

Forum: United Nations Conference on Trade and Development (UNCTAD)

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Introduction

The idea of a cryptocurrency was first developed in 2009 with the creation of Bitcoin by Satoshi Nakamoto, a decentralized virtual currency relying on cryptography for its generation and the securing of transactions. Since then, the high volatility cryptocurrency has had a \$1,800% value increase from the early stages of its creation in 2017, meanwhile, approximately 1600 other cryptocurrencies have been created. The decentralization, lack of regulation, flexibility, and potential have all been appealing factors to investors and users around the world. When analyzing the global effect, cryptocurrencies have been faced with both praise and criticism. A possible advantage would be its universality, and how cryptocurrencies have the potential to become a truly global currency available to everyone, an unprecedented phenomenon that has the potential to bring the world together economically at an ever-faster pace. On the other hand, the lack of regulation and centralization creates room for money laundering, black market activities, funding of terrorism, and other types of fraud. The uncertainty surrounding cryptocurrencies also results in a lot of stock market volatility for these cryptocurrencies, suggesting a potential lack of economic stability.

Due to the large potential effects of cryptocurrencies, national governments have started to implement their own rules and regulations regarding the topic. These new rules are generally centered around taxation, the establishment of circumstances when transactions would be permitted, and tracking mechanisms. There are however different exceptions and specific laws that are different for each country. Nevertheless,

there is no global doctrine towards cryptocurrency, as evident in the fact that no official UN resolution has been passed regarding the topic. The creation of international consensus is something that could go a long way in developing cryptocurrencies into a truly safe and global trading mechanism, designated to help develop economies and thus livelihoods around the world.

Definition of Key Terms

Cryptocurrency

A digital currency in which encryption techniques are used to regulate the generation of units of currency, and verify the transfer of funds working independently of a central bank.

Blockchain

A virtual system in which a cryptocurrency's transactions are recorded and maintained.

Currency - Investment

Investing funds in different currencies giving them value with the hopes of creating a higher return.

Transaction

Transferring, purchasing, or selling something.

Stock Market Volatility

Liability for values to change and fluctuate.

General Overview

There are many complexities involved in cryptocurrencies and the effects that they have. Their design allowed for some major advantages and disadvantages in relation to their effects on public safety and the economy. It can also be argued that cryptocurrencies have substantial effects on industrialization and potentially the tangible market. One thing crypto - technology has the potential to do is expand its accessibility due to the fact that it is not controlled by a central bank and/or government. Better accessibility means more economic opportunity, which thus ties in to the potential to possibly increase wages, improve infrastructure, and ultimately create the groundwork for a fully industrialized economy. Even though cryptocurrency is not popular in relation to the tangible market, its otherwise rising popularity and potential benefits create the possibility of it being used in that sense in the future. It is currently not at that stage yet because of either governmental regulations, prominence of the local currency, lack of access because of how this technology is still relatively new, and finally because it still has not been established well enough in more secluded or poorer areas. Having looked at its potential for the future, the following are some examples of the effects cryptocurrencies have had in the past:

The rise of BitPesa in Africa

Sub - Saharan Africa's poor and inefficient financial infrastructure has driven a range of forward-thinking companies to take advantage of crypto technology and to develop a new method of payment for the region. Throughout history it has been a struggle to find a reliable, low-cost solution to B2B payments; overseas payments would have taken weeks to settle in addition to fees going up to 10%. Now with the development of BitPesa and similar technology, developing countries with poor financial infrastructure have the opportunity to use a cheap and reliable payment method to help stimulate the economy safely and at a faster pace.

Eastern Caribbean Central Bank Blockchain Pilot Initiative

Considering some of the many advantages and disadvantages most cryptocurrencies have, the ECCB decided to create a cryptocurrency under a centralized bank, specifically a securely minted and issued version of the EX dollar, offering the stability

and governmental regulation or cryptocurrencies do not have to stimulate economic growth, while also reducing cash usage and all the problems that come with it. The bank, which is the monetary authority of 8 countries, will officially implement the use of the pilot following testing in the first months of 2020. This will serve as yet another example of cryptocurrencies being used to expand financial resources in addition, union building, and governmental benefit.

North Korea stockpiling cryptocurrency through cyber attacks

A 2019 UN Security Council Report concluded that the Democratic People's Republic of Korea (DPRK) amassed approximately \$670 million worth of cryptocurrency in an effort to evade international sanctions. Blockchain technology's ability to prevent tracing and regulation from foreign governments has been an appealing tool to those attempting to evade financial punishment. This report also emphasizes the risk cryptocurrencies face from cyber-attacks, ultimately not deeming them perfectly safe.

