

Model United Nations at UCSD presents
On Saturday April 25th, and Sunday April 26th, 2015

General Assembly – Second Committee

Economic and Financial



TritonMUN XI



Introduction

Welcome delegates, advisors, and guest speakers to another round of University of California, San Diego's exciting TritonMUN Spring Conference! My name is James Hsu, and I will be your chair for the Second Committee ECOFIN. I am a fourth year Nanoengineering student with a focus on Materials Science. This will be my third year participating in TritonMUN and the 5th time acting as a chair or vice-chair. I also participated in MUN during my junior year of high school.

As an international student, I grew up a "third culture" kid. My family is from Taiwan but I spent 10 years of my life, up until right before college, in the not-so-beautiful but nonetheless home of Beijing. Even though my field of study has absolutely no relevance to international politics, I've always felt a natural gravitation towards the need to know and participate in bettering our world. Growing up around many cultures that are so alike yet so different, it is easy to see that for every world conflict and political tension, there are hundreds more cross-cultural barriers broken and embraced. For every intolerant man, there are hundreds more who would welcome you into their home and share their culture with open arms.

This understanding has compelled me to choose a topic that is unlike those I have chaired for before. As some of you savvy MUN veterans know, the usual committee involves either a healthy dose of this country says that country is spying, or this geo-political bloc wants to start another war with that bloc. Instead, today I have chosen to bring you a topic that I hope every Nation and even you yourself as an individual can agree on: we need to help citizens of Least Developed Countries get access to food and economic relief. Specifically, how can we utilize agriculture, agricultural technologies, and efficient trading of agricultural products to lift these countries out of poverty, and help their citizens eradicate hunger? How we can achieve this task is up for all sorts of debate, and inevitably differing opinions will arise, but one can hope that everybody is participating towards a better world. I am excited to see what the delegates of the Second Committee has in store for us. I hope to see you all on April 26th.

Sincerely,
James Hsu
cchsu@ucsd.edu



Honorable Delegates,

Welcome to TRITONMUN XI 2015! My name is MehulGoel and I will be your vice-chair. I am a second year computer science major at the University of California San Diego. This is my first year involved with MUN and I have been having a blast. After participating on UCSD's MUN team, I can say with certainty that MUN is a great learning experience and that it has made me a more confident and well-spoken person. Besides MUN, I love to work on my programming skills by making websites and video games and I also occasionally enjoy doing photography. Reading Quora while listening to music on Spotify is a guilty pleasure.

I look forward to listening to your debates on the topics of this general assembly. They are deep and interesting topics with a lot of relevance to nations across the world today. I am excited to read your well-researched position papers and listen to the creative solutions to the problems presented to you during debate. The outcome of engaging discussions amongst bright students such as yourselves will hopefully lead to a great resolution that we can all be proud of.

Sincerely your Vice-Chair,

MehulGoel

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Topic A: Investment in Agricultural Technology and Rural Development

I. Background

Eradicating world hunger and solving world poverty have long been a goal of the United Nations. Many committees and organizations have been constructed - at various capacities of involvement - for these two purposes. At the core of these issues are very complex and multidimensional problems that the UN has been tackling from multiple directions. The Second Committee plans to utilize its session in tackling these two issues from the perspective of agricultural development as a tool to for the graduation of Least Developed Countries (LDCs). In fact, LDCs and other Developing Countries account for 98% of all people suffering from chronic hunger.¹

In terms of agricultural development, there are two complementary methods of aid donorship. The first method is through trade, where countries can decrease or eliminate import/export tariffs and quotas through bilateral or multilateral trade agreements with LDCs. Countries of all economic levels participate in these trade agreements, in particular to form geopolitical blocs and form economic interdependency. The second method is through direct aid in the sector, where private donors, NGOs, and other partnership entities can help locals create opportunities for jobs beyond sustenance farming. Scientists and engineers help tag and survey wild animals, create effective irrigation, research root causes of food insecurity and lower crop yields. Experts create technical schools for local farmers and fishermen. Additionally, everything from infrastructure, roads, storage warehouses, transportation, crop cycle technology etc, can

¹"World Food Programme Fighting Hunger Worldwide." Who Are the Hungry?IFAD, n.d. Web. 10 Jan. 2015.



ultimately lead to a comparative advantage in the agricultural industry of LDCs. These programs have led to a successful growth in the LDCs abilities to export their local specialties like coffee, cocoa, cotton, and fish among other raw materials and products.

According to UNCTAD, agriculture accounts for over 50% of all LDCs exports from 1994 to 2000.² This shows a large dependence on agriculture as a primary source of income for citizens of LDCs, as well as a large dependence on agriculture as a source of economic development for the LDCs. However, this export number has decreased recently in favor of more energy and mining exports. As it stands, agriculture is still the number one exported industry for LDCs, it also accounts for a higher percentage of GDP for LDCs than developing and industrialized countries. This is mostly due to a low barrier to entry, fertile lands, and no required technical abilities.

