

## Junior General Assembly 2

### Topic 1: The Question of Trade Integrity



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Head Chair: Tu Ky (QiQi) Shen

Deputy Chair: Lim Hour Vina

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### Introduction:

Trade integrity is defined as “international trade transactions that are legitimate, properly priced and transparent”(Global Financial Integrity, n.d.). The importance of trade integrity lies in its

ability to create permanent and positive change through aiding governments in reducing illicit financial outflows and in turn mobilize increased amounts of resources for domestic and national economic development, such as recovery from the Covid-19 pandemic and funding the required social programs to reach the 2030 UN Sustainable Development Goals (SDGs).

Developing nations often fall victim to government corruption and criminal activity related to international trade, removing massive amounts of vital income that could significantly benefit the well-being of the native populations. Global Financial Integrity's (GFI) research estimates that the international trade misinvoicing creates a US\$8.7 trillion value gap between the reported value from Less Economically Developed Countries (LEDCs) from trading with More Economically Developed Countries (MEDCs), translating to a potential loss of revenue up to US\$1.5 trillion between imports and exports.

Furthermore, GFI found in 2017 that illegal trade across legal sectors, for example, timber, fish, and mining, generates up to 250 billion US dollars a year in illicit profits, reducing government budgets and often violating human and worker's rights. Moreover, Free Trade Zones (FTZs) contribute to the facilitation of corruption, trade-based money laundering and product smuggling by offering incentives for development.

Respecting trade integrity allows governments worldwide, whether those of lesser or more developed nations, to eradicate illicit financial sources of income that jeopardize the quality of life, allowing them to invest sufficiently into improving the country overall.

## Key Terms:

### ***Trade Integrity***

International trade transactions that are legitimate, properly priced and transparent (*Global Financial Integrity*).

### ***Trade Misinvoicing***

A method for moving money illegally across borders which involves the deliberate forgery of the value or volume in an international commercial transaction of goods or services by at least one party to the transaction (*Global Financial Integrity*).

### ***Free Trade Zones (FTZs)***

Designated areas within jurisdictions in which incentives are offered to support the development of exports, and local employment (*Global Financial Integrity*).

### ***Modern Slavery***

The exploitation of individuals through coercion, deception, or abuse of power, preventing them from leaving or refusing their circumstances.

### ***Digital Trade***

The exchange of goods, services, and data enabled by digital technologies, including ecommerce, digital platforms, and the transfer of information across borders.

## **Background Information:**

The United Nations (UN) has played a pivotal role in promoting trade integrity and addressing exploitation tied to global trade. In 2000, the UN introduced the Millennium Development Goals (MDGs), with Goal 8 emphasizing international trade and partnerships to foster sustainable economic growth, reduce dependence on aid, and create jobs for marginalized communities, while Goal 1 focused on eradicating extreme poverty and ensuring environmental sustainability. To combat corruption undermining trade integrity, the UN General Assembly adopted the United Nations Convention Against Corruption (UNCAC) in 2003, the first legally binding international framework to address corruption on national and transnational levels, advocating preventive measures, criminalization, robust law enforcement, and international cooperation. However, globalization and industrialization have fueled child trafficking, a growing global issue closely tied to trade and the demand for cheap labor. An estimated 1.2 million children are trafficked

annually, with global reports of child trafficking increasing by over 50% between 2000 and 2020, as poorly regulated supply chains in low-cost manufacturing hubs enabled exploitation.

According to the Global Report on Trafficking in Persons (2020), children accounted for 34% of identified trafficking victims, up from 13% two decades prior, underscoring how economic inequality, lack of education, weak governance, corruption, and demand for cheap goods create fertile ground for exploitation.

The UN SDGs also reflect the UN's support for trade integrity, particularly Goal 8 and Goal 12; the former promotes sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all, while the latter hopes to achieve sustainable consumption and production patterns.

Additionally, the UN's specialized agency, the International Labor Organization (ILO), focuses on fair labor standards, which includes the abolition of forced and child labor, cardinal in promoting trade integrity by removing inhumane and low-paying work that facilitate illicit practices that benefit from inexpensive but non-ethical labor.

### Current Situation:

Presently, the UN focuses on reducing the negative effects of illicit trade on the environment, dealing with the rapid expansion of illegal e-commerce and digital trade, as well as modern slavery. Regions like Southeast Asia, Sub-Saharan Africa, and Latin America are particularly affected, with industries such as agriculture, textiles, fishing, and mining heavily implicated due to reliance on cheap labor and poorly regulated supply chains. Countries like Bangladesh, known for garment production, and the Democratic Republic of Congo, central to cobalt mining, are notable hotspots, while organizations such as INTERPOL and the World Trade Organization (WTO) work alongside the UN to address these issues. The rise of online platforms has further exacerbated vulnerabilities, enabling counterfeit goods and human trafficking to flourish across borders, making these emerging issues a priority for global governance.

