



NHSMUN

National High School Model United Nations

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A Note on the NHSMUN Difference

Esteemed Faculty and Delegates,

Welcome to NHSMUN 2027! We are Armen Bagdassarian and Sabeeh Mirza, and we are elated to serve as this year's Secretaries-General. Thank you for choosing to attend NHSMUN, the world's largest and most diverse high school Model United Nations conference. As a space for collaboration, consensus, and compromise, NHSMUN strives to transform today's brightest thinkers, speakers, and collaborators into tomorrow's leaders. We believe that an emphasis on education through simulation is paramount to the Model UN experience.

Realism and Accuracy: Although a perfect simulation of the UN is never possible, we believe that one of the core educational responsibilities of MUN conferences is to educate students about how the UN System works. We strive to invite real UN, NGO, and field experts into each committee through our committee speakers program. Moreover, we arrange meetings between students and the actual UN Permanent Mission of the country they are representing. These exclusive resources are only available due to IMUNA's formal association with the United Nations Department of Global Communications and consultative status with the Economic and Social Council. No other conference goes so far to deeply immerse students into the UN System.

Educational Emphasis: At the heart of NHSMUN lies education and compromise. Part of what makes NHSMUN special is its diverse delegate base. As such, when NHSMUN distributes awards, we strongly de-emphasize their importance in comparison to the educational value of Model UN. In particular, our daises look for and promote constructive leadership and diplomacy that strive toward consensus, as real ambassadors do in the United Nations.

Research and a Dedicated Staff: Our staffers care deeply about delegates' experiences and what they take away from their time at NHSMUN. Our Directors spend over six months preparing Background Guides, in addition to Update Briefs written to reflect the rapidly changing nature of the topics to be discussed. Our staffers are trained rigorously to provide the best conference experience possible. Our daises provide thoughtful comments on submitted position papers. Our staff aims to tailor the committee experience to delegates' reflections and research, but also to facilitate an environment where all delegates' thoughts can be heard.

Empowering Participation: The UN relies on the voices of all of its member states to create resolutions. This is our philosophy at NHSMUN too. Our Rules of Procedure and our staff focus on making every voice in the committee heard, regardless of country assignment or skill level. Additionally, unlike many other conferences, we also emphasize delegate participation after the conference. Delegates spend countless hours researching topics critical to the UN and broader international sphere.

Delegates, it is our sincerest hope that your time at NHSMUN will be thought-provoking and stimulating. NHSMUN is an incredible time to learn, grow, and embrace new opportunities. We look forward to seeing you work both as students and global citizens at the conference.

Best,

Armen Bagdassarian
Secretary-General

Sabeeh Mirza
Secretary-General

Position Paper Requirements

Delegate research and preparation is a critical element of attending NHSMUN and enjoying the debate experience. We have provided this Background Guide to introduce the topics that will be discussed in your committee. We encourage and expect each of you to critically explore the selected topics and be able to identify and analyze their intricacies upon arrival to the conference.

The task of preparing for the conference can be challenging. To assist delegates, we have updated our [Beginner Delegate Guide](#) and [Advanced Delegate Guide](#). These guides contain more detailed instructions on how to prepare a position paper and excellent sources that delegates can use for research. Use these resources to your advantage. They can help transform a sometimes overwhelming task into what it should be: an engaging, interesting, and rewarding experience.

To accurately represent a country, delegates must be able to articulate its policies. Accordingly, NHSMUN requires each delegation (the one or two delegates representing a country in a committee) to write a position paper for each topic on the committee's agenda. More information about how to write and format position papers can be found in the [Research Guide](#). To summarize, position papers should be structured into three sections.

I: Topic Background – This section should describe the history of the topic as it would be described by the delegate's country. Delegates do not need to give an exhaustive account of the topic, but rather focus on the details that are most important to the delegation's policy and proposed solutions.

II: Country Policy – This section should discuss the delegation's policy regarding the topic. Each paper should state the policy in plain terms and include the relevant statements, statistics, and research that support the effectiveness of the policy. Comparisons with other global issues are also appropriate here.

III. Proposed Solutions – This section should detail the delegation's proposed solutions to address the topic. Descriptions of each solution should be thorough. Each idea should clearly connect to the specific problem it aims to solve and identify potential obstacles to implementation and how they can be avoided. The solution should be a natural extension of the country's policy.

Each topic's position paper should be **no more than 10 pages long** double-spaced with standard margins and 12 point font size. This is a maximum; **3–5 pages per topic is often a suitable length**. The paper must be written from the perspective of your assigned country and should articulate the policies you will espouse at the conference.

Each delegation is responsible for submitting position papers on or before **February 26, 2027**. If a delegate wishes to receive detailed feedback from the committee's dais, their position paper must be submitted on or before **February 5, 2027**. The papers received by this earlier deadline will be reviewed by the committee dais and returned before February 26. Instructions on how to submit position papers will be shared directly with faculty advisors.

Submission instructions for position papers will be sent to faculty advisers via email. If delegations are unable to submit their position papers on time, please contact us at nhsmun@imuna.org.

Delegations that do not submit position papers will be ineligible for awards.

Committee History

The United Nations Conference on Trade and Development (UNCTAD) was established in December 1964 to improve investment, promote trade, and increase development in developing states.¹ UNCTAD has a physical headquarters in Geneva, Switzerland, and a location in New York City. However, this body does most of its work in Geneva because it is known as a “global trade hub.”² As a body of the UN, UNCTAD is guided by the UN charter and follows the mandates determined by the UNCTAD secretariat and the Trade and Development Board, which is the body’s accountability board.³ The Trade and Development Board oversees UNCTAD’s work between its conferences.⁴

UNCTAD works to assist least developed countries (LDCs) globally. This includes countries on the African continent, landlocked developing states, and other vulnerable economies. Specifically, this means working to contribute to the development of these states in the context of the 2030 Agenda for Sustainable Development and overall achieving Sustainable Development Goals.⁵

The committee focuses on areas within trade and development, which includes technology, investment, finance, and sustainable development through partnerships with agencies that provide this technical assistance. On national, regional, and global levels, UNCTAD’s efforts aid countries in diversifying their economies. For example, the committee helps countries attract investment by strengthening economic stability and managing debt risks. Even on a local economic scale, UNCTAD helps to increase the productive activity of industries and firms to generate larger profits and eliminate regulations that curb competition.⁶ It works as a matchmaker through the use of donor funding strategies between governments and UNCTAD programs.⁷

UNCTAD has achieved a great deal in promoting development and trade worldwide.⁸ Most significantly, UNCTAD has decreased the debt burden for developing countries by persuading creditors from developed states to forgive or give lower interest repayment rates towards eligible countries, allowing developing states to get a chance to begin with infrastructure building and catch up with those already far ahead.⁹ Additionally, the tariff reclassification carried out by UNCTAD worked with the customs cooperation council to ensure developing states were grouped to attract favorable tariff rates. Through technical studies, UNCTAD was able to improve tariff rates for developing countries.¹⁰

A limitation of UNCTAD comes from its inability to spur development in countries lacking infrastructure systems such as transportation, communication, electricity, etc. Historically, countries bordering a body of water have had greater access to trade. This gives those countries an advantage in receiving new technologies. As a result, more landlocked and countries tend to need further assistance from UNCTAD.¹¹ To curb these limitations, UNCTAD partners with organizations such as the International Chamber of Commerce, the World Bank, the International Labor Organization, and others.¹²

1 “United Nations Conference on Trade and Development,” Encyclopædia Britannica, accessed September 19, 2021, www.britannica.com/topic/United-Nations-Conference-on-Trade-and-Development.

2 Encyclopædia Britannica, “United Nations Conference on Trade and Development.”

3 “Accountability,” UNCTAD, accessed September 19, 2021, unctad.org/about/accountability.

4 “About UNCTAD,” UNCTAD, accessed September 19, 2021, unctad.org/about.

5 “Technical Cooperation Mandates,” UNCTAD, accessed September 19, 2021, unctad.org/projects/mandates.

6 UNCTAD, “About UNCTAD.”

7 UNCTAD, “Technical Cooperation Mandates.”

8 UNCTAD, “About UNCTAD.”

9 Account Learning, “Achievements of UNCTAD.”

10 Account Learning, “Achievements of UNCTAD.”

11 “UNCTAD Gaps, Limitations and the Way Forward,” UNCTAD, accessed September 19, 2021, unctad.org/webflyer/gaps-limitations-and-way-forward.

12 “Partnerships,” UNCTAD, accessed September 19, 2021, unctad.org/about/partnership.

TOPIC A

Medical Patents and the Cost of Healthcare

UNCTAD | NHSMUN 2027



Introduction

A patent is a temporary right given to an inventor by a government. A patent gives its holder the right to prevent others from making, using, or selling the invention without permission. In medicine, patents generally last at least 20 years from the day an application for the patent gets filed.⁶³ In that application, the inventor explains how their invention works and, in exchange, is given a period of exclusive control over their invention.

This sets up the core trade-off of the topic. Patents are meant to incentivize innovation by rewarding inventors for creating new medicines. However, the very nature of that reward serves to shut out competition. That is because it allows only the inventor to sell and benefit from their medicine. As a result, inventors are able to keep higher prices and lower supplies of their medicine, compared to wider access if competitors could also produce the medicine. In other words, patents incentivize the creation of new medicines, but often put them out of reach for patients who need them.

This trade-off became the subject of a global debate in the 1990s. After a long series of negotiations, a global minimum standard for patents was established by TRIPS (Trade-Related Aspects of Intellectual Property Rights). This solidified the right of inventors to protect their inventions from third parties around the world.⁶⁴ However, this debate has resurfaced during each subsequent health emergency. People in low and middle income countries are most affected because of their smaller health budgets.

The reality around patents is also more complex than the basic trade-off suggests. For instance, a single medicine is rarely covered by just a single patent.⁶⁵ Many companies patent novel mixtures, forms, dosing schedules, and combinations. Some of these changes are real and large improvements that render a medicine cheaper, safer, or more effective. Yet, other changes are mostly cosmetic, and function to keep competitors at bay for longer. This practice is

termed “evergreening” by critics.⁶⁶ Telling the two apart is both technically difficult and politically charged.

To make things more complicated, patents are just one of many factors limiting access to medicines. For example, the capacity to produce medicine is clustered in a small number of countries. Medicine supply chains are also both fragile and complex, and purchasing medicine is poorly organized. As a result, patents are not the only barrier to accessibility in many circumstances.

It is the work of this committee to decide where the proper balance for patent protections lies. If patent protections are made too weak, incentives for innovation will weaken, and the medicines of the future may never be developed. Instead, if patent protections are made too strong, existing medicines will stay out of reach for those who most need them. These questions about innovation, incentives, competition and industrial capacity, are the grounds on which the United Nations Conference on Trade and Development (UNCTAD) operates.

History and Description of the Issue

THE INTERNATIONAL PATENT REGIME

For most of the history of patents, rules were made and enforced at the national level rather than international. The Paris Convention of 1883

changed this and began to make sure that an inventor's intellectual property was protected both in their own country and abroad. However, this still allowed for 'asymmetries' in the international patent system. This meant that different countries could have different standards for what exactly could be patented and protected in the first place.¹ Such freedom was leveraged by different countries to serve their own interests. In practice, many national patent systems tended to cover mainly the types of pharmaceutical products or processes that companies in that country were skilled at.

The resulting differences in patent laws between various countries under this system were large. For instance, India's Patents Act of 1970 allowed patents on a single process used to make a medicine, but not on the medicine itself.² Thus, a company that found a different production route would be free to sell that very same drug.³ Such a patent system allowed India's domestic pharmaceutical industry to grow, and it became one of the world's largest suppliers of medicine in the process. Similarly, Switzerland also allowed patents on chemical processes, but not products until 1978.⁴ By that time, Switzerland had come to have some of the largest drug-producing firms in the world. In this way, excluding patents on medicine was not a mistake, but instead a strategy to build industries in these countries and many others.

This variety was substantially cut down with the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), which took effect in 1995. TRIPS set minimum standards for patent rules that every WTO member had to meet.⁵ Article 27 required patents to be covered in all fields of technology, which removed the option of excluding patents for medicine, as in the above cases.⁶ Meanwhile, Article 33 set a minimum term of 20 years from the date of filing of a patent.⁷ However, least-developed countries (LDCs) were given more time to comply with these rules. To maximize development, the TRIPS council ruled in 2015 that these countries do not need to meet TRIPS standards on patents until

2033, or until they leave the least-developed-country category, whichever comes first.⁸

TRIPS drew objections. These objections were made stronger by the invention and arrival of effective HIV treatments during the AIDS epidemic.⁹ During this time, medicines and treatments existed, but their prices were far beyond the reach of many people in the countries with the most affected individuals. This culminated in the Doha Declaration of November 2001. It affirmed that carrying out TRIPS must also consider members' right to protect public health in the event of a national emergency.¹⁰ Each member also maintained the right to determine what counts as a national emergency.

