

2nd ECOFIN

*Advanced
General
Assembly*



TOPICS: Combating Money Laundering in the Golden Triangle, Regulating the Global Cosmetics

LAIMUN XXVIII

CHAIRS: Aidan Murphy, Blake Burrell

December 3-4

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Letter from the Secretaries-General

Dear Delegates,

On behalf of our entire staff, it is our pleasure to welcome you to Session XXVIII of the Los Angeles Invitational Model United Nations (LAIMUN) conference. LAIMUN XXVIII will take place on Saturday, December 3 and Sunday, December 4 of 2022 at the Mira Costa High School (MCHS) campus.

Our staff, composed of over 100 MCHS students, has been working tirelessly to make your debate experience the best it can be. You will find your dais members to be knowledgeable about the issues being debated and MUN procedure. We pride ourselves in hosting a conference that is educational and engaging, and we hope you take advantage of that as you prepare and debate.

At LAIMUN, we value thorough research and preparation. We ask that delegates write position papers following [these directions](#). The deadline to submit position papers to be considered for Committee and Research Awards is Friday, November 25 at 11:59 PM PT. The deadline to submit to be considered for Committee Awards is Thursday, December 1 at 11:59 PM PT.

We also encourage all delegates to read the [LAIMUN Rules of Procedure](#) for conference-specific information and as a reminder of points and motions that can be made during committee.

Feel free to reach out to our staff with any questions or concerns you may have. Delegates can find their chairs' contact information next to their committee profile and the Secretariat's email addresses on the staff page. Any member of the LAIMUN staff will be happy to assist you.

We look forward to seeing you in December!

Sincerely,

Allyssa Lessinger and Brady Stephens
Secretaries-General, LAIMUN XXVIII
secretarygeneral@mchsmun.org



Introduction to the USG

Hi Delegates! My name is Tucker and I'm the Under-Secretary General of General Assembly committees. This is my fourth year in the Mira Costa Model UN program and I am ecstatic to welcome you all to LAIMUN XXVIII.

I'm so excited to see various diplomatic strategies in committee regarding the pressing issues we encounter on a global scale. Our chairs will hold the delegates to high standards of research, diplomacy, speeches, and solutions.

At LAIMUN, we have a strict no pre-written resolutions policy—resolutions can only be worked on at your chair's discretion. Please verify that your work is authentic to ensure all delegates experience a fair and accurate simulation of a United Nations conference.

The Mira Costa Model UN program has provided me with incredible opportunities and lasting memories; I hope that LAIMUN XXVIII will be a memorable experience for you as well! Mira Costa MUN provides a profound opportunity for delegates to gain knowledge, confidence, speaking skills, and most importantly, a new understanding of international relations and current events. All LAIMUN XXVIII staff have worked hard to provide the best experience for everyone in attendance and we wish you the best of luck throughout your preparation!

If you have any questions or concerns, please don't hesitate to reach out to GA@mchsmun.org or other members of the Secretariat. I can't wait to see you in December!

Regards,

Allyssa Lessinger and Brady Stephens
Secretaries-General

Tucker Gauss
Under-Secretary General

Introduction to the Dias

Greetings Delegates!

My name is Aidan Murphy, and I will be your co-chair along with Blake for 2nd ECOFIN Advanced at LAIMUN! I am a senior here at Mira Costa, and I've done MUN all four years at Costa. I've participated in all of our local conferences and last year I traveled out of state for NHSMUN and was awarded Plenary Speaker and Best Delegate. At last year's LAIMUN I chaired UNICEF Nov, and I thoroughly enjoyed seeing new delegates blossom in committee. I currently TA the Intro to MUN class to ensure the next generation of Costa Delegates are ready for debate and ready to carry on Costa's legendary legacy.