The Paris Agreement in 2015 is a landmark international treaty under the UN Framework Convention on Climate Change (UNFCCC) that underscores goals to limit global temperature rise and achieve carbon neutrality by addressing the environmental exploitation often embedded in global trade practices.

As many industries rely on resource-intensive and environmentally damaging practices, such as deforestation, overfishing, and mining, among other carbon releasing industries, the UN focuses

on promoting initiatives to ensure that global trade transitions toward low-carbon and sustainable practices by urging countries to adopt “green trade policies”.

Carbon taxes or carbon border adjustments are in the discussions around mechanisms to discourage imports through high-emission processes. The UN also encourage businesses to adopt sustainable production practices, like the use of renewable energy and waste reduction.

“Green trading must start with strong environmental laws, regulations, institutions, and enforcement nationally, complemented by international environmental agreements that set out shared goals, targets, and obligations, including minimum standards and trade measures where relevant” (*United Nations Environment Program, n.d.*).

The United Nations Environment Program (UNEP) also highlights a range of additional methods to strengthen international collaboration on green trade finance and sustainability impact assessments, leading to better environmental trade integrity.

With the fast-paced growth of digital commerce, the Internet has revolutionized global commerce, but at the same time introduced challenges for trade integrity. Fraud, data breaches, and the misuse of digital platforms are growing concerns, particularly in cross-border transactions.

“Digitalization presents a number of regulatory challenges for trade rules, primarily stemming from the increasingly blurred distinction between goods and services, resulting in what some see as uncertainty as to the applicable trade rules (*Digital Trade and Market Openness*).” As more and more goods and services are provided online, regulations may not always keep track with their rate of expansion, making it difficult to regulate and place them within legal frameworks, facilitating unethical goods to be sold online.

Furthermore, the anonymity of online platforms often facilitates the sale of counterfeit goods, intellectual property theft, and fraudulent transactions, jeopardizing economic fairness. However, the UN combats these illegal practices through initiatives like the Internet Governance Forum (IGF), which promotes frameworks for cybersecurity, data protection, and transparent ecommerce practices to ensure safe digital trade.

“The ILO estimates that at least 40.3 million men, women and children around the world are in some form of slavery” (*Ethical Trading Initiative*). Modern slavery, including forced labor and human trafficking, continues to taint global supply chains, affecting industries such as agriculture, textiles, and mining. The UN has made this a core focus, as these exploitative practices directly contravene trade integrity principles.

“Modern slavery lies at the extreme edge of a continuum in which respect for workers’ rights and their ability to claim their rights lie at the opposite end. It is found at many workplaces – on farms, in factories, private homes and in ancillary services (*Ethical Trading Initiative*).” It is thus extremely important that international efforts go towards the recognition of workers’ rights and maximum supply chain transparency while educating others and addressing the risks of modern slavery and calling for improved enforcement and regulation from national and international human rights bodies alike.

The UN Guiding Principles on Business and Human Rights of 2011 call on businesses to respect human rights, conduct due diligence, and ensure their operations and supply chains are free from exploitation. These principles, coupled with Sustainable Development Goal 8.7 urging nations to take immediate measures to eradicate forced labor, end modern slavery, and secure the prohibition of child labor and international collaboration, such as partnering with the ILO, helps to strengthen legal frameworks, provides support to victims, and improves enforcement against traffickers.

### Major Parties Involved:

#### ***The United Nations (UN):***

The UN plays a pivotal role in addressing trade integrity by setting international standards and frameworks. Key initiatives include the UN Convention Against Corruption (UNCAC), which promotes anti-corruption measures in global trade, and the 2030 Agenda for Sustainable Development, which includes SDG 8, focusing on promoting fair and ethical trade practices. The UN also fosters collaboration between governments, businesses, and civil society to tackle issues like forced labor, environmental degradation, and illicit trade, ensuring that trade serves both economic and social development goals.

#### ***World Trade Organization (WTO):***

The WTO is the primary global organization overseeing the rules of international trade. It facilitates negotiations between member states to establish fair, transparent trade policies. The World Trade Organization Facilitation Agreement (WTOFA), adopted by the WTO in 2017, simplifies customs procedures, aiming to reduce corruption, enhance efficiency, and improve transparency in trade. The WTO also addresses issues like tariffs, subsidies, and dispute resolution, playing a central role in promoting open and fair global trade practices.

