. The no debt aspect, on the other hand, refers to the fact that those currencies represent themselves rather than a ledger of debt. There are five main properties of transactions using cryptocurrencies: irreversibility, pseudonymity, globalism, security, and freedom. Each one of those properties leads to unique characteristics. For example, irreversibility means that any cyberattacks or instances of fraud and scam over the crypto network cannot be reversed whatsoever. A clear example of this is the recent attack on the Japanese company Zaif that has led to the theft of sixty million dollars' worth of cryptocurrencies (Wong, 2018). On the other hand, pseudonymity means that a user's virtual account and address are completely independent of his/her real identity and address. This obviously has led to cryptocurrencies being used in illegitimate activities. The cryptographic system underlying those crypto networks are (currently) unbreakable, ensuring those users' privacy. Another important property is the lack of permission needed to join those crypto networks. This could cause a net outflow of money away from the traditional banks and businesses, meaning that those currencies may "eventually present challenges for central banks ... to affect the money supply and therefore the conduct of monetary policy" (Bouveret & Haskar, 2018). Finally, the IMF has also paid attention to the speculative markets that have emerged, as opposed to the normal uses of cryptocurrencies. These markets are heavily characterized by the extreme volatility exhibited due to their purely speculative nature (Gaspar & Verdier, 2018).

PAST IO ACTIONS AND THE LATEST DEVELOPMENTS

Being novel inventions of the twenty-first century, cryptocurrencies have not been the interest of the other UN committees. Banks, however, have kept a close eye on cryptocurrencies in an attempt to evaluate whether they should join the markets as well. The IMF, on the other hand, has publicly spoken about cryptocurrencies at multiple conferences and while it is certain that cryptocurrencies will not take over the standard fiat money, other risks still exist which the IMF have to tackle, the most important one of which is the anonymity of transactions (Lagarde, 2018). This can, and does, lead to the crypto network being used for nefarious purposes like money laundering, tax evasion, or the purchasing of illegal substances or services. While the IMF would like to regulate this, it is still unclear as to how this can be accomplished without threatening the very basic fundamental blocks of a cryptocurrency network. This network is based on the assured anonymity of both parties and the irreversibility of the transactions. Another issue faced by the IMF is that raised by volatility. This causes the currencies to not be a valid substitute for fiat money when it comes to a store of value since this value is not fixed and is liable to change. In addition, critics have pointed that while the IMF may attempt to resolve these issues, history does not support it. The IMF has historically been very dogmatic when it has come to its ideas and beliefs. However, these limitations have been recognized with the managing director, Christine Lagarde, stating that the IMF “will also have to open to change” (He, 2018). The Deputy General Counsel, Ross Leckow, also highlighted that the IMF will be targeting two specific areas: Fintech and Blockchain and research is currently being conducted at the IMF regarding them. Finally, the World Economic Outlook has reported on those Cybersecurity breaches and attacks as undermining the cross-border payment systems and flow of goods and services (Suberg, 2018).

QUESTIONS THE DISCUSSIONS AND THE RESOLUTIONS SHOULD ADDRESS

- To what extent can the IMF intervene and regulate the cryptocurrencies? This question attempts to evaluate the jurisdiction of the IMF when it comes to intervention and regulation.
- How would regulation affect cryptocurrencies and their popularity?
- How would regulation be implemented? To this point, there are plans to regulate but no solid explanation as to how this is to be accomplished.
- What are the expected roles of governmental institutions and financial bodies when it comes to the regulation?
- What are the latest developments when it comes to cryptocurrency uses?

SUGGESTIONS FOR FURTHER RESEARCH

A thorough understanding of how cryptocurrencies work is very important. This guide only presents an introduction to the mechanics underlying cryptocurrencies and hence, more research is required. The references include a plethora of different IMF articles and publications that cover cryptocurrencies in depth and should serve as a good resource. In addition, further research should attempt to draw parallels between cryptocurrencies and other projects the IMF has undertaken. Studying how the IMF has handled previous issues and the mechanisms they use would prove to be very helpful.

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