Aside from MUN, I play water polo for Mira Costa and play and coach at Trojan Water Polo Club. I am heavily involved in Costa's clubs, being President of the South Bay Food Initiative Club and founder of the Marine Mammal Protection Club, as well as being a member in the Jimmy Miller Foundation club and the UNICEF club. As well as being a member of various clubs, I'm also a member of the Symphony and Chamber Orchestras here at Costa. I've played the cello since 3rd grade, and have been a part of various orchestras at Costa and outside of Costa. Our Symphony Orchestra just performed at Walt Disney Concert Hall this past June, and we will be touring South Korea this summer. I also love to scuba dive, travel, and eat.

I'm really looking forward to seeing you all debate! I hope to see interesting and unique solutions, confident speaking, and friendly caucusing. With our topic, a broad range of subtopics

and solutions are at your disposal, so I hope we can keep debate lively and entertaining, because after all.... MUN.... is... FUN!

Best,

Aidan Murphy

Hi Delegates!

My name is Blake Burrell I am one of the co-chairs, along with Aidan Murphy, for 2nd ECOFIN Advanced. I have been a part of the Mira Costa MUN program for two years, but I have been in the overall MUN organization for three years. I have taken part in six conferences, such as Surf City and Edison. I am also excited to attend the BERMUN conference in the fall, where I will be partaking in the youth assembly. I am currently a junior at Mira Costa, and I'm super excited to see everyone in the debate and see what you guys have to bring to the two topics!

Outside of MUN, I was born and raised in Manhattan Beach. In my free time, I enjoy going to the beach with friends; I also enjoy surfing, hiking, and cliff jumping with friends in either P.V. or Malibu, as well as doing hot yoga with my best friend. I am an avid dog lover, meaning I have three dogs; I love to take them on runs and drives as well. I am also a part of a tutoring program, BCST, where we provide free tutoring for students who are struggling financially, NCL (a national charity league) - where we work with the Los Angeles children's hospital as well as other organizations by donating through funds accumulated by a low-cost thrift shop ran by volunteers of the organization. I also work with UBH, a program that provides

housing and everyday essentials to help displaced families; lastly, I also partake in a shared closet club where we work to provide clothes for those in need.

In 2nd ECOFIN Adv., I would like to see avid debate on not only the prominent larger categories but an emphasis on more of the subtopics as both topics have a myriad of avenues to explore. Both topics have interesting niches for each and every country as they both relate to a global scale. We are so excited to see all delegates in the debate and have a fantastic LAIMUN! Please feel free to reach out with any questions or concerns at the following email address, ecofin.adv.laimun.xxviii@gmail.com.

Best of luck!

Blake Burrell

Committee Description

The Economic and Financial Committee of the General Assembly, deals with many issues pertaining to economic growth and development. Historically, ECOFIN has worked through obstacles in the way of successful international macroeconomic policy, the financing of globalization and interdependence, and sustainable development. This Second Committee also handles special circumstances such as the sovereignty of the Palestinians in East Jerusalem and Syrian Golan. The committee was first founded on the 25th of April, 1945 and its membership is open to any member states of the UN, and follows the same parliamentary procedures as the General Assembly. With 193 members currently, ECOFIN works to encourage international growth through financial assistance and improvements in financial affairs; each of its members are considered equally and are afforded identical voting rights.

Within the General Assembly, ECOFIN is unique because it serves to lead the development of a coordinated approach to economic issues centric to local, national, and global economies. This committee largely assists in the development of lower-GDP nations to provide economic stimulus and growth through financial aid and proper resource allocation. A notable ECOFIN project is the establishment of the Sustainable Energy for the All initiative. This program aims to increase investment in renewable energy sources with the ultimate goal of widespread access to sustainable and modernized energy by 2030.

In recent years, ECOFIN has aided in resolving major disputes in the Middle East such as insisting Palestine end its occupation in Syria. This was due to the human rights violations

heavily affecting the economic environment because of the military, social, and political stress the occupation was putting on the people. ECOFIN has also illustrated a major stress on Least Developed Countries and Landlocked Developing Countries, through their collaboration with the IMF and the World Bank. Having an understanding of the involvement ECOFIN has in current affairs will be essential in understanding the topics being discussed.