***International Labor Organization (ILO):***

The ILO is a UN specialized agency dedicated to promoting social justice and fair labor practices. It sets international labor standards and promotes fair working conditions, aiming to eliminate forced labor, child labor, and human trafficking, which are major issues in trade integrity. The ILO's efforts focus on ensuring that global supply chains adhere to ethical labor standards, contributing to the broader goal of sustainable and equitable trade.

***Global Financial Integrity (GFI):***

GFI is a non-governmental organization that works to promote transparency and integrity in global financial systems. It focuses on combating trade-based money laundering, tax evasion, and illicit financial flows that undermine trade integrity. Through research, advocacy, and policy recommendations, GFI seeks to reduce corruption and improve the transparency of international trade. Their work also aims to expose trade misinvoicing and other illegal financial practices that distort trade flows and hurt developing economies.

***International Chamber of Commerce (ICC):***

The ICC is a global business organization that advocates for free and fair trade. It works to promote ethical business practices and encourage international cooperation in trade. The ICC pushes for the reduction of trade barriers, the protection of intellectual property, and the adoption of transparent customs procedures. It also works on initiatives to combat corruption and ensure that international trade is conducted in a way that benefits all countries, especially developing economies.

**Timeline of Relevant Events:**

United Nations Millennium Development Goals (1st January 2000)	The UN launched the Millennium Development Goals, with Goal 8 specifically focusing on fostering global trade and partnerships for sustainable development. This goal encouraged using trade to reduce poverty and improve economic growth, while also promoting environmental sustainability (Goal 7) and reducing dependency on aid.
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<p>United Nations Convention Against Corruption (9 December 2003)</p>	<p>The United Nations General Assembly adopted the United Nations Convention Against Corruption on 9 December 2003. This was the first legally binding international treaty aimed at combating corruption in trade and other sectors. It established mechanisms for transparency, accountability, and international cooperation in addressing corruption in national and transnational trade.</p>
<p>2030 Agenda for Sustainable Development (25 September 2015)</p>	<p>On 25 September 2015, the 2030 Agenda for Sustainable Development was adopted by all 193 UN member states. This agenda included the SDGs, with Goal 8 focusing on promoting sustainable economic growth, decent work, and fair-trade practices, and Goal 12 emphasizing sustainable consumption and production patterns.</p>
<p>Adoption of the Paris Agreement (12 December 2015)</p>	<p>On 12 December 2015, the UN Framework Convention on Climate Change (UNFCCC) adopted the Paris Agreement during the COP21 summit in Paris. The agreement sought to limit global temperature increases and promote carbon neutrality, directly addressing the environmental degradation often caused by industries involved in global trade.</p>
<p>WTO Trade Facilitation Agreement (22 February 2017)</p>	<p>The World Trade Organization adopted the Trade Facilitation Agreement, a major step in improving transparency in global trade. The agreement aimed to streamline customs procedures, reduce corruption, and improve the efficiency of global trade, particularly for developing nations.</p>
<p>UN High-Level Panel on Digital Trade (19 October 2019)</p>	<p>The UN High-Level Panel on Digital Trade was convened to address the rapid growth of digital commerce. This initiative aimed to create regulations and frameworks to ensure that digital trade practices remained secure, transparent, and ethical, addressing growing concerns over fraud and data breaches.</p>
<p>Covid-19 Pandemic (2020)</p>	<p>The COVID-19 pandemic exposed vulnerabilities in global trade, including disruptions in supply chains and an increase in digital fraud. The pandemic emphasized the need for stronger trade integrity measures, particularly in addressing digital trade challenges and modern supply chain vulnerabilities.</p>

UN Trade and Development Report (15 September 2021)	The UN Conference on Trade and Development released a Trade and Development Report calling for reforms in global trade post-pandemic. The report emphasized the importance of transparency, anti-corruption measures, and environmental sustainability in fostering a fairer global trade system.
UNGA Resolution on Ethical Trade (20 December 2023)	The United Nations General Assembly (UNGA) passed a resolution urging member states to adopt ethical trade practices. This resolution called for international cooperation to combat human trafficking, forced labor, and exploitative labor practices in global supply chains, reinforcing the UN's commitment to promoting fair trade aligned with the 2030 Agenda for Sustainable Development.