Article 31 of TRIPS is also important because it allows for compulsory licensing. A compulsory license is a government order that allows someone other than the patent holder to produce a patented product. For example, if one company holds the patent on a medicine, a government could allow another manufacturer to make it without the company's permission, while requiring payment to the patent holder. This provides an exception to the sort of control patents typically give. When a compulsory license is given out, the patent holder is paid a licensing fee, but they cannot block production under a compulsory license.¹¹

In addition to TRIPS, the Doha Declaration ruled that each member can set its own grounds for granting compulsory licenses. One condition is that most of the production authorized under such a license had to be intended for consumption in the country's home market, rather than be used for export. This was to make it fair to patent holders. However, one drawback is that the agreement is unclear on a specific definition or context for this intent. For a country without medicine factories, permission to make a drug at home is of little use. It also needs a way to buy that drug from a manufacturer in another country.

This later became a larger issue. In 2003, WTO members agreed to an exception that allowed

exports to countries without manufacturing capacity.¹² It has been used only once so far. In 2007, Canada authorized the firm Apotex to export an anti-HIV medicine to Rwanda.¹³ In the years since, no other WTO member has used it. Both governments involved in the Rwanda case found the process slow and complex. As a result, the manufacturer had little commercial reason to repeat this action.

The COVID-19 pandemic reignited these disputes. In October 2020, the governments of India and South Africa proposed a broad waiver of TRIPS obligations covering COVID-19 vaccines, treatments, and tests. After almost twenty months of talks, the WTO adopted a narrower decision in mid-2022. The decision applied only to COVID-19 vaccines, not tests or treatments. For five years, it made it easier for eligible countries to permit production and export of patented vaccines without the patent holder's permission.¹⁴ Members promised to decide whether to extend it to COVID therapeutics and tests in six months. However, that deadline has passed without agreement.¹⁵

The waiver debate is worth studying closely because it demonstrates the disagreement delegates will encounter. Supporters pointed

out how few places could manufacture vaccines and argued that patents discouraged new producers from even beginning to attempt such production. Opponents argued that the real limits were scarce ingredients, export restrictions, and limited knowledge of how to manufacture vaccines. They said that no waiver would have produced additional doses of the vaccine. Both positions had evidence and various governments supporting them. Delegates must therefore decide which barrier matters more in a given case: the legal permissions needed to produce a medicine or the practical capacity to manufacture that medicine.

INNOVATION, SECONDARY PATENTS, AND REGULATORY EXCLUSIVITY

Developing medicines is a slow and costly process. A promising compound must be discovered, then tested in the laboratory. It must then be tested in people through clinical trials showing safety, and then efficacy. Regulators then review the evidence from these trials and decide whether to approve the drug. Finally, factories and productive capacity must then be built to very high standards before the drug can be produced for widespread use. Most candidate

COVID-19 Vaccines

Credit: Agência Brasília



medicines fail somewhere along this difficult path. Optimistically, only about one in seven drug candidates eventually succeeds.¹⁶

The profits from the rare successes make it possible to pursue research into the other drugs that eventually end up failing. However, the costs of the drug development process are highly disputed. This is important because the costs of research are used to justify high prices. An industry-funded study put the cost of bringing one new medicine to market at around USD 2.6 billion. That figure counts failures and the cost of money that is tied up for a decade in investments.¹⁷ There is also evidence that over the past 50 years, the average cost and time to develop new medicines has been increasing steadily. On the other hand, other researchers have produced far lower estimates. One contrasting analysis of cancer medicines reported a median cost of USD 648 million to develop.¹⁸ This gap stems from disagreements about which failed drugs to count and whether to include the cost of tying up money in research for years instead of investing it elsewhere.

Patents are the main way private investors expect to earn back the money they invest in developing new medicines. This system functions because investment tends to follow markets that can pay. However, the system works selectively. Investment often flows toward medicines meant to treat illnesses that are common in wealthier countries with the means to pay.

These imbalances can be measured and quantified. Of 1,556 new chemical medicines approved between 1975 and 2004, only 21 were

for diseases that mainly affected people in LDCs, known as neglected diseases.¹⁹ Another example is the use of antibiotics. Excessive use of an antibiotic can lead to stronger strains of bacteria that are resistant to antibiotics, so more recent medical guidance stresses careful and restricted use of antibiotics. But this sort of restraint can limit the profitability of a medically successful antibiotic. For these reasons, the firm Achaogen won approval for a new antibiotic in 2018, then sold under USD 1 million of the drug in its first year, eventually going bankrupt in 2019.²⁰ The patent system rewards high-volume production, but public health and responsible medicine sometimes require the opposite.

Where investment does flow, it rarely leads to the filing of just one patent. A medicine on the market is usually covered by a cluster of patents. The first, often called the primary patent, typically covers the active molecule itself. Other patents in the cluster may cover different forms of the medicine, mixtures, production methods, combinations with other drugs, dosing schedules, and more. In short, the first patent may protect the original drug, while later patents protect changes to how it is made, packaged, or used. This system can be incredibly difficult to navigate and severely limit access. For example, the maker of the arthritis drug adalimumab filed 247 patent applications in the United States. Most of these patents were filed after the product was already on sale.²¹ There are many such cases for many different drugs. The pharmaceutical industry disputes the validity of counting patents in this way. Yet the outcome is striking: adalimumab's primary patent expired in 2016, but the first

Less funding goes to illnesses concentrated among less wealthy countries and communities.

competing version did not reach the United States market until 2023.²²

Whether such patents are desirable is a difficult and central technical dispute in this topic. The primary patent is essential, and other secondary patents can be similarly valuable. For example, combined pills that incorporated three extant HIV medicines into one tablet greatly simplified treatment in low-income countries.²³ Heat-stable forms that survive without refrigeration made delivery far easier in places where cold storage is infeasible.²⁴ Although these are still secondary inventions, patients gain meaningfully from them relative to the original drug. But other secondary patents make minimal differences and are merely used to hold competitors off for longer.

Although the line between these cases is blurry, countries have tried to draw that line in law. For example, India's Patents Act contains a rule known as Section 3(d). The rule refuses patents on new forms of a known substance unless that new form of the medicine is more effective than the existing form.²⁵ In 2013, the Supreme Court of India used that rule to refuse a patent on a particular crystal form of the cancer drug imatinib.²⁶ Access campaigners welcomed the ruling as a model for separating real improvements from strategic ones. In contrast, research-based industry and several governments criticized it as a standard that disincentivizes step-by-step research. Research and progress are built on collaboration and learning from past efforts. The techniques or knowledge gained from this research could have other uses in the future, even if the product itself is not an improvement. Limiting patents based on the results could discourage many researchers from work that does not yield immediate results, ultimately slowing scientific progress. This exemplifies some of the core issues with patents discussed before.

Other tools tackle the same problem through the patenting process itself, rather than the inventions. For instance, careful patent examination keeps weak applications from

being granted in the first place. Additionally, opposition procedures in patent law allow outsiders to challenge a patent after it is granted. At the European Patent Office, anybody may oppose a granted patent within nine months of issuance.²⁷ Finally, a court with authority over a patent can invalidate it if the patent should not have been granted.²⁸ The court and the grounds for invalidation depend on the patent system involved.

Crucially, the debate on accessibility to medicine and patents is made more complicated by the fact that patents are not the only legal barrier to competition. This is because regulators can and sometimes must grant exclusivity apart from patents. For example, in the United States, a new chemical medicine receives five years during which no prospective competitor may rely on the original firm's trial data.²⁹ This means a competitor may have to wait before using the original company's trial results to seek approval, even if no patent blocks it. In the European Union, a medicine receives eight years of data protection. Even after every type of exclusivity expires, a generic maker must still demonstrate that its version acts the same way as the previously patented version. Also, a regulator must review and approve the file. Thus, there are still many limiting factors even after a patent ends.

PRICES, COMPETITION, AND UNEQUAL ACCESS

Patents strengthen a seller's power over price, but patents alone do not determine the price of a medicine for patients. Prices also reflect what buyers are capable of paying and how well those buyers are organized. As a result, the same medicine can be priced very differently in different countries with identical patent status. Moreover, based on countries' economies and currency exchange rates, that price may be affordable in one country and completely inaccessible in another.

However, where competition arrives, its effects

are large and well-measured. A study of the American market by the Food and Drug Administration (FDA) compared prices of generic medicines against what the brand had charged before the appearance of any generics. With just a single generic supplier, the price of the drug was roughly 39 percent lower than the pre-generic price. With two suppliers, that gap was around 50 percent. With four suppliers, it reached almost 80 percent. With six or more suppliers, it passed 95 percent.³⁰ While the exact figures are specific to the American market, the pattern generally holds around the world. Competition and a larger number of suppliers pushes prices down.

The story of HIV treatment is one case of such supplier dynamics. First-line therapy cost roughly USD 14,000 per person per year in wealthy countries in the 1990s. Generic competition, sustained political pressure, and organized buying brought the price to about USD 1,200 in lower income countries by 2003. By 2018, prices were under USD 100 for most tenofovir-based combinations in sub-Saharan Africa.³¹

However, as mentioned, it is very often that barriers other than patents determine or restrict access. A widely cited study examined 319

products on the World Health Organization's list of essential medicines across 65 low- and middle-income countries. It found that patents were in force for only about 1.4 percent of those medicines and were concentrated in the larger markets.³² Based on that evidence, most of the medicines examined in the study were free to copy, suggesting that other barriers often limited access. However, newer, expensive patented biologics have since been added to the WHO list, and newer medicines are more likely to be patent-protected than the older ones the study examined.

Additionally, competition is not always quick to arrive. If a market is too small, it might not be worthwhile for a second prospective producer to enter that market. Alternatively, a product may be too complex to copy cheaply enough to be profitable. Approvals in small countries may be too costly. In such cases, access will not follow the expiration of patent rules. The result is a complicated patchwork of cases that differs disease-to-disease. Treatments for infectious diseases with large donor-funded markets have seen dramatic declines in price. However, many cancer medicines stay costly almost everywhere. That is because the products are complex, the



HIV and AIDS Treatment

Credit: USAID in Africa

markets are divided, and competition is thin. Vaccines depend on a few makers with very high fixed costs. Antibiotics and neglected diseases suffer from too little investment rather than too much protection.

The way that countries purchase medicines is nearly as important as their legislation. Pooled procurement, where several countries effectively combine their orders and bargain as one buyer, is one of the strongest tools available to states that have otherwise small, isolated markets. Buying together in bulk often allows them to secure a much lower price. The Pan American Health Organization has run a Revolving Fund for vaccines since 1979, combining demand across 41 countries and territories and offering every member the same price.³³ The United Nations Children's Fund (UNICEF) Supply Division also buys on behalf of many governments at once. Small countries buying alone have almost no leverage, but the same countries buying together become a stronger customer with much more bargaining power.

The structure of a purchase also shapes competition over time, though not always as intended. In one year, a single seller may offer a low price and secure a lot of business from buyers. However, this can drive rivals out of the market, and sellers can raise prices if there are no alternatives on the market. Splitting the order among several suppliers costs more in the short term, but also preserves the competition that produced lower prices in the first place. Getting the best price now and getting the best price over time do not result from the same strategies, and it is important to consider both when planning these purchases.

Finally, much of the drug cost has nothing to do with the maker's price. Import duties, local taxes, wholesale and retail mark-ups, and transport costs are added to the original price along the way. These added costs can fall directly on patients, especially in countries where people pay for much of their healthcare themselves. Where regulators are under-resourced, poor-

quality and fake products circulate far more easily. Shortages can also mean a medicine listed as available is not actually on the shelf. The distance between a factory and a patient is crossed in many steps, and patients have very limited control over any of them.

PRODUCTIVE CAPACITY AND TECHNOLOGY TRANSFER

Global medicine production is clustered in a small number of locations. That clustering goes far beyond where the finished pill is produced. Active pharmaceutical ingredients are the chemicals that make a medicine work. These ingredients are also made in a small number of countries. India and China dominate their supply.³⁴ A country that manufactures its own tablets may still depend on other countries for the ingredients that go into them.

The cost of such clustering became clear during the COVID-19 pandemic, when several governments restricted exports of medical goods and countries that relied on imports found themselves last in line. The gap is most stark for vaccines: only about one percent of the vaccines given in Africa are made on the continent.³⁵ Relying on imports is not in itself dangerous, as no country makes everything it uses. However, external reliance can become dangerous when supply is limited at the exact moment demand rises everywhere at once, such as during a pandemic.

Local production may seem an obvious solution, but it is much more difficult than it appears. This is because making medicines is distinct from other forms of manufacturing. A medicine factory must run under Good Manufacturing Practice. Good Manufacturing Practices are a set of rules ranging from air handling, water purity, record-keeping, and much more. These rules exist because a contaminated or weak medicine can harm people. Every step of the process must be validated. In practice, this means that the producer must prove it can generate the same

result every time. In fact, sterile products require conditions closer to a semiconductor fab than to any ordinary industry. Inspectors visit often, and a failed inspection can cause a factory to shut down. These considerations mean a medicine factory cannot be improvised, and requires extremely careful planning, which requires time and money.

Biological medicines are even harder to make than traditional medicines. These are medicines that are often grown in living cells rather than mixed from chemicals. There is a lot of practical knowledge and control that must go into production. The results depend on the cell line, growing conditions, and many other details that require careful control and constant oversight. Two factories following the same written instructions can turn out meaningfully different products. Much of the necessary knowledge is practical rather than written down.