Topic A: Combating Money Laundering in the Golden Triangle

I. Background

Of the 3.6% of criminal proceeds out of the global GDP, 2.7%, or 1.6 trillion, is laundered. Money laundering has been extremely prevalent in areas with large amounts of illicit substance production, packaging, and distribution. Specifically in the region of the Golden Triangle, the area where the borders of Thailand, Laos, and Myanmar meet at the confluence of the Ruak and Mekong rivers, there is a large amount of money that is laundered. The region is a hotbed for drugs like heroin and opium, wildlife trafficking, human trafficking, and counterfeit medicine and goods. Organized crime groups are responsible for these illegal practices, and specific to Southeast Asia, the larger and most powerful criminal organizations are the Yakuza, Jao Phro, and the Triads. The sheer size of these organizations has allowed them to bring billions of dollars into their crime groups. In fact, in June 2020 it was estimated that the largest kingpins in the Golden Triangle make \$30-50 billion (USD) a year.¹

As of recent, methamphetamine production has drastically increased, providing an additional \$60 billion dollars to an already economically abundant organization. The large sum of money that these organizations bring in off of drugs alone shows how necessary it is to infuse money laundering into their operations. But what is Money Laundering? Money laundering is

¹ *United Nations*, United Nations, <https://www.un.org/development/desa/en/news/financing/facti-interim-report.html>.

“the concealment of the origins of illegally obtained money, typically by means of transfers involving foreign banks or legitimate businesses.” Usually needed for cartels and organized crime groups, money laundering is needed to avoid suspicion, as well as evade taxes.

Money laundering is the process of concealing the source of illegally obtained funds — also known as 'laundering' or 'cleaning' — so that it appears to have come from legitimate sources. "Cleaning Money" is the process of concealing financial assets so that they can be used without being discovered as the result of illegal activity. Money laundering is the process by which a criminal converts monetary proceeds from criminal activity into funds with an apparent legal source.

An example are Al Capone and his multitude of laundromats. His laundering was estimated to be around \$1 billion dollars, which would be a much larger current sum. However, money laundering is not limited to the criminals attempting to launder their money. It is important to also monitor banks for illicit activity. For example, the largest bank in Europe, HSBC, had to pay a \$2 billion fine as they were caught allowing drug cartels to launder millions of dollars through their bank. It was estimated they allowed \$900 million to funnel through their business. These examples demonstrate the magnitude of the problem. ²

Specific money launder strategies that groups in the Golden Triangle utilize is that in exchange for monopolies or concession rights, the businessmen receive shared profits. This way, the organization can manipulate the locals in two ways. They make the impression they are

² *United Nations*, United Nations, <https://www.un.org/development/desa/en/news/financing/facti-interim-report.html>.

somewhat of a sympathizer by giving the workers a small portion of the profits, and they also are able to launder the money through these small businesses. Chinese groups use the ‘Greater Mekong Subregion Program’ to excuse the conversion of opium-gained money into casinos. By funneling citizens into casinos, which are illegal in China, it allows a drastic development in tax advantages. Despite the illicit nature of these business practices, these being the casinos, citizens in these impoverished regions often overlook legal concerns as they prioritize a consistent income source. Casinos are not flagged as commonly as opium sales would be given the past history of the opium crisis in China. This being the past Opium war, and the toll the overall conflicts took on the country. Casinos are an easy cover-up for opium sales.

The predicate offenses for money laundering have not been fundamentally altered by Covid-19. Fraud remains fraud. Theft remains theft. However, scam techniques and money laundering typologies have evolved. As a result, Coronavirus could serve as a catalyst for change in how regulated entities combat financial crime. The Coronavirus has made life difficult for drug traffickers. Global lockdowns closed borders, ports, and airports, making it more difficult for drug smugglers to transport drugs. Criminals also rely on legal trade to conceal their illegal activities, so as global shipments slowed, drug and cash seizures increased, particularly during the pandemic's early stages. Laundering the proceeds of drug crime has been a similar story. According to the Los Angeles Times, the closing of non-essential businesses caused drug money to accumulate in Los Angeles. At the start of national lockdowns in April 2020, federal agents made three seizures in three weeks that netted more than \$1 million in suspected drug proceeds. Drug traffickers had to change their strategy after business as usual was disrupted. They needed