Although there is an abundance of focus on providing aid food aid and bilateral trade for LDCs by many Nations and NGOs, and in popular media, the vast majority of food supply is still locally grown.³ In 2011, Africa imported 51 billion dollars in food, while only exporting 23 billion dollars. In Asia, 203 billion was imported versus 142 billion exported. Developed countries enjoy a higher rate of growth in agricultural trade volume and export/import ratio, even though many LDCs actually hold “comparative advantages in food and agricultural production.” This statistic shows that support for locally grown food is imperative, as the import solution has seen very little success to developing countries. Yet under the OECD’s definition of “Official Development Assistance” (ODA),⁴ the assistance provided towards the productive and

²“Export Competitiveness and Development in LDCs.” UNCTAD/ALDC/2008/1(n.d.): n. pag. UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT. UNCTAD, 2008. Web. 12 Jan. 2015.

³Food and Nutrition In Numbers. Rep. FAO, 2014. Web. 12 Jan. 2015.

⁴ “Official Development Assistance – Definition and Coverage - OECD.” Official Development Assistance – Definition and Coverage - OECD. OECD, n.d. Web. 12 Jan. 2015.



agricultural sectors have largely remained stagnant between 1995 and 2007.⁵ Only in 2007 has the agriculture sector seen an increase in ODA, and even then it enjoys relatively low growth compared to infrastructure and health sectors. Unfortunately, despite the emphasis the UN has placed on agriculture and food aid to LDCs, the realization of these aid projects seem to falter in funding.

⁵"Towards Human Resilience: Sustaining MDG Progress in an Age of Economic Uncertainty." Official Development Index (n.d.): n. pag. Web. 12 Jan. 2015.



II. United Nations Involvement

Since the inception of the UN, there have been countless efforts at setting goals and creating infrastructure through Resolutions. The topic of food security, agriculture, and economic development of developing countries has always been a relatively agreeable topic between member nations. The UN efforts have culminated in a triad of organizations: the Food and Agriculture Organization (FAO), the International Fund of Agriculture and Food (IFAD), and the World Food Program (WFP). These three organizations each have distinguishable purposes, but works towards common goals set by the UN. These three agencies, all headquartered in Rome, are also collectively known as the Rome-based Agencies (RBAs).

In 1945, the FAO was founded to act as a forum for discussion, focusing on issues such as food security, world hunger, nutrition, and agriculture development. As of today, there are 194 member states that participate in the FAO. In 1961, the WFP was founded on the basis of emergency relief for poverty stricken areas either due to war, famine, or poverty. In 1977, the IFAD was founded as a means to gather the funding necessary for the FAO as well as other agencies.⁶ Other relevant agencies and conferences include the UNCTAD, ECOSOC, UNDP, Second Committee, and Third Committee.

In 1971, the General Assembly passed Resolution 2768 classifying LDCs,⁷ in an effort to properly identify areas most needing immediate support and relief. LDCs are defined by the UN Committee For Development (CDP) and the UN Economic and Social Council (ECOSOC). As of 2014, there are 49 countries classified as LDCs partly due to a lack of human resources and

⁶"Who We Are." Who We Are. IFAD, n.d. Web. 12 Jan. 2015.

⁷General Assembly Resolution 2768, Identification of Least Developed Countries (18 November, 1971)



agricultural instability.⁸ In the 4th UN LDC conference held in Istanbul back in 2011, the UN had aimed to half this number by the year 2020.⁹ In December 4th, 2013, General Assembly (GA) resolution A/RES/68/18¹⁰ saw the approval of graduation from LDC status for Equatorial Guinea and Vanuatu following growth in economy and human welfare stemmed partly from development and investment in agriculture both internally and internationally.

The Second Committee of the General Assembly ECOFIN takes upon part of the task of propagating the development of agricultural technology and sustainable farming as a means to provide long-term economic alleviation to developing countries. On the report of the Second Committee, two Resolutions on the matter of agricultural development have been passed by the General Assembly in the 68th session in 2013. A/68/209¹¹ “Agricultural technology for development” calls for the development of agricultural technology, agricultural trade, sustainable agricultural practices, reducing food waste, as strategies “to improve the development of sustainable agricultural technologies and their transfer and dissemination, under mutually agreed terms, to developing countries, especially the least developed countries, in particular at the bilateral and regional levels”. A/68/233¹² “Agriculture development, food security and nutrition” “address agriculture development, food security and nutrition in the context of national, regional and international development policies, taking into account the importance of enhancing synergies between sustainable agriculture practices, biodiversity, food security, nutrition and development policies.” This Resolution also touches base on WHO global targets, eradicating

⁸“List of Least Developed Countries.” LDF List. UN, 2013. Web. 12 Jan. 2015.