This is what makes technology transfer distinct from patent policy. A license grants permission. But permission is not enough. Production needs the recipe and the ability to follow it, such as cell lines, reference samples, detailed process records, special equipment, trained staff, and more. Transfers often take years. They require the original firm's active participation and aid. However, the original firm typically has no commercial reason to help a future rival, unless it is adequately paid or persuaded. As a result, each individual component can be highly costly.

Regulatory capacity is the last constraint and the most often overlooked. That is because having a plant in one's country is worth very little

if authorities do not have the proper training or authority to inspect and approve its products. The World Health Organization (WHO) rates national regulators with maturity levels and runs a prequalification program.³⁶ Regional cooperation is meant to ease the pressure on single countries. The African Medicines Agency is one example. Its treaty took effect in 2021, and the agency began operating in Kigali in 2025. It brings countries together to share regulatory expertise, rather than requiring each country to build that capacity on its own.³⁷

Medicine production has high fixed costs and low costs per incremental unit. Thus, the cost per pack falls sharply with volume. In light of this, most national markets are too small to support an efficient plant. That is why locally-made medicines are often more expensive than imported ones. Regional markets are generally the best option. In 2021, the African Union set up Partnerships for African Vaccine Manufacturing. It aims to build local production for more than 60 percent of the vaccine doses the continent will need by 2040.³⁸ The choice is which products and at which scale justify the needed investment, and who ultimately carries the cost of building out that scale.

Current Status

TRIPS FLEXIBILITIES IN PRACTICE

Nearly every WTO member now grants patents on medicines. The extra time once given to

The size of the market strongly affects whether local medicine production is affordable.

developing countries has all but run out. Only the poorest group of countries is still exempt. The debate has shifted: it is no longer whether countries must grant medicine patents, but how they use the country-level freedoms they have retained.

Countries have used those freedoms very differently, and the gap between policy and law is wide. Policies are goals to put into place, and laws are used to uphold them in practice. So far, India has written strict standards directly into its patent statute, meaning there are laws that can be enforced.³⁹ In 2018, South Africa announced a revised intellectual property policy. At the time, South Africa had a depository system where the office registers patents without checking whether the invention is genuinely novel.⁴⁰ The new policy promised real examination and opposition procedures. However, as of mid-2026, the necessary Patents Bill has not been introduced in Parliament, and the depository system remains in place.⁴¹ South Africa is therefore not an example of reform achieved. It is an example of how long reform can take.

Some countries have also taken on additional duties through trade agreements. Such terms are often termed TRIPS-plus. These rules go beyond what TRIPS minimally requires. A common form of such duties is patent term extension. A patent term extension adds years to a patent to compensate for the time lost in waiting for regulatory approval. However, there is another rule known as patent linkage. It instructs the medical regulator of a country to refuse the approval of a generic product while a patent is still listed. This turns a health agency into an enforcer of private rights. Governments accept these terms as part of wider deals. They do so typically to achieve better access to export markets. Such agreements are legal, but their added patent protections can delay competition, raising questions about access to medicines and economic development.

Where retained freedoms have been used, the effects have been large. The resulting bargaining

is thus more interesting than at first sight. For instance, Malaysia prepared a government-use license for sofosbuvir, a drug used to treat hepatitis C. In August 2017, its patent holder added Malaysia, Thailand, Belarus, and Ukraine to its voluntary licensing territory, allowing licensed generic manufacturers to supply those countries. Malaysia nevertheless issued its government-use license in September 2017, allowing it to import a lower-cost generic version of sofosbuvir for use in government healthcare facilities without relying on the voluntary license.⁴² The case shows that the prospect of a government-use license may encourage a patent holder to expand voluntary access. It also shows that a government may still choose to use its legal authority to secure a generic medicine for its public health system.

Such cases are quite exceptional when compared with the number of countries that could act in principle. This is because many of the obstacles are practical, rather than legal. It is very difficult to determine whether a medicine is under patent protection in a given country. Registers are often incomplete. One product may be covered by many separate rights as well. Cases extend over years and may be fought in both domestic courts and under international investment treaties. Governments may also face economic and diplomatic pressure. Whether such pressure is fair advocacy or improper interference is itself another subject of debate.

Novel development has moved the argument onto ground UNCTAD knows quite well. In April of 2026, the United States invoked national security legislation to impose tariffs of up to 100 percent on imported patented medicines, biologics, and the ingredients used to make them. The tariffs take effect through the second half of 2026.⁴³ Trade measures keyed explicitly to patent status are a new instrument in this area. Their effects on prices, and where firms choose to build factories, is yet to be seen.

NEW TECHNOLOGIES AND THE LIMITS OF PATENT EXPIRY

Currently, the medicines that matter most to health systems are in flux. Such changes test common assumptions. For the majority of the modern era, leading products were small-molecule drugs. These drugs are often very simple to make, often by mixing chemicals. Once the relevant patents expire, a capable generic manufacturer can usually copy these medicines reliably and at relatively low cost. Although small-molecule medicines still account for most medicines used worldwide, biologics and other complex therapies are now receiving a growing share of pharmaceutical spending and investment.

Compared to small molecules, biologics cannot be copied quite as exactly. Instead, a rival makes a biosimilar, which achieves the same effects but is not identical to the original. However, in order to use biosimilars, the maker must prove its similarity to the original product. This requires detailed comparisons with the original product; regulators may also require clinical studies when other evidence leaves uncertainty. Development is therefore far more expensive than was the case for a generic tablet small molecule drug. Far fewer companies attempt this. This makes entry into the market slower, and the prices of biologics stay consistently higher than small molecules. The competition that delivered very low-cost HIV medicines does not carry over as simply to this newer class of products.

Vaccines and the newer therapies push further in that very same direction. Vaccine production

depends on platform technologies, specialized filling capacity, and cold chains. Much of the critical knowledge is held as trade secret rather than being published in patents. Gene and cell therapies are even more extreme. They are made in tiny batches. These batches are often made for just one patient at a time. The prices are, as you would expect, very high. Several approved gene therapies carry United States list prices above USD 2 million per patient.⁴⁴

For these products, the limit on access is not mainly the patent. Rather, it is the lack of production capacity. Recent actions from the WHO and MPP have attempted to democratize access via the 2025 mRNA Technology Transfer Programme for 2026-2030. This attempts to help alleviate limits in production capacity.⁴⁵

This changes what is needed for secure supply. For a small-molecule generic, legal right to produce and a capable factory are most of what is needed. In contrast, there are many other components necessary to replicate biologics. It needs the cell line, process, and know-how of people who have run it. On this interpretation, access strategies built only on intellectual property will fail to solve the core of the problem.

Regulators face similar challenges. To use their limited resources effectively, national regulators may draw on assessments by trusted regulators in other countries while remaining responsible for their own approval decisions.⁴⁶

Evaluating complex products such as biosimilars and new vaccines requires specialized expertise.

PATHWAYS TO IMPROVE ACCESS TO MEDICINES

Several pathways now exist to balance the trade-off between innovation incentives and access issues. However, none has been reasonably adopted at a large scale to convincingly prove that it can solve the issue. Thus, delegates will need to weigh them against one another.

Patent pools are a developed model. The Medicines Patent Pool was founded in 2010 by the health financing body Unitaid. It negotiates licenses from patent holders and passes them to generic manufacturers under terms intended to improve public health, including rules about which countries they may supply and what quality standards they must meet. Its strength is that patent holders voluntarily agree to participate, allowing generic manufacturers to produce medicines without a compulsory license. Its weakness follows from that same feature: patent holders can decide whether to join and which countries a license covers. A country left outside the licensed territory may need another legal route to obtain a generic version if relevant patents remain in force there. Voluntary licenses can nevertheless expand access considerably.

For example, in May 2026, Roche granted a license allowing generic manufacturers to develop and supply an influenza antiviral in 129 low- and middle-income countries.⁴⁷ The agreement also provides materials to help manufacturers develop their versions and seek regulatory approval.

A patent holder can also grant a voluntary license directly to a generic manufacturer, without using an intermediary. Such agreements have helped supply large quantities of lower-cost medicines. The recurring complaint is from excluded countries. These complaints often include middle-income states with many patients and real factory capacity. Firms answer that they must protect revenue somewhere. They claim that middle-income markets are where most of their earnings outside their home markets come from. Whether exclusion is a reasonable commercial boundary or an avoidable harm is a genuine disagreement.

Differential pricing, which is also called tiered pricing, sets prices according to what each country can pay. This lets a firm serve poorer markets without giving up revenue in richer ones. Its central weakness is that of parallel trade. If a medicine sells for USD 50 in one country

Influenza virus research

Credit: James Gathany



and USD 5,000 in another, traders have clear incentives to take advantage of the gap between these prices. They have incentive to buy in the cheap market and resell to the expensive one. Firms guard against this with contracts, distinctive packaging, and export restrictions. But the effort involved in such precautions is one reason they often prefer to exclude middle-income countries altogether. Tiered pricing also raises questions about price transparency. If governments cannot see what other countries pay for the same medicine, they may struggle to judge whether the price offered to them reflects their ability to pay.

A different approach completely separates rewards for invention and the prices of products. This idea is typically known as delinkage. Instead of relying mainly on sales of each dose to reward the developer, a government could pay for the medicine's development or value to the health system. Some governments fund research directly, offering prizes or guaranteeing revenue regardless of any sales volume. For example, the United Kingdom has piloted a subscription model for antibiotics. It pays a fixed annual fee based on a product's value to the health system, rather than on how much is used. This removes

the pressure to sell more of a medicine that should be used sparingly.⁴⁸ The European Union has also debated a more contested approach called the transferable exclusivity voucher. It would reward a company that develops a novel antibiotic by letting it extend exclusivity on an altogether unrelated medicine. Supporters argue that this costs governments nothing directly. Yet, opponents argue that the cost simply lands on whichever medicine the voucher is applied to, thus hurting the patients using it.

Countries can also improve access by changing how they purchase medicines. Pooled procurement is essential for small and isolated markets to ensure they can access supplies in the first place. The Pan American Health Organization's Revolving Fund and UNICEF's Supply Division have both used pooled purchasing. Buying from a variety of sellers is another way to ensure a sustainable supply. Pooled buying, multi-year volume commitments, and predictable funding also lower the risk for manufacturers. These measures can serve to draw suppliers into markets they would otherwise stay out of altogether. However, donor financing has contracted sharply. The Global Fund's replenishment conference in November 2025



Pan American Health Organization

Credit: Ruhrfisch

raised USD 11.34 billion against a USD 18 billion target.⁴⁹

These options address different barriers: licensing changes who can make a medicine; pricing and purchasing change what buyers pay; and technology transfer and manufacturing investment change whether more producers can make it reliably. Delegates must decide which combination would improve affordable, dependable access in their countries.

Bloc Analysis

POINTS OF DIVISION

Positions here track economic structure, rather than geography. There are five core disagreements that make up most of the debate.

The first is strong, predictable patent protections versus national flexibility. One view holds that reliable exclusivity is what makes privately funded drug development possible and well-incentivized. The other view holds that TRIPS deliberately kept policy space open, and that using it is lawful, even desirable. This decides whether flexibility is a useful tool or ought to be a last resort.

The second is on secondary patents and evergreening. Some states want narrow patentability standards and easy challenges. Other states warn that tight standards discourage step-by-step research that helps patients. This determines how many years of exclusivity a medicine receives in practice, whatever formal terms may say.

The third is that of voluntary versus compulsory measures. Voluntary licensing is faster and preserves goodwill, but leaves the decision with rights holders. Compulsory measures guarantee a legal route to supply but are slow, contested, and may often deter investment.

The fourth is who pays. Lower prices today and stronger incentives for tomorrow cost money.

Likewise, building factories or funding research directly does too. With donor budgets shrinking, almost every proposal now runs into the question of which government or which patient absorbs the associated costs.

The fifth is where production should happen. Concentrating factories where they are most efficient gives the lowest unit costs, while spreading them regionally generates resilience and industrial growth at higher cost. This is the division an economic body is well-placed to wade into.

Delegates should read the blocs below as typical positions, not fixed alliances. They are not mutually exclusive, and countries shift by product: Indeed, a government may defend strong protection for its own innovative firms while simultaneously seeking flexibility for the medicines it imports. China demonstrates such asymmetry straightforwardly, as it is one of the world's largest producers of generic medicines and ingredients while also being a fast-growing source of patented medicines.

MAJOR PATENT-ORIGINATING ECONOMIES

This bloc contains states whose firms conduct much of the world's medical research and own many of the resulting patents. These companies can earn revenue from sales abroad and licensing agreements, giving their home countries an economic interest in predictable patent protection. Their industries argue that revenue from protected markets pays for the next generation of medicines. These states also have strong regulators and wide insurance coverage. They tend to manage high prices by bargaining over what health systems will pay, rather than by changing the scope and duration of patent protections.

These states generally back patents that are strong and predictable. They also seek firm protection for clinical trial data with clear limits on when a government may override a patent.

They prefer voluntary licensing and consistently support wording that keeps technology transfer voluntary. In WTO talks, they questioned whether patents were the real limit on COVID-19 vaccine supply.⁵⁰ They pointed instead to factory capacity, input shortages, and export restrictions.