to find new transportation routes as well as ways to clean their dirty cash. This included new overland routes, cash-intensive businesses, and money mule networks, as traditional black-market peso exchanges came to a halt. The overall deterioration of the economy also resurrected money laundering opportunities that had previously existed during the Great Recession of 2008. To conceal their illicit proceeds, some criminals invested in failing businesses or purchased cheap foreclosed homes with cash, while others moved their funds through financial networks by restructuring their credit or previously held loans. During the pandemic, some people who had never been money launderers before became so for the first time as investors and business owners attempted to avoid paying outstanding debts on failing companies by concealing the existence of funds.

II. UN Involvement

Money laundering has been recognized by the UN since Vienna in 1988. Convention Article 3.1 specifically addresses money laundering. Recently, in September 2020, the UN Department of Economic and Social Affairs stated “[g]overnments must do more to tackle tax abuse and corruption in global finance.” The report was published by the High-Level Panel on International Financial Accountability, Transparency and Integrity for Achieving the 2030 Agenda (FACTI Panel), established by the 74th President of the UN General Assembly and the 75th President of the UN Economic and Social Council. Along with addressing problems between agreeing governments, they estimated that over \$500 billion dollars goes to the

government each year, over 10% of the world's GDP—around \$7 trillion—is held offshore, and that \$1.6 trillion is laundered every year.³

The UN has passed many conventions such as the Vienna Convention; the UN Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, the Palermo Convention; UN Convention Against Transnational Organized Crime, and the Merida Convention; UN Convention Against Corruption. The Financial Action Task Force is an intergovernmental organization whose purpose is to promote development of national and international anti-money laundering solutions, in tandem with the UN. The UN has also been very involved in trying to stop all forms of illegal activity in the Golden Triangle such as money laundering, wildlife trafficking, human trafficking, child labor, drug production, counterfeit goods production, etc.

Overall, the UN has been relatively focused on money laundering, however it doesn't seem ever extremely direct. Sporadically, money laundering is mentioned as a subtopic to other problems such as wildlife trafficking or drug smuggling. This goes to show that this essential part to a large-scale illegal operation is commonly overlooked which allows illegal groups to practice it much more freely. The UN has been partially involved, however it leads questions to the integrity of the UN's sole focus on money laundering. The slight involvement has included the encouragement by UNODC for states to develop policies to combat money laundering and terrorism financing. The encouragement also included urging the states to monitor and analyze related problems and responses, to stimulate community mobilization and action about money

³ *Money Laundering - Financial Action Task Force (FATF)*, <https://www.fatf-gafi.org/faq/moneylaundering/>.

laundering and terrorism financing, and to act as a coordinator of initiatives carried out jointly by the UN and other international organizations. Lastly the GA called for a Global Programme Against Money Laundering following the seizing, in July of 1991, of over 12 billion dollars in assets from the Bank of Credit and Commerce International (BCCI). The UN Global Programme Against Money Laundering (GPML) is a research and assistance project of the United Nations Office for Drug Control and Crime Prevention (ODCCP), which includes the UN International Drug Control Programme (UNDCP) and the Centre for International Crime Prevention (CICP). Each organization is housed in Austria's Vienna International Centre. The Program's goal is to increase the effectiveness of international money laundering action by providing comprehensive technical expertise to Member States that request it. Although these continuous urges and plea's have been made, few solutions have come of them, thus leaving this crisis as ongoing and unsolved.