### Previous Attempts:

One of the earliest initiatives to enforce trade integrity was the UN Convention Against Corruption (UNCAC), adopted in 2003. UNCAC serves as the first legally binding international instrument aimed at combating corruption in trade and other sectors. It includes measures to ensure transparency, accountability, and the prevention of illicit practices, such as bribery and money laundering, in national and transnational trade processes. UNCAC has been instrumental in shaping anti-corruption frameworks in many countries.

In 2015, the UN also introduced the 2030 Agenda for Sustainable Development, which includes Sustainable Development Goal 8 (SDG 8). SDG 8 promotes sustained, inclusive, and sustainable economic growth, with a specific focus on improving trade practices that lead to equitable benefits. It emphasizes creating decent work, promoting fair trade, and ensuring that trade activities contribute positively to both economic growth and social development. It also advocates reducing trade barriers, enhancing access to markets for developing countries, and improving trade-related infrastructure.

The WTO also plays a central role in promoting trade integrity through frameworks like the Trade Facilitation Agreement, which aims to simplify customs procedures and reduce corruption by making trade flows more efficient and transparent.

Moreover, the UN Global Compact encourages businesses to align their operations with ten universal principles, including anti-corruption and human rights, to ensure ethical trade practices.

## Possible Solutions:

Addressing challenges to trade integrity such as corruption, environmental exploitation, and digital fraud requires a multi-faceted approach that combines legal reforms, technological innovations, and international cooperation.

Strengthening legal and regulatory frameworks is fundamental to promoting trade integrity. Robust anti-corruption legislation, as outlined in UNCAC, provides a guide for countries to combat illicit activities in trade. Enforcement of these laws is critical to deterring corruption. Furthermore, improving customs integrity through clear codes of conduct, proper training for customs officials, and transparent procedures can reduce vulnerabilities within trade systems. These measures, supported by organizations such as the International Monetary Fund (IMF), play a key role in enhancing compliance.

Transparency and accountability are also crucial for tackling trade-related challenges. Public and private collaborations can foster information sharing, helping to combat trade-based money laundering and other illicit activities. Increasing oversight in FTZs, which are often susceptible to tax regulations, can prevent smuggling and tax evasion. For example, organizations like Global Financial Integrity advocate for enhanced transparency in FTZ operations to protect against abuse.

Leveraging technology offers innovative solutions to improve trade integrity. Blockchain technology, for instance, can create immutable records of transactions, reducing trade misinvoicing and fostering trust in supply chains. Similarly, implementing clear regulations for digital trade can mitigate risks associated with e-commerce fraud and ensure secure online transactions. However, this solution comes with its set of difficulties, as enforcing regulations for cryptocurrency may not only be complicated but also highly opposed due to its popular anonymity factor.

International cooperation is another cornerstone of enhancing trade integrity. Ratifying and implementing agreements such as the WTOFA can streamline customs processes and reduce corruption. Moreover, addressing protectionist trade measures that hinder fair competition ensures that developing nations can equally benefit from global commerce. Initiatives led by the ICC promote fair trade practices to support these efforts.

Finally, addressing environmental and labor concerns remains critical. Sustainable trade practices that incorporate environmental safeguards into trade agreements can prevent ecological

degradation. Upholding international labor standards, as advocated by the ILO, ensures ethical labor practices and reduces exploitation, such as forced labor and human trafficking, within global supply chains. Public awareness campaigns and capacity-building programs further bolster trade integrity by educating stakeholders on the importance of transparency and accountability.

### Suggested Readings:

- o ILO Global Estimates on Forced Labor ([Link](#))

This report contains insightful and abundant statistics relevant to the issue to hopefully help with constructing perambulatory clauses.

- o Global Slavery Index ([Link](#))

This website helps with the comprehension of the scale of modern slavery and contains interesting insight related and unrelated to the topic.

- o How to Trade with Integrity in Today's Market ([Link](#))

This website is essentially a crash course on the model trader and will be helpful for delegates to understand what it means to trade with integrity.

- o Integrity in Customs ([Link](#))

This report speaks about numerous countries' customs policies. It would be interesting for delegates to look at for a better understanding of one's own country or of another's (helpful for understanding other delegations' stances to promote more dialogue).

- o Trade-Related Illicit Financial Flows in 135 Developing Countries: 2008 - 2017 ([Link](#))

This website contains an interactive map and important figures relating to illicit finance and funds for a number of countries and would benefit research of one's own country or of another's. It is very insightful and is highly recommended for a better grasp of the bigger international picture and also to see where different countries stand on the scale of illicit trading.

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