They are not uniformly against flexibility, and this is where agreement is possible. Several accept compulsory licensing in true emergencies. The United States remained the largest single contributor to the Global Fund's 2025 replenishment, at USD 4.6 billion, despite cutting its pledge.⁵¹ Their firms are the main licensors to the Medicines Patent Pool. Likely compromises involve emergency mechanisms, wider voluntary licensing, transparency commitments, and support for regional factories. Their condition is that firms participate voluntarily and are thus paid fairly.

Countries in this bloc include the United States, Switzerland, Germany, Japan, the United Kingdom, Denmark, Ireland, and Belgium.⁵²

MAJOR GENERIC- AND BIOSIMILAR-PRODUCING ECONOMIES

This bloc holds states with large domestic industries producing generic medicines, biosimilars, vaccines, or active ingredients. They sit in the middle: they are not mainly importers, but are not yet primarily inventors. Their interest is to protect the conditions their industries need while building the capability to make more advanced products. They are moving up the value chain, so to speak.

Some countries in this bloc favor stricter standards for patenting changes to existing medicines and closer examination of applications. India, for example, limits patents on new forms of known substances unless they improve the medicine's efficacy.⁵³ South Africa has proposed examining patent applications to determine whether inventions meet the requirements for protection before granting patents.⁵⁴ These measures aim to prevent patents on minor

changes from delaying generic competition. They want accessible ways to challenge patents before and after they are granted. They want compulsory licensing that works in practice, including for export. They may press for firm technology transfer duties rather than voluntary wording and resist TRIPS-plus terms in trade agreements. Their governments present these views as loyal to TRIPS and the Doha Declaration rather than as a break from them.

Their positions are not purely defensive, which is the key to negotiating with them. India co-authored the COVID-19 waiver proposal and also supplies about 20 percent of the world's generic medicines by volume.⁵⁵ Brazil runs Productive Development Partnerships.⁵⁶ Under these, public laboratories receive technology from foreign firms in exchange for guaranteed government orders, trading market access for capability. These states are therefore natural partners for proposals tying technology transfer to promised demand.

Countries in this bloc include India, China, Brazil, South Africa, Indonesia, and Egypt.

IMPORT-DEPENDENT ECONOMIES AND LEAST DEVELOPED COUNTRIES

This bloc brings together countries whose access to medicines depends heavily on affordable imports or reliable external supply, though their domestic manufacturing capacity varies. It includes many least developed countries, small island developing states, and countries affected by conflict. Disease burdens are often high, health budgets are small, and much of health spending comes straight from households. Least developed countries need not grant medicine patents until 2033, which means their most urgent problems frequently lie outside patent law entirely.⁵⁷ For many of these countries, financing, procurement, and reliable supply are more immediate obstacles than domestic patent requirements.

They want supply that is affordable and reliable.

They also want the ability to buy in groups, funding they can predict, and a workable route to obtain medicines still under patent elsewhere. They have consistently backed extending the exemption for the poorest countries and an export mechanism that functions for countries without factories.⁵⁸ Cuts to international health aid can be especially damaging for countries that rely on donor funding to pay for medicines and health services.⁵⁹

Patents are often not the only limit they face. These states therefore push measures other blocs treat as minor: stronger regulators, shared regional rules, dependable procurement, transport and storage. Some members straddle the various blocs. Some may argue alongside the previous bloc on production, while sharing this bloc's priorities on financing and supply.

Countries in this bloc include Ethiopia, Malawi, Haiti, Yemen, Fiji, and Barbados.⁶⁰

Committee Mission

UNCTAD approaches this issue as an economic body, and delegates should keep that firmly in mind. It is not the World Health Organization and does not set health policy. It is not the WTO and cannot amend TRIPS or grant a waiver. It is not the World Intellectual Property Organization and does not administer patent treaties. Its instruments are research, deliberation, and technical cooperation, and its authority rests on the quality of its analysis rather than on binding rules.

UNCTAD has worked on local medicine production and technology transfer since 2006. That work includes case studies with the World Health Organization on what has and has not worked in countries building their own industries.⁶¹ Competition, investment, productive capacity, and technology transfer are core UNCTAD skills, and they are the areas where access is decided once the legal questions are settled. At UNCTAD16 in October 2025, member

states adopted the Geneva Consensus for a Just and Sustainable Economic Order, restating this focus on economic transformation and productive capacity.⁶²

Delegates should therefore aim at what this committee can actually produce. A resolution here might commission secretariat analysis of patent status or price transparency. It might propose model provisions for national governments to adopt, or set up technical assistance to help ministries assess patents and draft licenses. It might recommend principles for procurement design and regional manufacturing investment, or create a reporting mechanism that tracks progress. It cannot rewrite TRIPS, override a patent, or direct a company to transfer technology.

The questions worth debating are concrete. When does compulsory licensing make economic sense, and what makes it work? How can countries without factories genuinely benefit from freedoms designed for them? Which products and regions justify the cost of local production? Who pays for it as donor budgets shrink? How can technology transfer be made attractive to the firms that hold the know-how?

A resolution that abolishes exclusivity will not result in the construction of a new factory, and one resting on goodwill alone will fail to bind anyone. The harder and more valuable work is finding terms that patent holders, producers, and importing states each have reason to accept. Delegates who arrive knowing how their country earns its living in this industry, and what it would trade away, will shape what this committee achieves.

Glossary

Active pharmaceutical ingredient (API) – the chemical in a medicine that produces its effect, as distinct from the inactive materials that form the tablet or liquid around it.

Biologic – a medicine grown in living cells rather than mixed from chemicals. Vaccines, insulin, and antibody treatments are examples.

Biosimilar – a medicine shown to be highly similar to an approved biologic, with no meaningful clinical difference. Because biologics cannot be copied exactly, a biosimilar is not the same as a generic.

Compulsory license – a government order letting someone other than the patent holder make a patented product, usually in exchange for a royalty.

Data exclusivity – a period during which a regulator may not rely on the original firm's clinical trial data to approve a competing product. It works separately from patents.

Delinkage – an approach that separates the reward for developing a medicine from its sales revenue, for example through prizes, direct research funding, or subscription payments.

Disease burden – the total harm a disease causes in a population, measured by deaths, illness, and years of healthy life lost.

Doha Declaration – the 2001 WTO declaration affirming that TRIPS should be read and applied in a way that supports members' right to protect public health.

Evergreening – a critical term for obtaining a series of patents on minor changes to an existing medicine in order to hold competitors off for longer.

Generic medicine – a copy of an off-patent small-molecule medicine, with the same active ingredient, shown to perform the same way as the original.

Good Manufacturing Practice (GMP) – the international rules governing medicine production, covering facilities, processes, records, and staff training.

Parallel trade – buying a medicine where it is sold cheaply and reselling it where it is sold expensively.

Patent – a temporary legal right letting an inventor stop others from making, using, or selling an invention, normally for 20 years from filing.

Patent linkage – a rule requiring a medicines regulator to refuse approval of a generic while a patent on the original is still listed.

Patent pool – an arrangement where patent holders license rights to a central body, which then licenses them onward to producers on set terms.

Pooled procurement – combining the buying needs of several purchasers so they can negotiate as one larger customer.

Prequalification – a WHO assessment confirming that a medicine or vaccine meets international standards of quality, safety, and effectiveness. International buyers rely on it.

Secondary patent – a patent covering something other than the original active molecule, such as a mixture, salt, crystal form, combination, dosing schedule, or new medical use.

Stock-out – a situation where a medicine that should be available has run out at the clinic or pharmacy.

Technology transfer – passing on the ability to make a product, including know-how, materials, equipment, training, and quality systems, rather than just the legal right to do so.

TRIPS Agreement – the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights, in force since 1995, setting minimum intellectual property standards for all WTO

members.

TRIPS-plus – terms in trade agreements that impose intellectual property duties beyond the TRIPS minimum.

Voluntary license – a license granted by a patent holder by agreement, letting another party make a patented product, usually for named countries and under set conditions.

TOPIC B

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Foreign Investment and Economic Independence



Photo Credit: ajay_suresh

Introduction

In the 21st century, no country is truly economically independent. Nearly every country, in some capacity, relies on money and investment from other countries.⁶⁷ Foreign investment is a central part of the global economy. Every year, international organizations and private companies invest trillions of dollars across borders.⁶⁸ This creates jobs and expands trade by creating infrastructure, opening factories, funding businesses, and developing new technologies. However, global investment is uncertain. Foreign Direct Investment (FDI), a form of foreign investment, fell for the second year in a row in 2024, but rose four percent in 2025.⁶⁹ This slowdown has raised concerns about whether countries will have enough money in the coming years. This has the potential to make long-term growth and development harder.

FDI occurs when an investor, business, or government in one country buys shares, or ownership, in a company within another country. A share entitles the investor to a “vote” for the company.⁷⁰ FDI involves a lasting interest in a business abroad; the usual statistical threshold is ownership of at least 10 percent of its voting shares. The investor does not need majority control. A foreign investor starting a company in a different country is also a form of FDI.

A familiar example of FDI can be seen with McDonald's. McDonald's has over 44,000 locations in over 100 countries.⁷¹ When McDonald's invests in and owns a business operation in another country, such as a subsidiary that develops and operates restaurants, that ownership is foreign direct investment.⁷² Through that foreign-owned operation, McDonald's may invest in property and facilities, then hire local workers and purchase ingredients from local suppliers.⁷³ However, many McDonald's restaurants are run by local franchise owners. If a locally owned franchise pays McDonald's to use its brand and business model, that fee alone does not make the restaurant a foreign direct investment. For that locally owned restaurant to count as McDonald's FDI, McDonald's would need a lasting ownership stake in it.⁷⁴ The distinction is who owns and invests in the business abroad, rather than whether the restaurant displays a foreign brand.

Foreign investment is also tied to national security and economic independence, or the degree to which a country can make its own economic decisions without foreign influence.⁷⁵ While international investment has sped up global development, depending too much on foreign investment may leave countries open to foreign pressure. This may limit countries' independence and ability to choose their own policies, which is a significant risk in developing countries.⁷⁶

The international economic system can reflect and perpetuate unequal power relationships. Foreign investment and lending can allow wealthier countries to influence policy in borrowing countries. Local economies, while growing from more money in circulation, can also suffer if local businesses are pushed out by foreign companies and larger corporations. This can influence debt and hamper specific industries. Regardless, foreign investments are essential for development.⁷⁷

One important debate is around the role of international financial institutions like the World Bank (WB), International Monetary Fund (IMF), and International Development Association (IDA). These institutions provide loans and help to countries facing financial challenges. They also fund development projects. This funding often includes conditions requiring governments to adopt specific economic reforms, which

may reduce economic independence and force reforms that are not in the interest of the country.⁷⁸ Furthermore, while loans are crucial for a country to develop, they also pose a great threat. Interest rates and growing debt can outpace economic growth, leaving a country in a worse place than where it started.

A potential alternative to foreign investment can be seen with industrial policies. These allow governments to strengthen their domestic industries and become more economically independent. This involves expanding manufacturing, capacity for trade, and industrial output.⁷⁹ This may reduce a country's dependence on foreign institutions, and allow greater economic growth, though it comes at the expense of international economic integration.

The digital age has highlighted the importance of industrial policy. Artificial intelligence and digital infrastructure are becoming more vital for economic growth. Today, countries compete not only for financial investment, but also for technology access. Economic independence now depends more on a country's ability to expand technological capacity.⁸⁰ FDI and broader trade relations have also shifted to be an important bargaining chip and consideration for political relations, impacting geopolitics across the world.

Ultimately, inclusion in the international economy and working with foreign investors is not optional for countries. While steps can be taken to mitigate and limit these interactions, foreign investment is a critical part of economic growth, geopolitical positioning, and technological advancement. Countries must consider how foreign investment ought to be regulated, integrated, and interacted with to ensure the safety and autonomy of both developed and developing economies.

History and Description of the Issue

BENEFITS OF FOREIGN DIRECT INVESTMENT

Ultimately, FDI has long been considered critical, though controversial, for economies across the world. At its core, FDI has the potential to stimulate an economy and generate growth. As foreign investors buy shares or start businesses, economies can grow and prosper under the correct circumstances. The extent of this can vary, and this can often be neutralized or reversed, but there is substantial evidence to support the benefits of FDI.⁸¹

One key benefit of FDI can be seen through economic expansion and the increase in employment. While FDI impacts many sectors of a country's economy, the impact is especially visible when it comes to the private sector.⁸² FDI can stimulate private sector growth. First, as new companies or money broadly enter a foreign economy, they are likely to bring new industries or technology with them. FDI is often accompanied by the creation of new businesses, or the injection of money into existing ones. This is highly correlated with a higher need for employees and human capital, creating jobs in the host economy. FDI also has a spillover effect on other businesses.

Not only is new technological integration incentivized for local businesses in the economy, but it often becomes necessary for other businesses or firms to compete. A study in Argentina, Mexico, and Brazil found that FDI had an added impact of supporting the privatization of national firms, like government-owned utilities, and heavily expanding the job market in those sectors.⁸³ Jobs resulting from FDI-integrated firms also tend to pay more than domestic firms and offer more training.⁸⁴ Ultimately for many developing economies, unemployment and low wages hamper economic prosperity and overall quality of life, but FDI has the potential to directly

combat and reverse these trends.

