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UNITED NATIONS YOUTH AND STUDENT ASSOCIATION OF AUSTRIA

ACADEMIC FORUM FOR FOREIGN AFFAIRS - AUSTRIA

EISENSTADT - GRAZ - INNSBRUCK - KLAGENFURT - LINZ - SALZBURG - VIENNA

VIENNA INTERNATIONAL MODEL UNITED NATIONS

05 August - 09 August 2012

Abstract:

United Nations Industrial Development Organization (UNIDO)

Simulating a Meeting of the Industrial Development Board

"Improving Terms of Trade for Developing Countries"

UNIDO

The United Nations Industrial Development Organization (UNIDO) is a specialized agency of the United Nations. Its mandate is to promote and accelerate sustainable industrial development in developing countries and economies in transition and to work towards improving living conditions in the world's poorest countries by drawing on its combined global resources and expertise.

UNIDO was created by the resolution 2152 (XXI) of the UN General Assembly as an autonomous body within the United Nations in November 1966. In January 1967, the organization was formally established with headquarters in Vienna, Austria. UNIDO has its own constitution, its own member states, its own policy-making organs, its own executive head and its own regular budget. As of 13 September 2011, 174 States are members of UNIDO.

In recent years, UNIDO has assumed an enhanced role in the global development agenda by focusing its activities on poverty reduction, globalization, and environmental sustainability.

Today, the organization is recognized as a highly specialized and efficient provider of solutions for reducing poverty through productive activities, promoting the integration of developing countries in global trade through trade capacity building, fostering environmental sustainability, and improving access to energy. UNIDO mainly focuses on three interdependent thematic priorities:

- Poverty reduction through productive activities
- Trade capacity-building
- Energy and environment

Industrial Development Board (IDB)

The Industrial Development Board (IDB) comprises 53 members, which are elected for a four-year term on a rotational basis from all member states. It reviews the implementation of the work programme and the regular and operational budgets, makes recommendations to the General Conference on policy matters, including the appointment of the Director-General. The IDB meets once in years when the General Conference meets, and twice in other years.

Committee Topic: "Improving Terms of Trade for Developing Countries"

Terms of trade

Terms of trade are commonly defined as the relationship between the prices at which a country sells its exports and the prices paid for its imports. If the prices of a country's exports rise relative to the prices of its imports, one says that its terms of trade have moved in a favourable direction because, in effect, it now receives more imports for each unit of goods exported. The terms of trade, which depend on the world supply of and demand for the goods involved, indicate how the gains from international trade will be distributed among trading countries. The concept is also applied to different sectors within an economy (e.g., agricultural or manufacturing sectors).

Many theories have been postulated to explain movements in the terms of trade, but none of them is really confirmed by close examination of trade statistics. One long-held belief was that the terms of trade tend to move against less-developed countries because their exports consist chiefly of primary products (such as coffee or rubber) while their imports largely comprise manufactured and, consequently, more-expensive goods from developed countries. More recent studies have examined what effects labour inflows (through immigration) and capital inflows (through foreign investment) might have on a country's terms of trade.

Developing countries in world trade

It is widely acknowledged that trade is a strong growth engine. Yet, for trade liberalization to have a positive impact on development and on poverty reduction a strong supply response to reform efforts is needed. Historical evidence shows that manufactured exports often stimulate faster growth than other types of export. So it appears that the different forms of trade do matter.

There have been two major shifts in the pattern of world trade in recent years. The first is the dramatic growth in manufacturing exports from some developing countries accompanied by substantial reduction in their poverty rates. The second is the shift from trade in products to trade in “tasks” as the production process becomes more fragmented into stages. As a result, the ability to access international value chains relies increasingly on appropriate specialization and capacity to deliver competitive goods in terms of price, quality, time and quantity. The standards and regulations applied in developed country markets must also be met and conformity with product standards and technical regulations must be demonstrated by less developed countries.

At this year’s VIMUN, the IDB will seek to find sustainable solutions for improving the terms of trade for developing countries. The aim will be to come forth with certain guidelines and standards as to how to help developing countries gain rather than lose from trade with developed countries. Since a positive trade balance is very important for obtaining sustainable growth and industrial development, it is absolutely crucial that developing countries get a chance for fairer and better terms of trade.