Increasing usage of cryptocurrency in Venezuela to minimize the effects of inflation

With unprecedented inflation in the country, Venezuelan citizens have started turning to more stable, non-government affiliated cryptocurrencies due to the lack of access Venezuelans have to foreign financial markets, partially due to sanctions from countries like the United States. Doing so makes necessary products more accessible due to the ability to convert crypto to normal currencies while also being able to easily transfer money overseas. This can be seen from both a positive and negative point of view. Some may argue that it is good for ordinary Venezuelan citizens because it allows them to find a way around the country's inflation and thus afford necessities. Another point of view, however, would be that the availability of cryptocurrency places less pressure on the Maduro government, while also in a way allowing Venezuela to evade U.S sanctions and international accountability.

Major Parties Involved and Their Views

United States

The United States not only has the largest amount of Bitcoin users in the world, but also the world's largest and most influential economy. The country has started setting strict regulations on cryptocurrency exchanges and has recently started considering them as assets as evident in the fact that crypto - investments are now subject to long and short term capital gain taxes, an example that many are considering to follow.

European Union

While also maintaining some of the world's biggest and most stable economies, the EU has been at the forefront of creating new regulations and technology to use cryptocurrencies for their own economic and social benefit.

Russia

In 2017 Russian president Vladimir Putin stated that cryptocurrencies "cause serious risk" and are used as a threat for crime. However, Russia has recently been on the more positive note regarding cryptocurrencies in order to possibly evade western sanctions among other economic benefits. It is also important to keep in mind that Russia has recently been accused of repeated hacking attacks, one of which was the 2018 hacking of the Tokyo - based Coincheck exchange, in which approximately \$530 million worth of cryptocurrency has been lost.

China

China has been quite skeptical regarding cryptocurrency, as it sees it as very speculative and possibly disruptive current financial systems in place. The world's second-largest economy has now opened itself to the idea of cryptocurrencies deemed safe and that do not have too big of an effect on China's and the world's current financial order.

Timeline of Events

Date	Description of event
2009	The first-ever cryptocurrency (bitcoin) was created by Satoshi Nakamoto
2011	Mt Gox Hack - first ever large scale cryptocurrency hack.
2017	Bitcoin makes a historic \$900 - \$20 000 jump in value - global attention starts being directed at cryptocurrencies.
2018	Coincheck Exchange breach where Russian hackers allegedly stole \$517 million worth of cryptocurrencies.
2019	The Marshall Islands becomes the first country to officially adopt its own cryptocurrency as the country's official currency.

UN involvement, Relevant Resolutions, Treaties and Events

The United Nations has not passed any regulatory resolutions on the topic, and nor does it currently see blockchain technology as an issue. It is, however, using the ideas of cryptocurrency and blockchain technology in a variety of programs recently launched shown below:

- Building Blocks Program launched in 2017. The program launched by the World Food Program (WFP), is using Ethereum based technology to fund food purchases for those in need, primarily Syrian refugees.
- In 2018 the UN announced its launching of the Climate Chain Coalition plan, which uses blockchain-based technology to design and promote applications related to climate change. This is done by conducting actions aimed at things like supporting the mobilization of green finance and improving transparency and cost-efficiency of climate action.

- In 2016 the United Nations Office for the Coordination of Humanitarian Affairs proposed to apply blockchain technology and cryptocurrencies to help with topics like data sharing, cash programs, donations, and microfinancing.

Evaluation of Previous Attempts to Resolve the Issue

Despite there being no official UN stance on the use and effects of cryptocurrencies and their technology, it can be implied that they see the opportunities blockchain technology bring as evident in its use in a series of UN programs. With that being said, however, there is still no official UN doctrine, and the use of blockchain technology is fairly new and limited. This suggests that there is still a need for general international UN technologies to determine how, and if one of the fastest rising modern phenomena will be part of global development, as well as how it should possibly be restricted for safer use.

Possible Solutions

Having analyzed different approaches, and points of view nations are taking in addition to the different implications cryptocurrencies and blockchain technologies can have there are three primary types of solutions that can be put into place.

As previously described, there is currently no true international consensus on the use of cytototechnology, which includes when it should be used, how much it should be regulated, and how one can maximize its positive effects for global development. Creating a general international consensus along those lines will not only create guidelines for the developers of that technology to follow in order to ultimately achieve good in society but also make a stance in global solidarity in a united free trade dominant world where everyone sees the benefits of this new technology. A potential resolution could thus include and tackle specific topics regarding accessibility of basic education on cryptocurrency and technology so that all have a basic understanding of

it so it can be used in a safe universal way, certain regulations on say when cryptocurrency should be used to allow for more international stability and cooperation on the issue, and potentially whether governments should have access to blockchain technology when cracking down on terrorism and black market activities. Adding on to these core factors, a resolution could also include the creation of a sub - committee directed at solely tackling the topic of cryptocurrency and some technological, and humanitarian programs that continue to expand the accessibility of cryptocurrency for infrastructural and social development across the world.

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