However, a study of FDI in Viet Nam found that from 1996 to 2006, a vast majority of jobs created, while paying more and offering more mobility, only valued skilled workers. This meant that less-skilled workers faced fewer opportunities or needed additional training to remain competitive in the job market.⁸⁵ While a harmful consequence, it also had the effect of increasing labor productivity, education levels, and overall workforce skill. Thus, FDI can both support a workforce and also directly prop up the government and economy.

FDI can also support economic growth by generating tax revenue for host governments. As foreign-invested businesses expand production, earn profits, hire employees, and increase economic activity, governments can collect additional corporate, income, and consumption taxes.⁸⁶ This revenue can help governments fund infrastructure and public services or reduce fiscal pressure. However, the size of this benefit depends on domestic tax policies, the incentives granted to foreign investors, and the government's ability to prevent tax avoidance.

Perhaps one of the largest benefits of FDI can be seen in export growth and stabilization. Many countries rely on few natural resources as exports, whether it be minerals, oil, or other resources. This leaves economies extremely vulnerable to price and supply shocks.⁸⁷ FDI in manufacturing and development can change what a country exports and where those exports go.⁸⁸ Furthermore, the export of globally popular commodities or services can align a country

with global supply chains and broader trade conversations. Connecting local businesses to international supply chains can require substantial investment. FDI may help pay for the equipment, infrastructure, and training needed to make those connections.

An important, albeit indirect, benefit of FDI is institutional and regulatory reform. Across the board, countries work to attract FDI. As stated above, FDI can be a springboard for technological advancement, access to global markets, and overall economic strength.⁸⁹ For a foreign investor to want to enter into a country's economy, there must be some degree of safety and security. Countries with high economic volatility, economic corruption, or poor oversight bodies are unlikely to be considered safe or feasible for investors.⁹⁰ FDI is ultimately an investment opportunity and a way to generate more profit. Foreign firms and businesspeople are likely to be deterred from states with high levels of instability, compared to those that are relatively safe. As a result, FDI has had a trickle down effect of incentivizing reform and domestic growth and stabilization efforts.⁹¹

Ultimately, FDI can be the key to unlocking economic growth, international recognition, and broader technological development for economically developing countries. Even global super powers, like China and the United States, heavily rely on FDI and use it to bolster their own economies. That being said, inviting international businesses and financial partners absent sufficient regulation and consideration can have disastrous consequences.

Not only does FDI help increase GDP, but it often results in an increase in manufacturing and production of goods and services.

RISKS AND DRAWBACKS OF FOREIGN DIRECT INVESTMENT

While FDI has the potential to transform and expand a country's economy, it also can cause large issues and contractions. Domestic crowd-out, or local businesses being harmed by competition and growth of foreign and foreign-backed businesses, is one of the largest threats to economies with FDI.⁹² When foreign firms become more powerful than domestic businesses, operate without effective regulation, take workers, and use already-limited resources, FDI can weaken local industries, shift profits abroad, reduce a government's autonomy, and harm the overall economy.⁹³

One of the most direct forms of harm caused by FDI can be seen with overall competition and deprioritization of domestic businesses. Generally, multinational and foreign corporations have access to more capital assets, like machines, tools, and money, as well as newer technology, brand recognition, and established manufacturing.⁹⁴ The larger scale of many of these firms means that cost of production is oftentimes lower due to already established suppliers and manufacturing processes.

Domestic firms may lose customers and market share to foreign-funded competitors, giving them less control over the local market.⁹⁵

In many countries with developing economies, domestic companies are especially vulnerable, due to a lack of funding, poor infrastructure, and smaller scope of manufacturing.⁹⁶ Competition from foreign firms can push domestic firms to advance and develop, but they can also be so advanced that domestic firms are crushed before they have the opportunity to catch up. In Mexico, researchers studied what happened when foreign supermarket chains opened stores. They found that some local stores closed and others saw their profits fall. Shoppers also benefited from lower prices, showing why foreign investment can help consumers while putting pressure on domestic businesses.⁹⁷

Not only are firms threatened on the level of competition in the marketplace, but also on the level of production. First of all, banks and domestic investors do not have an infinite supply of money. If foreign firms or businesses offer a better return on investment, banks may prioritize lending to these companies, harming domestic businesses.⁹⁸ Furthermore, while FDI may generate more jobs, with a finite or limited



Carrefour in Thailand

Credit: Poonpun2016

number of employees, domestic firms can potentially lose skilled employees to higher-paying foreign firms. For countries with high levels of unemployment, a shortage of skilled laborers may also result, despite a surplus of unskilled labor.⁹⁹ Additionally, natural resources and real estate can be limited in countries. For foreign firms that rely on domestic resources, competition over finite quantities can raise product prices and create shortages. This can further be seen with domestic and nearby suppliers in general – as foreign firms with greater capital and purchasing power compete with domestic firms, they generally have an advantage. Governments are often incentivized to support foreign-backed firms for potential advantages as it comes to international trade and exports. Not only can this give leniency and preferential treatment as it comes to regulation, but government contracts can potentially be granted to foreign firms.¹⁰⁰

A clear example of this can be seen in Thailand during the late 1990s and 2000s. British-owned Tesco Lotus and French retailer Carrefour were two superstore chains (a mix of a supermarket and department store) in Thailand. The stores both expanded throughout Thailand with a large amount of financial backing, advanced distribution and stock systems, and high-level purchasing power. They were able to offer wider product selection and had more refined storefronts than most small and local Thai retailers. Furthermore, both Tesco Lotus and Carrefour had low prices that put pressure on domestic companies.¹⁰¹ Overall, the economy benefited from the large-scale high-revenue

retailers. However, many local businesses and stores were forced to close as a result of their inability to match the scale of Tesco Lotus and Carrefour.¹⁰²

Like in many other cases, the profits from the two stores could have gone back to the Thai economy, leading to growth across the board. However, as is the case with FDI in many cases, foreign firms may send profits and revenue back to their home countries. This is bolstered by the fact that foreign investors can target business opportunities in countries with less stringent or more favorable tax codes and regulations.¹⁰³ This can lead to larger issues for domestic firms when foreign-backed firms receive preferential treatment from governments as it relates to taxes and fees. While foreign firms may pay lower taxes and be able to extract their money, domestic firms are left with the full burden of their taxes in addition to intensified competition.

In addition to targeting countries with favorable tax systems, foreign firms can also target countries with lax environmental regulations.¹⁰⁴ This may also be coupled with dangerous or environmentally reckless manufacturing practices. Countries targeted may be those without strong enforcement, and may also rely on domestic laborers to work in unsafe conditions.¹⁰⁵ Governments may also hesitate to regulate major investors or foreign firms out of fear of retaliation or economic loss.

When a foreign company operates a major power supplier, port, or food distribution network, the host country may depend on it to keep essential services running. The company may then have

As economies and governments become dependent on foreign firms for profit, jobs, and investment, relations become increasingly important.

greater bargaining power when the government considers new taxes or regulations. For example, it could threaten to delay new investment, reduce operations, or sell its stake. How much pressure that creates depends on whether another company or the government could take over its role.

Ultimately, the risks of FDI are greatest when foreign firms operate separately from the domestic economy, avoid integration, and receive advantages that local businesses cannot access. Without effective standards and regulations to prevent unchecked competition, guarantee labor protections, and work to secure technological equity, FDI serves to displace domestic firms rather than strengthen them. Governments must balance attracting foreign capital and foreign investment with protecting local businesses, autonomy, and the broader strength of the economy.

INTERNATIONAL FINANCIAL INSTITUTIONS AND CONDITIONAL LENDING

Foreign direct investment (FDI) is not the only way that money can shape a country's decision. A loan is different from FDI: a lender expects repayment, while a direct investor obtains a lasting stake in a business. Both can affect a government's choices, but they create different obligations and should be assessed separately. When companies invest heavily in a country's key industries, countries can start to lose control over their own economic choices. The same problem might arise from borrowing money. Governments often take loans to pay for projects or policies they cannot afford, such as hospitals, roads, or schools. When a government borrows from another country or an international organization, the lender can attach conditions, or requirements, that the borrowing country must follow in order to receive the loan. This means that the price of getting help is not always fully paid back in money, but rather in decisions that the receiving country is no longer free to make

on its own. This tension between needing outside financing and keeping control over national policy sits at the heart of conditional lending. Today, conditional lending is one of the most important tools in global development finance.

Conditional lending began in the 1970s during the global energy crisis, when the price of oil rose by four times its normal cost.¹⁰⁶ Since oil is used to power transportation, factories, and electricity in almost every country, the price increase made it much more expensive for countries to keep their economies moving. Meanwhile, oil-exporting countries earned huge profits from these higher prices and deposited much of that money into large banks in the United States.¹⁰⁷ Those banks then lent much of that same money back out to developing countries, especially in Latin America, who needed help covering their rising costs.¹⁰⁸

Much of this borrowing came in the form of long-term debt, meaning loans that are expected to be paid back over many years rather than immediately. According to the OECD (Organisation for Economic Co-operation and Development), developing countries' total long-term external debt grew at an average annual rate of 19.3 percent between 1972 and 1982, reaching USD 626 billion by the end of 1982.¹⁰⁹ Latin America's borrowing grew even faster. The region's total debt rose from just USD 29 billion in 1970 to USD 327 billion by 1982, more than a tenfold increase.¹¹⁰

The surge in debt created a debt crisis, meaning that many countries owed more than what they could realistically pay back. The debt crisis of the 1980s threatened these countries' ability to function normally.¹¹¹ In response, two major international lenders, the International Monetary Fund (IMF) and the World Bank (WB), stepped in to help.¹¹² Instead of offering traditional loans, they introduced conditional lending. Under this system, a country could only receive a loan if it agreed to make specific changes to its economy first. These required changes were known as Structural Adjustment Programs, or SAPs, and they became one of the most important, and also

controversial, tools of this era.

SAPs were usually based on the Washington Consensus. The Washington Consensus was a list of economic policies that the IMF and World Bank believed would help struggling economies recover and grow.¹¹³ It was called this because it reflected the thinking of major financial institutions headquartered in Washington, D.C., including the IMF, the World Bank, and the US Treasury Department. In total, the Washington Consensus outlined ten specific reforms that a country was expected to adopt. Countries that wanted a loan through a SAP had to agree to put these reforms into practice, even if their own governments might have preferred a different approach.

Of the ten reforms in the Washington Consensus, three remain the most influential today. The first was reducing budget deficits.¹¹⁴ A budget deficit happens when a government spends more money than it collects, often through taxes. To cover this gap, governments sometimes print more money. However, printing more money increases the amount of cash in an economy without increasing the actual goods and services available to buy, which causes money to be worth less and prices to rise. This is called inflation, a

general increase in prices that means the same amount of money buys less than it used to.¹¹⁵ To prevent this, the Washington Consensus called on governments to spend less and to let interest rates be set by the market, rather than being controlled directly by the government.

The second reform was opening up trade by removing barriers on foreign investment and imports.¹¹⁶ Two common barriers are tariffs, which are taxes placed on goods brought in from other countries, and quotas, which are limits on how many foreign goods can be imported.¹¹⁷ The Washington Consensus encouraged countries to lower or remove these barriers, making it easier for foreign companies to sell goods and invest in local businesses.

The third reform was privatization, the process of selling government-owned businesses to private companies.¹¹⁸ The buyer may be a domestic or a foreign company. When a foreign company buys a lasting ownership stake in the privatized business, the purchase is also a form of FDI. This idea comes from a broader belief in free market economics. Free market economics suggests that markets run more efficiently when the government is less involved.¹¹⁹ According to this view, private companies compete with each other

Mine in Bolivia

Credit: Jenny Mealing



to offer better products at lower prices, which benefits consumers and encourages economic growth.

Together, these reforms affected both FDI and economic independence. Opening markets and selling state-owned businesses could attract foreign investors, including investors who bought lasting stakes in formerly public companies. However, when these changes were required as conditions for loans, governments had less freedom to decide when to make them and which industries to keep under public control.