⁹“Programme of Action for the Least Developed Countries for the Decade 2011-2020.” Fourth United Nations Conference on the Least Developed Countries. UN, 11 May 2011. Web. 12 Jan. 2015.

¹⁰ General Assembly Resolution 68/18, Graduation of countries from the least developed country category, A/RES/68/18, (4 December 2013)

¹¹General Assembly Resolution 68/209, Agricultural technology for development, A/RES/68/209, (20 December, 2013).

¹²General Assembly Resolution 68/233, Agriculture development, food security and nutrition, A/RES/68/233 (20 December, 2013).



world hunger, and protection against price volatility. It is recommended that delegates be updated on the state of matter by further reading these Resolutions, as well as other Resolutions and works referred to in the preambulatory clauses. For a better understanding of the specific activities and actions by the RBAs, please refer to “FAO/WFP/IFAD cooperative action page” in the Suggested Links section.



III. Bloc Positions

Many UN member states are active in providing cash aids or trade aids to LDCs. These member states can be divided between developed countries and developing countries, and further subdivided into aid donors and aid receivers. Both developed and developing countries can act as aid donors and trade partners with LDCs. The positions of geopolitical blocs can widely vary between countries' independent partnerships with LDCs, as well as the political sway of government parties or NGOs. In this section there will be a focus on geopolitical blocs and their primary methods of aid to LDCs, which by principal are more generalized than just the agriculture industry.

Americas and European Union

The primary resource for government level donations comes from ODA from Development Assistance Committee (DAC) countries. Most countries registered as a DAC belongs in the Western bloc. For a full list of DACs, please refer to “Summary of ODA from OECD countries in 2013” in the Suggested Links section.

Table 5.1: ODA and Other Aid Flows: An Overview

Funding Source	Monies Contributed, US\$ million (2009, current prices)
ODA (OECD-DAC)	120,000.63
ODA (non-DAC countries that report to OECD-DAC)	6,672.12
South-South Cooperation (donors that do not report to OECD-DAC)	15,300.00 *
Bilateral aid to multilaterals	13,443.66
Innovative finance mechanisms	4,000.00 *
Private philanthropic initiatives	52,600.00 *

* 2008, current prices

Source: OECD 2010, Leading Group, Hudson Institute 2010, UN DESA 2010.

Many Western countries have adopted the “trade-not-aid” mentality in working with LDCs. The “trade-not-aid” method emphasizes bilateral and multilateral trade agreements with developing countries, where LDCs are allowed to grow their own economy while holding



autonomy in their own future. At the same time, this allows for proper long-term development of a LDC's market and local industries. In particular, Canadian PM Stephen Harper has taken a strong stance towards trade-not-aid after making a trip to sub-Saharan Africa.¹³

The European Union adopted the "Everything But Arms" in 2001 that "give[s] all LDCs full duty free and quota-free access to the EU for all their exports with the exception of arms and armaments."¹⁴ International trade strategies between Western blocs and LDCs are effective because of the high amount of agricultural reliance for poverty stricken countries. These strategies give comparative advantages to LDCs that promote growth in the agricultural sector. In addition, the United States has its own African Growth and Opportunities Act (AGOA) that provides similar support for sub-Saharan African countries, especially those qualified as LDCs.

Asia

9 of the current 48 LDCs are part of the Asian continent. This bloc consists of the Middle East, Asia, and China. Four Pacific island nations Kiribati, Tuvalu, Solomon Islands, and Vanuatu are also geographically part of this bloc. The prominent aid donors in this bloc are China, Korea, Japan, and Russia. Other developed Asian countries/regions such as Taiwan, Singapore, and Hong Kong amongst others are also primarily aid donors. China, India, Taiwan, and Korea in particular have Duty-free, Quota-free (DFQF) schemes for LDC exports.¹⁵¹⁶ In addition, China offers preferential treatment on tariff lines to Asian LDCs, and overall provide DFQF benefits to 40 LDCs.^[16]

¹³York, Geoffrey. "Trade, Not Aid, the Theme of Harper's Visit to Africa." The Globe and Mail, 9 Oct. 2012. Web. 12 Jan. 2015.

¹⁴"Everything But Arms (EBA) – Who Benefits?" European Commission, 30 Apr. 2013. Web. 12 Jan. 2015.

¹⁵"Developing Members Confirm Commitment to Open Market for Poorest Countries." WTO 2012 News Item. WTO, 16 Apr. 2012. Web. 12 Jan. 2015.

¹⁶"Preferential Market Access: China's DFQF Scheme for LDC Products." ESANGO UN, n.d. Web. 12 Jan. 2015.



In the Asian region, full implementation of DFQF benefits to LDCs have been opposed by America for a fear of unnatural competition in countries like Bangladesh and Cambodia,¹⁷ as this topic remains a focal point in the Doha Development Round (DDA) international trade talks.