III. Topics to Consider

There are a plethora of different topics to consider when discussing money laundering in the Golden Triangle. First, it is essential that organized crime is targeted in southeast Asia. These criminal organizations who carry out large scale criminal activities have been extremely prevalent in the Golden Triangle. By targeting the organized crime groups, it is possible to target a multitude of wrongdoing, such as illicit drug production and counterfeit goods. Groups like the Yakuza and Triad are dominant in the region for their production of illicit substances. Their production of paraphernalia allows them to bring in millions of untaxed dollars that need to be

laundered. Often going out of the country to avoid attention from regulatory agencies, these organizations get away with laundering possibly billions. By targeting their practices, we can reduce the amount of illegal money laundered. These groups often collude with governmental agencies and engage in corrupt practices, making monitoring more difficult.

Additionally, increasing accountability on banks is an essential point to discuss. Most of the time, money laundering is overlooked at the bank, as most groups target business fronts. By keeping closer accountability on the bank, you can target the direct source of money, therefore streamlining the detection of money laundering. Wachovia Corporation was acquired by Wells Fargo & Company in 2008 to form North America's most comprehensive financial services distribution system. Wachovia, once one of the largest banks in the United States, is unfortunately responsible for the largest money-laundering incident. Banks have been major targets in money laundering operations because they offer a variety of services and instruments, such as cashier's checks, traveler's checks, and wire transfers, that can be used to conceal the source of illicit proceeds. They conceal the money by using the placement, layering, and integration steps. Smaller transactions are used to deposit large sums of money in various banks. Financial institutions are required to report large deposits in excess of \$10,000 to financial regulators and authorities. Having an increased accountability on the verification system to obtain a bank account must be discussed. To allow less money to be laundered, it would be necessary to check the integrity of the accounts being created, to ensure fake accounts aren't being created. Also, accountability among the bank workers is an important aspect of money

laundering to consider. Systems to put in place to keep watch over bank workers, or programs to support inter-work accountability.

Another very important aspect of all of this we must investigate, is what happens on the borders. The border patrol in many countries in the Golden Triangle is either inconsistent or corrupt. Commonly, money is smuggled into certain nations to be transferred into business and banks. By truck wheels, oversea containers, and sometimes on planes, organizations and cartels need to transport their money. Border patrol is extremely necessary to seize this traveling money, but commonly there is corruption. Anti-corruption practices need to be implemented, in tandem with useful tools and technology. Focusing on increasing border reliability will greatly decrease the amount of money being laundered, as well as decrease options for organizations to use.

Finally, there must be more assistance for businesses and companies to ensure they are accountable for the money that is moving through their business. With trillions of businesses across the globe, it is impossible to monitor all of them. However, by noticing patterns and signs in the money income of certain businesses, suspicious income fluctuations can be tracked. Organizations such as the FATF can partially do that, but they are only a policy making organization, so they cannot enforce anti-money laundering regulations.

IV. Case Study

There are 2 different case studies that are particularly interesting in regards to our topic. First, the use of agricultural products in a trade-based money laundering scheme. In 2016, an investigation into this practice was launched by France, Belgium, and the Netherlands after a

routine vehicle check brought in 300,000 EUR. The drug smugglers used a professional money laundering (PML) service that used many different techniques. Actively laundering for over 4 years, the estimated money laundered was around 400 million EUR. The PML used a web of underground banking networks in Belgium and France which collected and dispersed the money. The Netherlands-based bankers worked in import and export businesses, trading food products with African nations. After 3 years, the investigation ended with over 7 million EUR in cash and almost 5 million EUR in assets. This specific case study is very important to our topic, as it shows how money laundering can bleed into multiple different nations. The drug smugglers smuggled their narcotics into these nations, and used the countries to launder the money. Therefore, it shows the importance that organizations in the Golden Triangle are likely not limited to using local banks, and most likely use offshore accounts around the world.