Supporters of these SAPs point to real successes. Bolivia is often cited as one of the clearest examples. In 1985, Bolivia was suffering from hyperinflation, meaning prices were rising so quickly that money was rapidly losing its value. At its peak, Bolivia's inflation rate reached an annual rate of 26,000 percent in mid-1985.¹²⁰ That same year, Bolivia's government agreed to a structural adjustment program, cutting government spending sharply and tightening control over cash-printing. The program was extremely successful. Bolivia's public sector deficit fell from nearly 30 percent of its Gross Domestic Product (GDP) in 1984 to around 4 percent by 1986.¹²¹

However, critics point out that the same reforms that stabilized economies often came with serious human costs that usually weren't distributed evenly. In Bolivia, the 1985 program that ended hyperinflation also dismantled COMIBOL, the state-owned mining company that had long been one of the country's largest employers.¹²² Tens of thousands of miners lost their jobs almost overnight. Mining continued through a much smaller state company, private firms, and cooperatives, but many former COMIBOL miners had to seek other work. Zambia offers another example of the difficult trade-offs involved in economic reform. During the 1990s, privatization was a condition of IMF and World Bank support, and Zambia sold parts of its state-owned copper mining company to private investors, including foreign firms.¹²³

Mining employment fell sharply during this period. Poverty also remained widespread, rising from about 70 percent in 1991 to 73 percent in 1998.¹²⁴

In response to criticism of the international financial institutions, developing countries pushed for another kind of lending institution, Regional Development Banks (RDBs). Unlike the IMF or the World Bank, which serve nearly every country in the world, RDBs focus on lending within one specific region.¹²⁵ The idea behind RDBs was that countries within a region understand each other's needs better than a single global institution. The main argument was that giving borrowing countries a bigger voice, or ownership stake, in the bank itself might reduce the kind of one-size-fits-all conditions that made SAPs controversial. For example, the Development Bank of Latin America and the Caribbean (CAF) is fully owned by its client countries, meaning the countries that borrow from it are also the ones controlling it.¹²⁶ Other major RDBs use a more mixed system. The African Development Bank (AfDB), founded in 1963, now includes 54 African member countries alongside 27 non-African members, including wealthy countries like the United States, Japan, and several in Europe.¹²⁷

Even so, RDBs have not fully escaped the tension that other institutions carry. Most RDBs offer two very different kinds of lending. Their general lending, used for most borrowing countries, draws on capital contributed by all member countries, regional and non-regional alike. Some RDBs finance low-interest loans and grants for their poorest members through separate funds that contributors periodically replenish. For example, the African Development Fund receives contributions from donor countries and the African Development Bank. This can give contributors influence over funding priorities, even though the assistance goes to countries within the region.

INDUSTRIAL POLICY AS A PATH TO ECONOMIC INDEPENDENCE

For many economists and policymakers, one path toward economic independence, without relying entirely on conditional lending or international financing, is industrial policy. Industrial policy refers to the deliberate steps a government takes to build up its own national industries, expand manufacturing, and increase what a country is able to produce on its own.¹²⁸ The goal of this strategy is to reduce a country's dependence on imported goods, foreign-owned factories, and outside financing by growing the country's own productive capacity instead.

Governments use several tools to achieve economic independence through industrial policy. One is public investment, meaning government spending on infrastructure, education, and research and development (R&D).¹²⁹ These strategic investments can help industries grow over time. Another is subsidies, which are forms of financial support a government gives to businesses to encourage a specific kind of economic activity. Subsidies can take different shapes, such as tax breaks for companies that build factories in a certain country, or a government covering part of the interest on loans used to build roads or other infrastructure.¹³⁰ A third tool is trade protection, such as tariffs or import restrictions. This strategy is based on the “infant industry” argument, the idea that new industries need temporary protection until they can compete on their own. In practice, however, this tool is harder to use successfully than it sounds.¹³¹ Tariffs raise costs for both producers

and consumers, and clear success stories are rare, while failed attempts are common.¹³²

A clear example can be seen with South Korea. Following the extreme economic downturn in 1961 to 1963, the country's new military government tried to grow its economy by producing goods domestically instead of importing them. This is the same basic strategy many Latin American countries were using at the time.¹³³ However, South Korea had limited spending capacity to build the infrastructure needed and very little foreign currency on hand, which it needed to pay for imports. The plan quickly ran into a crisis that included food shortages, a shrinking supply of foreign money to pay for imports, and rising inflation.¹³⁴ The United States, which was providing most of South Korea's foreign aid, pressured the government to change course, even withholding aid at times to force change.¹³⁵ In 1964, South Korea changed the value of its own currency so that it was worth less compared to other countries' currency. This made South Korean goods cheaper to sell abroad, which made exporting far more profitable than before. Through this strategy, South Korea's exports grew from just USD 100 million in 1964 to USD 1 billion by 1970.¹³⁶ Measured against the size of the whole economy, exports rose from under 1 percent of GDP in 1959 to roughly 20 percent by the early 1970s.¹³⁷ The kinds of goods Korea exported changed too. By the 1970s, South Korea was exporting more valuable kinds of products.

South Korea's approach to economic independence went further than just promoting exports. In 1973, the government launched an

Trade protections are intended to shield young domestic industries from foreign competition while they are still developing.

ambitious plan to build heavy industries such as steel, shipbuilding, and chemicals. South Korean companies relied heavily on licensing agreements with foreign firms, paying for the right to use technology and manufacturing know-how that South Korea did not yet have on its own.¹³⁸ This strategy worked. South Korea's heavy industries grew rapidly and became powerful forces in the national economy. By the early 1980s, however, this strategy of licensing foreign technology ran into a wall. South Korean companies became genuinely competitive. Therefore, some of the same foreign firms that had once licensed them technology grew wary of training future rivals and began refusing to renew those agreements.¹³⁹ In response, South Korea shifted its focus toward building its own R&D capacity, instead of relying on imported know-how. Spending on research grew from under half a percent of the country's economy in the 1970s to nearly 4 percent by 2010.¹⁴⁰

Throughout this same era, the government also treated foreign ownership of South Korean companies as something to be carefully guarded. From 1962 to 1983, it placed strict limits on foreign investment to keep control of the country's growing industries in South Korean

hands.¹⁴¹ During South Korea's heavy-industry drive from 1973 to 1979, the government directed investment toward industries such as steel and shipbuilding. South Korea financed part of this expansion with loans from abroad, while generally keeping ownership of its industries in South Korean hands. Its foreign debt rose sharply as a result. Government support also helped a small number of large family-controlled business groups, known as *chaebols*, gain a dominant position in the economy.¹⁴² It was not until 1995 that South Korea began actively encouraging foreign investment, after which it grew nearly ninefold in just four years.¹⁴³

Mexico followed a similar strategy of building industries by producing goods domestically instead of importing them, a policy known as import substitution industrialization (ISI). Unlike South Korea's early failure, Mexico's version of this strategy actually worked at first. From 1940 to 1980, the Mexican government invested heavily in industry, protected domestic manufacturers from foreign competition, and built up public infrastructure.¹⁴⁴ During this 40-year period, Mexico's economy grew at an average of 6.4 percent per year, and manufacturing's share of the country's total economic output rose from



Maquiladora in Mexico

Credit: Isaacvp

about 15 percent to almost 25 percent.¹⁴⁵ This era became known as Mexico's economic "miracle." However, the strategy's success masked growing problems underneath. Agricultural growth slowed after the mid-1960s, while protected industries remained focused largely on Mexico's domestic market.¹⁴⁶ In the 1970s, the government expanded spending and borrowed heavily from abroad, encouraged in part by expectations of rising oil revenue. This growing debt left Mexico vulnerable when economic conditions changed.

The eventual debt crisis forced Mexico to abandon its old strategy and open its economy to foreign trade and investment much more quickly than it had planned. One of the clearest results of this shift was the growth of the *maquiladora* industry. This industry consists of factories, often foreign-owned, that import parts, assemble them into finished products using Mexican labor, and export the finished goods, mainly to the US.¹⁴⁷ Even though *maquiladoras* make up only a small share of Mexico's overall industrial output, some experts argue that their export-focused, assembly-based model has come to shape the country's entire industrial economy.¹⁴⁸ Some economists describe this outcome as a kind of "industrialized deindustrialization," since Mexico kept producing and exporting more, but its industries relied increasingly on imported components and low-cost labor rather than on Mexican-owned technology or research.

By 1988, the difference between both countries became clear. That year, South Korea's average income per person surpassed Mexico's for the first time, after decades in which the average Mexican had been far richer than the average South Korean.¹⁴⁹ In 1960, the average person in Mexico earned about four times what the average person in South Korea earned.¹⁵⁰ By 2022, the average person in South Korea earned more than three times what the average person in Mexico earned.¹⁵¹ One important difference between their development paths was that South Korea invested heavily and consistently in building its own knowledge and technology, while Mexico did not. Today, South Korea spends

close to 4.9 percent of its economy on research and development, while Mexico spends only about 0.3 percent.¹⁵² In an era where technology increasingly determines which countries can produce for themselves and which remain dependent on others, R&D and knowledge are one of the most relevant elements for economic independence.

Current Status

THE GLOBAL KNOWLEDGE DIVIDE IN THE AGE OF AI

A country's ability to attract valuable foreign investment increasingly depends on its own knowledge and technology base. Countries with strong research and technical skills tend to attract foreign investment that transfers real capability, such as advanced manufacturing or R&D centers. Countries without this base often attract investment that extracts value instead, such as resource extraction or low-skill assembly work. The gap in R&D spending between countries reflects a much broader divide in how much knowledge and technological capacity different countries are able to build on their own. Two major forces are reshaping how important this divide has become. First, the global economy has been shifting away from manufacturing and toward services.¹⁵³ This means that skills and knowledge, rather than factories alone, increasingly determine how much a country can produce. Second, artificial intelligence (AI) has emerged as a new kind of technology with the potential of reshaping economies as significantly as electricity or the internet once did.¹⁵⁴ Both of these shifts are concentrated in a small number of countries, raising the risk of a widening gap between countries that can build and control this technology, and countries that can only use what others create.

The first of these forces is a structural shift in the global economy itself. For most of modern history, manufacturing was considered the

primary path to development. Today, however, services generate about two-thirds of the global GDP and half of global employment, more than agriculture and industry combined.¹⁵⁵ However, not all services are equal. Skill-intensive services, such as information technology, and finance, require significant education and infrastructure. These tend to attract the kind of foreign investment that builds lasting technical capacity.¹⁵⁶ Ordinary consumer services, such as restaurants, delivery, and retail, have driven much of the recent services growth in India, Sub-Saharan Africa, and Latin America.¹⁵⁷ However, they rarely attract this same kind of high-value investment. A country can technically “move to services” without building the kind of specialized, high-skill capacity that attracts investment capable of reducing its dependence on foreign knowledge and technology.

The growing importance of skill and knowledge has widened what is sometimes called the Global Knowledge Divide, which is the unequal distribution of research, innovation and higher education around the world.¹⁵⁸ According to the World Intellectual Property Organization (WIPO), global R&D spending reached nearly USD 2.87 trillion in 2024, and climbed to roughly 2 percent of the global GDP, nearly tripling in real terms since 2000.¹⁵⁹ However, this spending is spread extremely unevenly. Israel leads the world in R&D spending as a percentage of GDP, spending 6.33 percent of its GDP on research, followed by South Korea at 5.32 percent.¹⁶⁰ By contrast, roughly 72 percent of the world’s economies spend less than 1 percent of their GDP on R&D, and 53 percent spend less than half a percent.

This spending divide is not simply a matter of rich countries versus poor ones. China is not classified as a high-income country, yet its total R&D spending has grown nearly twentyfold since 2000 and now approaches that of the United States.¹⁶¹ Meanwhile, other regions have fallen further behind. Latin America and the Caribbean’s share of global R&D spending actually declined from 3 percent in 2000 to less than 2 percent in 2024, and Sub-Saharan Africa still accounts for only about half a percent of the world’s total. Countries with weaker research capacity are often left competing for a different, less valuable kind of foreign investment, one based mainly on cheap labor or raw materials rather than the specialized skills that attract higher-value, longer-lasting investment.

AI has emerged as the newest and sharpest edge of this divide. According to a 2025 report by the UN Development Programme (UNDP), AI is best understood as a “general-purpose technology.”¹⁶² This category includes historic innovations like electricity and the internet, capable of reshaping nearly every sector of the economy at once, rather than being limited to one industry. History shows that such technologies do not spread evenly. The UNDP report traces how the Industrial Revolution created a “Great Divergence” between industrializing and non-industrializing regions.¹⁶³ The report warns that AI could go either way, and that current evidence points toward deepening inequality rather than closing it. According to a 2026 study by the Centre for International Governance Innovation (CIGI), the 42 most widely used generative AI services in the world are headquartered in

Developing countries account for most of the world’s population, yet R&D spending remains heavily concentrated elsewhere.

just 10 countries, and none are based in a low-income country. Four are based in China, an upper-middle-income country.¹⁶⁴ The United States alone hosts the headquarters of 30 of these services, including the developers of the world's leading AI models. This means that even countries with large, fast-growing digital economies, such as Brazil, Indonesia, and Mexico, remain entirely dependent on technology controlled elsewhere.

This concentration is not just about which country invented a technology. It shapes how much control a country has over its own economy going forward. The CIGI describes the situation many countries face as a form of “managed interdependence.”¹⁶⁵ This means that a country cannot realistically avoid depending on foreign AI technology, but it can choose how much of that dependence it can reduce, diversify, and keep visible to its own policymakers. In practice, this dependence often takes the shape of foreign direct investment itself. Data centers, cloud computing infrastructure, and AI research facilities built in developing countries are frequently owned and controlled by foreign firms, meaning a country can host the physical infrastructure of the AI economy without gaining real ownership or control over it.