Africa

The majority of African countries are developing countries, landlocked developing countries, and/or LDCs. 34 out of 48 LDCs belong in the African continent, and not surprisingly, only two landlocked countries in Africa do not belong in this category. There are a few trade agreements between African countries¹⁸ that are aimed to facilitate trade, communication, and transportation. Many landlocked countries require the port of neighboring countries for international trade.

In 2001, the African Union created New Partnership for Africa's Development (NEPAD) and the project Comprehensive Africa Agriculture Development Programme (CAADP).¹⁹ For a comprehensive understanding of the state of Africa and its agriculture industry, please refer to "Agriculture in Africa" in the Suggested Links section.

¹⁷Laird, Sam. "Duty-free, Quota-free Market Access: What's in It for African LDCs?" ICTSD, 17 June 2013. Web. 12 Jan. 2015.

¹⁸Leeper, Jennifer. "African Trade Agreements." American University, n.d. Web. 12 Jan. 2015.

¹⁹"AGRICULTURE IN AFRICA." NEPAD Transforming Africa.NEPAD, n.d. Web. 12 Jan. 2015.



IV. Questions to Consider

1. How can the UN better help develop the agricultural industry of LDCs while making a long-term, lasting impact in a LDC's economy?
2. How can the UN best deliver aid to responsible parties in need, and to minimize routes that will lead to corruption siphoning off funds?
3. What methodologies of ODA delivery should the UN endorse or disenfranchise?
4. How can the UN best minimize regional and geopolitical influences from exploiting LDCs?
5. How can the UN secure more funding from member states and NGOs through a cohesive Resolution?
6. What goals have the UN set for LDCs, food aid, economic aid, poverty aid etc? Are the current UN goals realistic? If not, how can we better set realistic goals, or identify and rectify the issues preventing us from reaching those goals?



V. Suggested Sites

http://www.undp.org/content/dam/undp/library/Poverty%20Reduction/Inclusive%20development/Towards%20Human%20Resilience/Towards_SustainingMDGProgress_Ch5.pdf-

Comprehensive ODA summary by the UNDP

<http://ldc4istanbul.org/uploads/IPoA.pdf>- Fourth Conference on LDCs in Istanbul

<http://www.ifad.org/pub/jp/e/2001.htm>- FAO/WFP/IFAD cooperative action page

<http://www.oecd.org/newsroom/aid-to-developing-countries-rebounds-in-2013-to-reach-an-all-time-high.htm>- Summary of ODA from OECD countries in 2013

<http://www.nepad.org/sites/default/files/Agriculture%20in%20Africa%20-%20English.pdf> - Agriculture in Africa



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2015. <<http://www.nepad.org/sites/default/files/Agriculture%20in%20Africa%20-%20English.pdf>>.

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<http://unctad.org/en/Docs/aldc20081_en.pdf>.

Food and Nutrition In Numbers. Rep. FAO, 2014. Web. 12 Jan. 2015.

<<http://www.fao.org/3/a-i4175e.pdf>>.

"Everything But Arms (EBA) – Who Benefits?" European Commission, 30 Apr. 2013. Web.

12 Jan. 2015. <http://trade.ec.europa.eu/doclib/docs/2013/april/tradoc_150983.pdf>.

"Developing Members Confirm Commitment to Open Market for Poorest Countries." WTO

2012 News Item. WTO, 16 Apr. 2012. Web. 12 Jan. 2015.

<http://www.wto.org/english/news_e/news12_e/acc_16apr12_e.htm>.

General Assembly Resolution 2768, Identification of Least Developed Countries (18

November, 1971)

General Assembly Resolution 68/18, Graduation of countries from the least developed

country category, A/RES/68/18, (4 December 2013)

General Assembly Resolution 68/209, Agricultural technology for development,

A/RES/68/209, (20 December, 2013).

<http://www.un.org/en/ga/search/view_doc.asp?symbol=A/RES/68/209>



General Assembly Resolution 68/233, Agriculture development, food security and nutrition,

A/RES/68/233 (20 December,

2013).<http://www.un.org/en/ga/search/view_doc.asp?symbol=A/RES/68/233>

Laird, Sam. "Duty-free, Quota-free Market Access: What's in It for African LDCs?" ICTSD,

17 June 2013. Web. 12 Jan. 2015. <<http://www.ictsd.org/bridges-news/bridges->

[africa/news/duty-free-quota-free-market-access-what%E2%80%99s-in-it-for-african-ldcs](http://www.ictsd.org/bridges-news/bridges-africa/news/duty-free-quota-free-market-access-what%E2%80%99s-in-it-for-african-ldcs)>.

Leeper, Jennifer. "African Trade Agreements." American University, n.d. Web. 12 Jan. 2015.

<<http://www1.american.edu/ted/hpages/trade/africa.htm>>.