The most advanced computer chips used to power AI are designed almost exclusively by firms in the US, manufactured mainly in Taiwan and South Korea, and built using specialized machinery from the Netherlands, Japan, and the US.¹⁶⁶ At the same time, China has invested roughly USD 48 billion into a state-backed fund aimed at building its own domestic chip industry. This shows how seriously a major economic power takes the risk of depending on others for this technology. This dependence can have real consequences, even for a country simply trying to use AI, not build it. In June 2026, the United States ordered the company Anthropic to cut off all foreign nationals, including its own non-citizen employees, from accessing some of its AI models, citing national security concerns.¹⁶⁷ The order was described as unprecedented,

specifically because it blocked access to a commercial AI product based on a person's nationality alone. This is a clear example of how a single country's policy decision can instantly reshape who is allowed to use a technology that much of the world has come to rely on. Access to the affected models subsequently changed, but the episode showed how quickly a government decision could disrupt access to a foreign AI service.

Taken together, these shifts point to a new reality for economic independence. It is no longer enough for a country to build factories or export raw materials. Increasingly, independence depends on whether a country can produce, adapt, and control knowledge and technology on its own terms. Right now, that capacity remains heavily concentrated. A small group of countries lead the world in research spending, host nearly every major AI company, and control the physical infrastructure that makes the technology possible. At the same time, most of the world's economies remain on the outside of these systems, adapting to decisions made elsewhere.

However, this does not mean the divide is fixed. Countries like China have shown that a country's position in the global knowledge economy can change dramatically within a few decades, and regions like Sub-Saharan Africa, despite still lagging far behind, have made real, measurable progress. What remains uncertain is whether AI, one the most significant technological shifts, will follow this same pattern of eventual convergence, or whether it will lock in today's divide even more permanently than the technologies that came before.

CASE STUDY: CHINA'S BELT AND ROAD INITIATIVE IN AFRICA

Today, China's Belt and Road Initiative (BRI) is one of the world's largest international development projects. Announced in 2013, it has many goals. The BRI is a broad international infrastructure and development initiative financed through a combination of government loans,

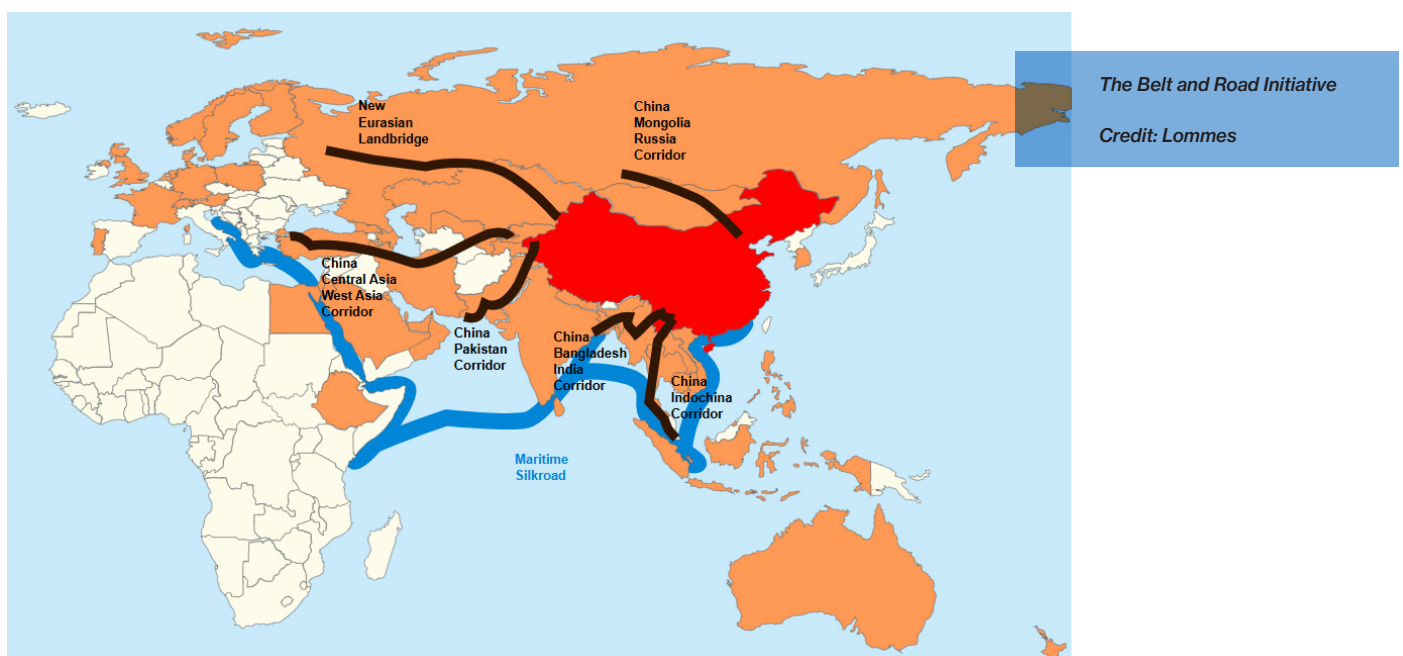
commercial lending, construction agreements, and direct investment. It looks to increase trade by financing roads, railways, ports, power plants, and telecommunications. This project spans across Asia, Africa, Europe, and Latin America with over 150 countries signing cooperation agreements with China under the BRI.¹⁶⁸ The African Development Bank (AfDB) estimates that Africa faces an annual infrastructure financing gap of USD 68-108 billion.¹⁶⁹ Supporters of the BRI argue that their investments help close this gap. By 2023, trade between China and Africa reached USD 282 billion.¹⁷⁰

Africa is one of the BRI's largest investments. Chinese lenders have invested over USD 182 billion in loans to African governments and companies.¹⁷¹ This is to help strengthen infrastructure and development projects.¹⁷² Much of this investment is focused on transportation and energy systems, resulting in the creation of 12,000 kilometers of road and railway track, 20 ports, and 80 power facilities.¹⁷³ These projects aim to reduce transportation costs and increase trade.¹⁷⁴ Most importantly, the BRI aims to strengthen connections between African economies and global markets – especially the Chinese market.¹⁷⁵ For China, stronger transport

and trade links can make it easier to sell Chinese goods in African markets and to buy African products and raw materials. Infrastructure projects can also create business for Chinese construction and engineering firms. African governments may benefit from improved roads, railways, and ports, but they must decide whether those projects also help local businesses grow.

Chinese companies also invest in manufacturing, technology, mining, agriculture, and renewable energy. Supporters argue that China's willingness to finance large, long-term projects distinguishes the BRI from traditional sources of development financing. BRI supporters argue this approach leads to more stable economies and better relations with developing African countries. Supporters believe that BRI will help African countries make raw materials into higher-value products before exporting instead of exporting unprocessed resources.¹⁷⁶

However, the BRI has caused debate over economic independence. Many BRI projects are financed through large government loans instead of direct grants. So, many African countries experience growing debt while also struggling to have the economic activity necessary to pay back these loans. Critics say that some projects



were approved without enough planning. This leaves governments with expensive projects that may not make expected returns. Thus, there are growing tensions between whether the BRI is as effective as it claims to be.¹⁷⁷

Another concern is local economic benefits. While Chinese infrastructure projects create employment opportunities, some argue that more contracts should be awarded to local businesses. Others have raised concerns about working conditions on construction projects and whether the terms of project agreements are made public. African governments can address these concerns by monitoring labor practices and negotiating clearer terms before projects begin.¹⁷⁸

In recent years, China has adjusted its investment strategy. Compared to the BRI's early years, Chinese lending has become more selective. Instead of largely financing transportation projects, China has started to finance more digital infrastructure and renewable energy.¹⁷⁹ This shows a shift in global priorities as the digital economy becomes more relevant. It also shows China's growing interest in investments that create long-term growth over simple infrastructure. Therefore, the future of the BRI in Africa depends on balancing development with economic sustainability.

GEOECONOMICS AS A THREAT TO ECONOMIC INDEPENDENCE

Foreign investment, trade, and market access were once judged mostly on whether a deal made money, created jobs, or built useful infrastructure. In recent years, governments have increasingly begun judging the same decisions on political alignment. A government may now decide where to invest, whether to trade with another country, or whether to restrict its access to markets and technology to reward countries seen as allies or to punish those seen as rivals. This approach to using economic tools for political goals is known as *geo-economics*.¹⁸⁰ Four tools in particular have become central to this

shift: investment screening, tariffs, sanctions, and foreign direct investment (FDI). Some of these tools are relatively cooperative, such as offering investment. However, others can be seen as openly punitive, like imposing sanctions. Still, all four tools can now serve the same underlying purpose of rewarding political alignment, or enforcing consequences for its absence. Foreign investment sits at the center of this shift. Even when the tool being used is a tariff or a sanction rather than a direct restriction on investment, the underlying goal is often the same, to control whether foreign capital flows into a country, and on what terms.

The shift to the use of *geo-economics* is tied to a rise in tension between major world powers. According to the World Economic Forum's Global Risks Report 2026, which surveys more than 1,300 global leaders and risk experts each year, *geo-economic confrontation* ranked as the single most concerning risk facing the world in 2026.¹⁸¹ *Geo-economic confrontation* refers to conflict over trade, investment, supply chains, and access to natural resources. The report also found that 68 percent of respondents believe the world will become more fragmented and divided into competing blocs over the next decade.¹⁸² In other words, the people responsible for managing global risk on behalf of governments and businesses increasingly expect a world where economic relationships are shaped by rivalry rather than by mutual benefit.

One of the clearest tools of *geo-economic* conflict is investment screening. Investment screening is the process by which a government reviews foreign investment proposals and can block or restrict them for reasons of national security.¹⁸³ Investment screening is not new, but governments have expanded its use as they become more concerned about foreign control of critical infrastructure, technology, and sensitive data. Screening was once mostly limited to defense-related industries, but it has expanded significantly in recent years to cover sectors like artificial intelligence, semiconductors, critical minerals, and data infrastructure.¹⁸⁴ According

to UNCTAD's 2026 World Investment Report, the number of countries with dedicated national security screening regimes doubled from 26 in 2019 to 52 in 2025.¹⁸⁵

The European Union offers a clear example of this trend. In 2019, the EU introduced a cooperation mechanism to help member states screen foreign investments in strategic sectors.¹⁸⁶ Since then, this system has expanded considerably. By 2024, it began covering indirect investments made through companies based in the EU, and in 2025, the EU began monitoring outbound investments in advanced technologies as well.¹⁸⁷ Even though most screened investments are ultimately still approved, this system of review gives governments a powerful, ongoing tool to shape which countries and companies are allowed to invest in sensitive parts of their economies.

Tariffs, or taxes placed on imported goods, have also become a geoeconomic tool. Traditionally, tariffs were used mainly to protect domestic industries from foreign competition. Increasingly, however, governments use them to pressure other countries into aligning with their political or economic demands, or to punish countries for policies they disapprove of.¹⁸⁸ A tariff aimed

at a specific country, or at goods connected to a specific rival's supply chains, sends a different message than a general tariff applied evenly to all foreign goods. It tells a country that its market access depends on who it does business with.

Mexico is a great example of how tariff pressure can threaten a country's economic independence in practice. Roughly 80 percent of Mexico's exports go to the United States, mostly under the terms of the USMCA (United States, Mexico, and Canada) Agreement.¹⁸⁹ At the July 2026 joint review, the United States declined to agree to a further extension of the USMCA in its existing form.¹⁹⁰ This triggered annual joint reviews about extending the agreement, which remains in force unless it is changed or expires. This is not the first time Mexico has faced this kind of pressure. In February 2025, Mexico avoided a threatened 25 percent tariff on its exports not by making economic concessions, but by agreeing to deploy 10,000 additional National Guard troops to its northern border.¹⁹¹ This amounted to a purely political commitment traded directly for continued market access.

One Mexican economist warned that the country's central lesson should be to diversify its economy away from a trading partner that had



USMCA signing

Credit: Shealah Craighead

become “no longer the reliable trading partner it once was.”¹⁹² That warning has proven accurate. The clearest sign of this pressure is not the tariff itself, but its effect on foreign investment. New foreign investment in Mexico fell 13.4 percent in the first half of 2026 compared to the year before, and the value of new factories and projects announced by foreign companies fell by nearly half in 2025 alone.¹⁹³

Some companies have shifted parts of their production to other countries to reduce the costs and risks associated with US tariffs. The American company World Emblem moved part of its production from Mexico to the Dominican Republic in 2026, and several auto-parts manufacturers have said they are considering moving to Vietnam instead.¹⁹⁴ This is the deeper cost of tariff-based economic pressure. When one country accounts for the overwhelming majority of another’s trade, as the United States does for Mexico, it gains the ability to influence political decisions from military deployments to foreign policy alignment. In this sense, Mexico’s economic independence is only as strong as its ability to say no to demands it did not choose to negotiate over in the first place.

The most direct and coercive of these tools is sanctions. Sanctions are financial and commercial penalties, such as asset freezes, trade bans, or restrictions on banking access that one country imposes on another to punish it, or pressure it into changing its policies.¹⁹⁵ If foreign aid can be thought of as a reward for cooperation, sanctions are its opposite, a penalty for refusing to comply.¹⁹⁶ For sanctions to work, the cost they impose on the target country must be severe enough to force a change in behavior, while still leaving that country a path back. In practice, this balance is difficult to strike. Research suggests that sanctions fail to achieve their stated goals in roughly two out of every three cases.¹⁹⁷ Despite this poor track record, the use of sanctions has increased dramatically, rising by more than 1,000 percent since the early 2000s.¹⁹⁸ This growing reliance on a tool that so often fails suggests that sanctions serve a

purpose beyond changing a country’s behavior. Sending a clear, public signal of disapproval, and demonstrating a willingness to act, can matter to the sanctioning country even when the sanctions themselves do not work as intended.