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<http://www.un.org/en/development/desa/policy/cdp/ldc/ldc_list.pdf>.

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Jan. 2015.

<[http://www.oecd.org/dac/stats/officialdevelopmentassistancedefinitionandcoverage.h](http://www.oecd.org/dac/stats/officialdevelopmentassistancedefinitionandcoverage.htm)
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"Preferential Market Access: China's DFQF Scheme for LDC Products." ESANGO UN, n.d.

Web. 12 Jan. 2015. <<http://esango.un.org/ldcportal/web/10447/-/preferential-market->

[access-china%E2%80%99s-dfqf-scheme-for-ldc-](http://esango.un.org/ldcportal/web/10447/-/preferential-market-access-china%E2%80%99s-dfqf-scheme-for-ldc-)

[products?groupId=19799&redirect=http%3A%2F%2Fesango.un.org%2Fldcportal%2](http://esango.un.org/ldcportal/web/10447/-/preferential-market-access-china%E2%80%99s-dfqf-scheme-for-ldc-products?groupId=19799&redirect=http%3A%2F%2Fesango.un.org%2Fldcportal%2)

[Ftrade%2Fstory%3Bjsessionid%3D0ADE1A7D2CCFB4AD4117800916E90025%3F](http://esango.un.org/ldcportal/web/10447/-/preferential-market-access-china%E2%80%99s-dfqf-scheme-for-ldc-products?groupId=19799&redirect=http%3A%2F%2Fesango.un.org%2Fldcportal%2)

[p_p_id%3D175_INSTANCE_vjeHymWZL3D6%26p_p_lifecycle%3D0%26p_p_stat](http://esango.un.org/ldcportal/web/10447/-/preferential-market-access-china%E2%80%99s-dfqf-scheme-for-ldc-products?groupId=19799&redirect=http%3A%2F%2Fesango.un.org%2Fldcportal%2)

[e%3Dnormal%26p_p_mode%3Dview%26p_p_col_id%3Dcolumn-](http://esango.un.org/ldcportal/web/10447/-/preferential-market-access-china%E2%80%99s-dfqf-scheme-for-ldc-products?groupId=19799&redirect=http%3A%2F%2Fesango.un.org%2Fldcportal%2)



[2%26p_p_col_count%3D1>.](#)

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<<http://www.theglobeandmail.com/news/politics/trade-not-aid-the-theme-of-harpers-visit-to-africa/article4597741/>>.



Topic B: The Future of Bitcoin

I. Background

The Bitcoin is an electronic currency not backed by any government or central authority. Bitcoin is supported by a distributed network of users and relies on advanced cryptography techniques to ensure its stability and reliability.²⁰ A Bitcoin is simply a chain of digital signatures (i.e., a string of numbers) saved in a “wallet” file. This chain of signatures contains the necessary history of the specific Bitcoin so that the system may verify its legitimacy and transfer its ownership from one user to another upon request. A user’s wallet consists of the Bitcoins it contains, a public key, and a private key. Bitcoin uses a technique called public-key cryptography, which relies on creating an interlocking pair of encryption keys: a public key that can be freely distributed, and a private one that must be kept secret at all costs. The public key is the address to which another party can send Bitcoins, and the private key is what enables the wallet’s owner to send his own Bitcoins to someone else.²¹ As an analogy, the public key is your street address, and the private key is the key to your front door; others can send mail to your house with no more than your address, but no one can remove your belongings without your permission. Anyone can use the sender’s public key to verify that the sender’s private key signed the transaction. All transactions are appended to a public ledger, called the block chain.²²

²⁰Ly, Matthew Kien-Meng. "Coining Bitcoin's "Legal-Bits": Examining The Regulatory Framework For Bitcoin And Virtual Currencies." *Harvard Journal Of Law & Technology* 27.2 (2014): 587-608. Academic Search Complete. Web. 21 Jan. 2015.

²¹Franco, P. (2014) Foundations, in *Understanding Bitcoin: Cryptography, Engineering, and Economics*, John Wiley & Sons, Ltd, Chichester, UK. doi: 10.1002/9781119019138.ch1

²²Franco, P. (2014) Technology (Introduction), in *Understanding Bitcoin: Cryptography, Engineering, and Economics*, John Wiley & Sons, Ltd, Chichester, UK. doi: 10.1002/9781119019138.ch2



The Bitcoin is a form of cryptocurrency, in which encryption techniques are used to regulate the generation of units of currency and verify the transfer of funds, operating independently of a central bank. Satoshi Nakamoto created the Bitcoin, and published a working paper describing the Bitcoin in 2008, with the first Bitcoin being released in 2009. The identity of Satoshi Nakamoto is unknown, and it is not even known if the alias represents one person or a group of people.