Cuba illustrates both the severity and the limits of this tool. The United States began imposing economic restrictions on Cuba in 1960 and expanded them into a broad trade embargo in February 1962, before the Cuban Missile Crisis that October. Subsequent laws and regulations further shaped the sanctions.¹⁹⁹ These sanctions have restricted Cuba’s access to trade, foreign currency, and the global banking system. They have also cut Cuba off from most foreign direct investment, since foreign banks and companies risk legal penalties for doing business with the country, leaving Cuba dependent on a small number of alternative partners for any outside investment it does receive. Combined with other economic shocks, these sanctions have contributed to a collapse in the value of Cuba’s currency, from roughly 35 to 40 pesos per US dollar in 2021 to more than 600 pesos per US dollar by mid-2026, alongside chronic shortages of food, fuel, and medicine.²⁰⁰ Yet even the Human Rights Research Center’s report documenting this crisis concludes that internal corruption and economic mismanagement, not sanctions alone, are likely the larger cause of Cuba’s collapse.²⁰¹ This is consistent with the broader pattern surrounding sanctions. Sanctions can cause serious harm to ordinary people, yet it is often unclear whether they persuade the targeted government to change its policies.

Lastly, FDI can itself become a tool of geoeconomic competition, especially when it targets resources that global powers see as strategically essential. The Democratic Republic of the Congo (DRC) shows this clearly. The DRC produces more cobalt than any other country in the world, a mineral essential to electric vehicle batteries.²⁰² Chinese-based companies are estimated to control nearly 80 percent of the country’s critical mineral extraction, built up over two decades of early investment.²⁰³ In 2026, the

United States moved to directly challenge this dominance. The US backed the Lobito Corridor, a 6 billion USD rail project connecting DRC and Zambian mines to Atlantic ports to bypass Chinese-controlled transportation routes.²⁰⁴ Also, in April 2026, a US-based company acquired a major Congolese copper-cobalt operation with the explicit goal of supplying cobalt directly to American industry.²⁰⁵ These investments are not simply about profit. They are part of a broader competition to control who supplies the minerals that future technologies will depend on, placing a resource-rich but politically fragile country at the center of a rivalry it did not start and cannot easily opt out of.

As geopolitical tensions continue to rise, the tools of geoeconomic conflict (investment screening, tariffs, sanctions, and FDI) are likely to be used more often and with greater force. UNCTAD's own forecasting now tracks a Geopolitical Risk Index as a standard economic indicator, and that index is expected to jump from 145.1 in 2025 to 230.8 in 2026, more than a 50 percent increase in a single year.²⁰⁶ The cases of Mexico, Cuba, and the DRC each show what this looks like in practice. A country's access to markets, its ability to attract new investment, and even its own domestic policy decisions increasingly depend not just on its own economic choices, but on how it is positioned in a widening rivalry between major powers. In this sense, economic independence is no longer only a question of what a country can produce, finance, or trade on its own, or which foreign investors it is allowed to work with. It is also a question of whether a country can make its own political decisions without having its economic relationships used as leverage against it.

Bloc Analysis

POINTS OF DIVISION

A large debate around foreign investment and

economic independence is how investments should be regulated. While many states recognize that FDI provides many resources, countries disagree over investment conditions and investor influence over domestic policies. These disagreements have increased as international competition rises. For instance, the BRI's policies challenge many of the IMF's policies and goals.²⁰⁷

Countries disagree about how much influence outsiders should have over their economies. Some disagreements concern the rules for foreign companies that own or build businesses in a country. Others concern the policy changes lenders may require before giving a government a loan. EU countries and the United States argue that investments should come with conditions. They say that borrowers must meet standards of transparency and anti-corruption for funding. Critics argue that these standards are too unfair as these conditions pressure governments to adopt policies made by lenders instead of themselves.²⁰⁸ This undermines economic independence. However, others argue that many conditions do not consider accountability.²⁰⁹ Countries also disagree on the future of global investment. Some countries think the existing rules will provide long-term stability and investor confidence. Others disagree, promoting reform to give borrowers a greater voice in the lending process.²¹⁰

While countries may disagree over regulations and conditions for FDI and broader foreign investment, FDI is seen largely as a positive. Countries may place more care and emphasis on safety, it is an important part of many economies, but ultimately seek ways to expand FDI in a sustainable way.

CONDITIONS-BASED INVESTORS

Countries in this bloc believe that strong international rules are needed for stable investments. These countries support strong legal protections for investors. They believe lenders should be able to attach conditions like transparency, anti-corruption measures,

and economic reforms to loans. This is to make investments safer and more successful. This bloc's main goal is to create a stable and predictable system that encourages businesses and governments to invest across borders.

This bloc is made up of many developed countries with high economic development following democratic principles. The conditions they put on borrowers often mimic their own policies. Critics argue that those conditions are a way to spread their ideologies to the developing world. Supporters of these conditions argue that they are necessary to ensure funds are used properly. Countries in this bloc, while also receiving FDI and foreign investments, are likely to be stronger exporters of FDI. Countries in this bloc may include the United States, Canada, the United Kingdom, Australia, Japan, France, and Germany.²¹¹

Canada's Investment Canada Act requires certain foreign investments to be reported to the government. Significant acquisitions above applicable thresholds may undergo a "net-benefit" review to determine whether they benefit Canada. The government can also review investments that may pose national security risks. For foreign firms hoping to mine or use Canadian critical minerals, additional scrutiny is applied in addition to security-reviews to determine the broader national security risk of firms.²¹² When Canada invests in other economies, it does so with Foreign Investment Promotion and Protection Agreements (FIPAs). These agreements ensure flexibility for Canadian investors, promote non-discrimination policies, and negotiate favorable financial regulations for Canadian firms.²¹³ Together, these policies show how Canada regulates some investments entering its economy while seeking protections for Canadian investors abroad."

Ultimately the levels of conditions and regulations can vary by country. That being said, countries in this bloc prioritize exporting values and protections to other countries and firms, prioritizing safe environments for their investors.

SOVEREIGN DEVELOPMENT ADVOCATES

Countries in this bloc believe that businesses and firms should be free to invest in other countries without heavy conditioning on host governments. Countries in this bloc argue that foreign investment should not come with political or economic conditions. They believe that those conditions influence domestic policy too much and support financing based on respect for national sovereignty. Their main goal is to help countries develop while keeping control over their own governments and economies.

An example of this policy view can be seen with India. India has objected to incorporating the Investment Facilitation for Development Agreement into WTO rules, reflecting its concern about how international investment rules are negotiated and adopted.²¹⁴

Members of this bloc support RDBs and their goals. They support a more hands off approach, where there is no expectation of policy reform nor heavy interest rates. Flexibility is their main priority. Countries in this bloc want to put more power in the hands of the borrowers. They therefore want reform in the international lending system. China is one example: it has emphasized that countries should choose their own development policies and has presented its development financing as free of political conditions.²¹⁵ Other countries in this bloc may include Russia, Algeria, Venezuela, Romania, and Sri Lanka.

Ultimately countries in this bloc value FDI and foreign investment, but prioritize sovereignty and autonomy as it comes to the economy. Economies in this bloc may be relatively open to investment, but hold scrutiny as it comes to firms entering and the policies they can require.

REFORM AND BALANCE ADVOCATES

This bloc believes foreign investment is important, but that the current system needs improvement. These countries support

international investment, but also fairer lending rules and a stronger voice for borrowing countries. They believe investors should be protected, but they also want countries receiving investments to have more flexibility in deciding how funds are used. Their main goal is to create an investment system that is fair for both lenders and borrowers.

Countries in this bloc tend to be emerging economies that are now shifting into the broader global economic sphere. These are countries that have often felt disadvantaged as a result of the current system. They do not have a strong preference in favoring borrowers or lenders individually. They believe in a system that's fair and just, while also increasing the value of investments to the developing world. The countries in this bloc are considered "moderate" by some. However, this does not mean they are not passionate about reform. Some countries in this bloc include Brazil, Indonesia, Mexico, Kenya, South Africa, Nigeria, and Egypt.²¹⁶

South Africa leverages its position in the G20 and BRICS to levy reforms on foreign investment. For example, South Africa passed the Protection of Investment Act. The act seeks to both protect investors from arbitrary and unfair treatment in host countries, while also reaffirming a government's ability to protect public interest and broader regulations.²¹⁷

Ultimately countries in this bloc value development, but want to ensure fairness and equity across economies and in transactions. Policies both protect domestic industries from foreign investors, and ensure that countries receiving their investment are safe for investors.

Committee Mission

The United Nations Conference on Trade and Development (UNCTAD) was established in 1964 to help developing countries increase their participation in the global economy. Since its creation, UNCTAD has worked to promote

sustainable development through international trade, investment, finance, technology, and economic cooperation. Unlike the International Monetary Fund or the World Bank, UNCTAD does not lend money, and it cannot enforce a single rule. It exists to convene, to study, and to recommend.²¹⁸

Today, UNCTAD plays a leading role in studying global investment trends and helping governments create policies that encourage sustainable economic growth. Every year, it publishes the *World Investment Report*, the most widely used source of data on foreign direct investment.²¹⁹ The report examines where investment is flowing and how it affects development. UNCTAD also provides technical assistance to member states, helping them strengthen investment policies and negotiate international agreements.²²⁰

UNCTAD's mandate has become increasingly relevant. Foreign investment, lending, and even technology are increasingly shaped by political alignment rather than purely economic decisions. Foreign direct investment can help build new industries, but it can also create long-term dependency. Loans from international institutions can stabilize a struggling economy, but the conditions attached to them can also limit a government's control over its own policies. Regional development banks were created partly to offer a fairer alternative to older lending models, yet they often rely on funding from the same small group of wealthy countries. Tools like tariffs, sanctions, and investment screening are increasingly used to reward political allies and punish rivals rather than simply to manage trade. At the same time, the global economy is shifting toward services and artificial intelligence, and control over this new kind of knowledge and technology remains concentrated in a small number of countries.

There are also real limits to what the committee can do. Delegates should concentrate their recommendations on three questions: how governments can evaluate and negotiate foreign

investment so it builds local jobs and productive capacity; how borrowers can make financing terms transparent and manage debt risks; and how countries can gain skills and technology from international partnerships. UNCTAD can support these goals through research, voluntary policy guidance, and technical assistance. UNCTAD cannot force a country to change the terms of a trade agreement. It cannot cancel a country's debt, remove a sanction, or require a company to share its technology. Its resolutions are not legally binding. However, ideas discussed in UNCTAD have shaped how governments and international institutions think about trade, debt, and development. Recommendations written will not rewrite a treaty, but they can shape how governments and the wider international community understand what counts as fair.

The economic system many developing countries operate within remains deeply unequal. Solutions to economic dependence may focus on reforming existing institutions that control lending and investment. Others may focus on strengthening domestic industries so countries depend less on outside financing in the first place. Still others may focus on how countries can respond to new forms of economic pressure, or how developing countries can build up their own knowledge and technology instead of relying entirely on others.

Research and Preparation Questions

Your dais has prepared the following research and preparation questions as a means of providing guidance for your research process. These questions should be carefully considered, as they embody some of the main critical thought and learning objectives surrounding your topic.

TOPIC A

- 1 What are your country's main barriers to accessing affordable medicines? How important are patents compared with cost, manufacturing capacity, regulation, and infrastructure?
- 2 Does your country produce medicines domestically, rely mostly on imports, or serve as a major pharmaceutical exporter? How does this shape its position on patent protections?
- 3 How has your country used, or responded to, TRIPS flexibilities such as compulsory licensing?
- 4 When should pharmaceutical companies be expected to share manufacturing knowledge and technology, particularly for biologics, vaccines, and gene therapies?
- 5 Could pooled procurement, regional manufacturing, or shared regulatory systems improve access to medicines in your country? What challenges could limit these approaches?

TOPIC B

- 1 How can states balance the need for economic sovereignty with the benefits of foreign direct investment?
- 2 What conditions should come alongside lending? To what extent do these conditions help/harm countries receiving investment?
- 3 How can lenders benefit from investment into developing countries while respecting the sovereignty of the borrowers?
- 4 How can small and local businesses be supported while foreign investment undermines their viability?
- 5 Are large-scale investment projects (such as the Belt and Road Initiative) an effective way to support development? If not, how can they be improved to become feasible in different countries?
- 6 What role does your country play in the international economy (lender, borrower, both)? In what way can your specific lending policies be leveraged on the international scale?

Important Documents

TOPIC A

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About the Authors

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Sinan Ozbay is from New Jersey. He received his Bachelor's in philosophy and Master's in finance from Princeton University. In college, he was involved with the Princeton Debate Panel. During that time, he was the American Parliamentary Debate national champion, and runner-up at the World Universities Debating Championship. Currently, he is pursuing his PhD in Computational Biology and Bioinformatics at Duke University. He is working to build accurate simulators of cellular dynamics and genetic perturbations to aid in the discovery of novel therapeutics.

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