There are essentially three ways to procure Bitcoins: (1) by “mining” them; (2) by purchasing them; or (3) by selling something and accepting payment in Bitcoin.²³ Bitcoin mining is a process wherein users provide computing power to process Bitcoin transactions. In return for carrying out Bitcoin transactions on the network, users are rewarded in Bitcoins.²⁴ Because the Bitcoin algorithm releases new Bitcoins in declining numbers, it becomes more difficult to mine for Bitcoins as time progresses.

Advantages of Bitcoin

The digital currency is global and standard for all consumers allowing for new possibilities for a multilateral globalizing market. The exchange of currencies around the world remains as required service for nations to receive and export goods and services Bitcoin enables states and large-scale industries to have transactions without the hassle of currency exchange. This also brings opportunities for the global economy to flow in unison by using the same standard currency. Money transfers are almost instantaneous to all parts of the world through the Bitcoin network. The transaction is verified against the block-chain in a completely transparent and verifiable.

²³Ly, Matthew Kien-Meng. "Coining Bitcoin's "Legal-Bits": Examining The Regulatory Framework For Bitcoin And Virtual Currencies." *Harvard Journal Of Law & Technology* 27.2 (2014): 587-608. Academic Search Complete. Web. 21 Jan. 2015.

²⁴ <https://bitcoin.org/en/faq#mining>



ble way. The block-chain can always be reviewed to track transactions for their validity. Merchants are protected from fraudulent chargebacks. These are cases when customers are unable to repay credit card debts and the money is then retrieved from the merchant instead.²⁵

Disadvantages of Bitcoin

A prevailing fear amongst various organizations including that of EU experts are that the Bitcoin will “fuel crimes that affects online transactions platforms and accounts, stimulating crimes such as bribery, money laundering, or illicit trafficking in drugs and weapons”.²⁶ Some other risks associated with Bitcoin include cyber-attacks on computers and even smartphones, according to the warnings of monetary institutions. These include the Reserve Bank of India that issued a statement outlining the possible risks associated with Bitcoins. This list addressed not only the fact that the Bitcoin network works on peer to peer basis thus eliminating an authorized central agency to regulate Bitcoin payments but also the possibility of Bitcoin wallets being prone to theft.²⁷

There have been many cases of Bitcoin theft. When Mt. Gox, the oldest and perhaps the best-known Bitcoin exchange, filed for bankruptcy, it revealed that thieves had stolen about 744,000 Bitcoins estimated to be valued at approximately \$475 million. Representatives from Canada’s Flexcoin said 896 Bitcoins valued at about \$600,000 were stolen from its online vault.²⁸ America’s Federal Bureau of Investigation shut down Silk Road, a deep web market

²⁵ <https://bitcoin.org/en/faq#what-are-the-advantages-of-bitcoin>

²⁶ RASHID, FAHMIDA Y. "How Thieves Steal Your Bitcoins." PC Magazine (2014): 17-20. Academic Search Complete. Web. 21 Jan. 2015.

²⁷ <http://www.coindesk.com/reserve-bank-india-issues-virtual-currency-warning/>

²⁸ RASHID, FAHMIDA Y. "How Thieves Steal Your Bitcoins." PC Magazine (2014): 17-20. Academic Search Complete. Web. 21 Jan. 2015.



place where illicit goods and services are traded for Bitcoin, in October 2013.²⁹³⁰ The value of a Bitcoin is determined solely by public perception, trust, and adoption causing volatile price fluctuations. It climbed to \$1200 on December 4th of 2013, and then plummeted \$522 on the 18th of the same month before climbing to \$700 the very next day.

Bitcoin's success has revealed a few weaknesses in particular. The distributed-ledger system, better known as the block-chain is becoming unwieldy. The block-chain is already over 11 Gigabytes in size, and while Bitcoin developers have considered deleting ledgers of used transactions, nothing has been done as of yet. Public keys are anonymous, because they are created randomly by software under the control of each user, without central co-ordination. But it turns out that the flow of money from specific addresses can be tracked quite easily.³¹ One criticism of this "currency" is related to the lack of intrinsic value, which poses serious problems to fix prices of goods and services to the electronic currency.³²

How the Bitcoin ecosystem stays secure

Transaction verification is a prime concern with a network like Bitcoin. There is an efficient method of verification in place to prevent fraudulent or duplicated transactions from occurring. Satoshi Nakamoto's solution to this problem was for a distributed network to serve as the processing point. The Bitcoin network relies on the approximately thirty thousand computers at any given time to verify each transaction, with "some of the nodes in the network verify the transaction as having occurred at a specific time", thus "if someone tries to spend a Bitcoin

²⁹<http://www.smh.com.au/technology/technology-news/drugs-bought-with-virtual-cash-20110611-1fy0a.html>

³⁰<http://www.businessinsider.com/fbi-silk-road-seized-arrests-2014-11>

³¹<http://www.economist.com/news/technology-quarterly/21590766-virtual-currency-it-mathematically-elegant-increasingly-popular-and-highly>

³² Van Alstyne, Marshall. "Why Bitcoin Has Value." *Communications Of The ACM* 57.5 (2014): 30-32. Academic Search Complete. Web. 21 Jan. 2015.



twice, the one that occurred first in time is valid, and the second is not". The only way fraud through stealing back previously spent Bitcoins could occur is when the thief not only possesses more possessing power than the entire Bitcoin network, "but could also replicate the network's past work to "steal" Bitcoins". This is highly improbably given the vast size of the Bitcoin network. However even if it were to happen, the computing power would be better spent mining Bitcoin since "an attacker would only be able to take back Bitcoins that were previously transferred; an attacker would not be able to create new coins or steal those belonging to others that were not first transferred". Thus, the integrity of the system is protected by the system itself.³³

Previous actions taken to regulate Bitcoin

The "BitLicense" plan, which if approved would apply to all companies that store, control, buy, sell, transfer, or exchange Bitcoins (or other cryptocurrency), makes New York the first state to attempt to regulate virtual currency.³⁴ It seeks to define what constitutes a financial business in the virtual-currency space, and what kinds of rules should be adhered to mitigate risks of money laundering and fraud. The intention of BitLicense is to cover financial intermediaries rather than software developers. One of the clauses in the bill requires all business that converts Bitcoin into fiat currency or indulges in the purchase and sale of Bitcoin to obtain a license with the government of New York. A minimum capital requirement has also been set to ensure financial integrity amongst businesses. Bill C-31 by Canada has similar clauses with the addition that banks will be prohibited from opening and maintaining correspondent banking relationships with

³³Ly, Matthew Kien-Meng. "Coining Bitcoin's "Legal-Bits": Examining The Regulatory Framework For Bitcoin And Virtual Currencies." *Harvard Journal Of Law & Technology* 27.2 (2014): 587-608. Academic Search Complete. Web. 21 Jan. 2015.

³⁴<http://www.duhaimelaw.com/2014/06/22/canada-implements-worlds-first-national-bitcoin-law/>



Digital Currency MSBs that are not registered.³⁵

³⁵<http://www.parl.gc.ca/HousePublications/Publication.aspx?Language=e&Mode=1&DocId=6495200&File=4&col=1>



II. United Nations Involvement

The futures of Bitcoin and cryptocurrencies in general have not been extensively discussed within the UN. However, in the report by UN Conference on Trade and Development (UNCTAD) in 2009 had said that an alternative to the dollar as the world's reserve currency should be considered. This report was published in the midst of the 2009 economic meltdown. The grievance with the current system in place is that a payment imbalance is created even with the flexible exchange rates between the dollar and other currencies. "Replacing the dollar with an artificial currency would solve some of the problems related to the potential of countries running large deficits and would help stability," said Detlef Kotte, one of the report's authors. A global artificial currency controlled by a world government was the idea that UNCTAD was pushing in its report. While cryptocurrencies or virtual currencies were not discussed at that point in time, currency like the Bitcoin might get looked at in the future to take over the reins from the dollar.^{36,37}

³⁶<http://www.telegraph.co.uk/finance/currency/6152204/UN-wants-new-global-currency-to-replace-dollar.html>

³⁷http://unctad.org/en/Docs/tdr2009_en.pdf



III. Bloc Positions

North America

The leading number of Bitcoin startups is based in the U.S but are ironically finding it difficult to get banking partnerships. The majority of banks are against funding Bitcoin ventures not only because of the absence of law and regulation around the virtual currency, but also because they themselves are in the process of studying the Bitcoin system.³⁸ In October of 2014, the Commodity Futures Trading Commission (CFTC) was deemed the appropriate body to decide the future of Bitcoin in the United States.³⁹ While the CFTC has not decided on regulatory actions as of yet, it has commended New York's proposed bill, "BitLicense". The chairman of CFTC Timothy Massad stated in his address to the U.S Senate that "innovation is a vital part of our markets, and it is something that our regulatory framework is designed to encourage. At the same time, our regulatory framework is intended to prevent manipulation and fraud, and to make sure our markets operate with transparency and integrity."⁴⁰ Similarly, Canada is moving towards Bitcoin regulation with the Bill C-31.

Asia

The transfer of Bitcoins between individuals in China is legal, but the People's Central Bank of China urged all other banks within the country to refrain from transacting in Bitcoins. This had a direct effect on the price of Bitcoin, but in no way made Bitcoin illegal within the country, making Bitcoin legal but restricted within the country.⁴¹ The status of Bitcoin within

³⁸ <http://www.coindesk.com/bitcoins-banking-crunch-holding-back-us-startups/>

³⁹ <https://www.cryptocoinsnews.com/united-states-cftc-discuss-bitcoin-futures-future/>

⁴⁰ <http://www.cftc.gov/PressRoom/SpeechesTestimony/opamassad-6>

⁴¹ <http://www.economist.com/news/finance-and-economics/21600736-chinese-regulators-make-life-hard-crypto-currencies-dream-dispelled>



India is similar to that within China. The Reserve Bank of India issued a statement stating the drawbacks of Bitcoin, urging citizens and businesses alike to refrain from transacting in the virtual currency. It also expressed interest in regulating the Bitcoin amongst other cryptocurrencies.⁴² While the Japanese government has not imposed any regulations on the Bitcoin as of yet, they have issued a document saying that the Bitcoin will not be regarded as a currency.⁴³ The government hopes to be Bitcoin friendly even after the Mt. Gox incident.

Europe

Bitcoin is has remained largely unregulated in Europe. The Fincancial Conduct Office of the United Kingdom, which is the “regulator with responsibility for ensuring that financial services are provided in a way that protects consumers and maintains the integrity of the market” has not suggested any regulatory measures for the digital currency.⁴⁴ The German Finance ministry has recognized Bitcoin as a unit of account rather than as e-money. Giving legal status to Bitcoin is proof of the acceptance of the digital currency in Germany, with officials going as far as saying that in the event the Euro stops getting used by Germans, the government could still tax its citizens after they start using Bitcoins.⁴⁵ Similarly, many other European countries are in the process of giving financial and legal significance to the Bitcoin.

South America

The Central Bank of Bolivia declared the use of any cryptocurrencies that is not issued and controlled by the government or an authorized entity illegal. This move was done to protect the national currency. The outright ban of Bitcoin by Bolivia made it one of the few countries in

⁴² <http://www.coindesk.com/information/what-is-bitcoin/>

⁴³ "Japan Says Bitcoin Not a Currency." WSJ. N.p., n.d. Web. 20 Jan. 2015.

⁴⁴ "Bitcoin Regulation in the UK." CoinDesk RSS. N.p., 16 Feb. 2014. Web. 20 Jan. 2015.

⁴⁵ "Bitcoin Recognized by Germany as 'private Money'" CNBC. N.p., 19 Aug. 2013. Web. 20 Jan. 2015.



the world to do so.⁴⁶ Other South American countries such as Brazil have looked favorably upon the digital currency, with Brazil treating the currency as a taxable financial asset, and leaving it under the Receita Federal, Brazil's tax authority.⁴⁷

Africa

The concept of online payments is not new in Africa. M-Pesa, a platform for sending money through mobile phones that started in Kenya and Tanzania has spread to South Africa, and even Asian countries such as Afghanistan and India. The success of M-Pesa has prompted Bitcoin investors to look to Africa.⁴⁸ The Bitcoin version of M-Pesa, called BitPesa has already cropped up and is making inroads. Inclusion of Bitcoin has increased quickly in South Africa, as Pay Fast, a major payment gateway enables Bitcoin access to over 30, 000 online merchants.⁴⁹ While there have been few policies, taxation or otherwise on Bitcoin in Africa, the popularity of the digital currency is certainly growing.

⁴⁶ "Bolivia's Central Bank Bans Bitcoin." CoinDeskRSS. N.p., 19 June 2014. Web. 20 Jan. 2015.

⁴⁷ "Brazil to Tax Bitcoin Investors, Not Everyday Users." CoinDeskRSS. N.p., 08 Apr. 2014. Web. 20 Jan. 2015.

⁴⁸ "Bitcoin and M-Pesa: Why Money in Kenya Has Gone Digital - CoinDesk." CoinDesk RSS. N.p., 10 July 2013. Web. 20 Jan. 2015.

⁴⁹ "South Africa's PayFast Enables Bitcoin for 30,000 Merchants." CoinDesk RSS. N.p., 18 July 2014. Web. 21 Jan. 2015.



IV. Questions to Consider

1. Will Bitcoin's self-correcting mechanisms, and the self-interest of its users be able to address the weaknesses of Bitcoin and keep Bitcoin on the rails?
2. How will the Bitcoin affect economic sanctions imposed on rogue states by the United Nations?
3. What steps should be taken to increase awareness amongst the public about cryptocurrencies such as the Bitcoin?
4. How would the Bitcoin be integrated into international trade?
5. How will regulatory steps such as BitLicense affect the use of Bitcoin?
6. Should further efforts be made to regulate Bitcoin on an international scale?



V. Suggested Sites

<https://bitcoin.org/en/> - An overview of Bitcoin

<http://www.reuters.com/> - Reuters: Business and Financial News

<http://unctad.org/en/Pages/Home.aspx> - United Nations Conference on Trade and Development

<http://www.economist.com/> - World News, Politics, Economics, Business

<http://www.businessinsider.com/> - Business and Technology News

<https://www.cia.gov/library/publications/the-world-factbook/> - The CIA World Factbook

www.coindesk.com - Bitcoin News, Prices, Charts, Guides, and Analysis



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