The second case study is fitting for a different reason. This case study shows the devastation of money laundering, but also demonstrates the importance of border control. The investigation was led by the Italian and Spanish authorities and they were tracking down a network of companies, and numerous groups and acquisitions in Vienna, that was laundering the money of tax fraud and drug trafficking. The investigation began in 2017 and consisted of a 45 million dollar tax scheme. They laundered their money by purchasing luxury vehicles in Germany and surpassing large taxes through fake paperwork. This money laundering was so impeccable that the companies convinced legitimate suppliers in Italy to sustain large numbers of imported cars. The organizations also bought small luxury items and other goods such as watches at their source and resold them for higher prices. For example, they would buy watches

in Spain and Switzerland and then supply drug traffickers in Morocco and the Netherlands. The governmental intervention in 2017 identified assets with a worth of 8 million EUR, spread across a multitude of European countries. Some examples of seized assets were 6 vehicles, 32 different bank accounts, 11 properties, and shares in 2 companies.

With both of these cases studies, we are shown the degree to which money laundering impacts a company. We are also shown the way that one organization's money laundering affects hundreds of people across multiple countries, making it a very long and hard process to track it down. However, both of these case studies give good material to look over when thinking about what to focus on in stopping money laundering specifically in the Golden Triangle.

V. Guiding Questions

1. Where does the laundered money originate from?
2. In which ways can the illicit activities by which laundered money originates be more effectively regulated by regional governments and the UN?
3. How has your country regulated money laundering in the past, and how can these lessons be applied to current solutions?
4. What are alternative sources of income for those affected by money laundering and criminal organizations?
5. Why have past UN resolutions/agencies/solutions failed, and how can they be reformed/improved?

6. How can overseas account holders including banking corporations be held accountable for money laundering?
7. What can be done about money layering, and how is it possible to detect the cleaning of money?
8. How can the detection of financial assets aid in detecting money laundering?

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Topic B: Regulating the Global Cosmetics Industry

I. Background

The cosmetics industry is a massive, global business network that includes products such as skin care, hair care, makeup, deodorants, oral cosmetics, perfumes, and toiletries. This industry dates back to ancient times—stemming from the Silk Road. The size of the industry has only grown since then, as the global industry valuation currently translates to around \$507.8 billion, with a prediction of a \$758 billion valuation by 2025⁴. The beginning of the global regulation of cosmetics began in 1938 with the United States (U.S.) Congress passing the Federal Food, Drug, and Cosmetics Act. This regulatory law only requires that adequate directions, to provide safe use, be added to the product, but does not provide regulation for chemicals and sanitation. The variations of problems related to the regulation of cosmetics include chemical catastrophes, greenwashing, marketing myths, and a lack of regulation. The Food and Drug Administration (FDA) being the only current regulatory body in the U.S. on the cosmetics industry results in the regulations being slim.

Along with the shortcoming regulations in place by the FDA, the law does not require cosmetic products to be approved by the FDA before going on the market. The lack of regulation has resulted in a vast amount of chemical-related injuries. These injuries are typically a result of hidden ingredients in parabens, fragrances, and sulfates.⁵ Some of these chemicals have been

⁴ Sinacola, Gabrielle. “9 MAJOR Problems With the Beauty Industry.” *MirraSkincare*, 1 June 2021, inthemirra.com/blogs/news/problems-with-the-beauty-industry.

⁵ Elkins, Laura. “The 6 Biggest Issues Facing the \$532 Billion Beauty Industry.” GLG, 17 July 2020, <https://glginsights.com/articles/the-6-biggest-issues-facing-the-532-billion-beauty-industry/>.

known to harm reproductive systems as well, one of these being known as Dibutyl phthalate which is a developmental toxin and an endocrine disruptor. The United States has battled sub-states when calls for regulation were made by California in large supermarkets including CVS, Rite Aid, and Target. These wishes were not fulfilled seeing as these markets still receive products that go through, and only pass, the 1938 regulatory act stated above.

These chemicals have since been banned by the European Union (EU) when the EU Cosmetics Directive was passed in 2003 and has since been revised as of 2013; where they banned 1,328⁶ chemicals typically used within cosmetics that have been known to cause cancer, reproductive harm, and genetic mutation. South Africa has enacted legislation through the Department of Health the Foodstuff, Cosmetic & Disinfectant Act (Act 54 of 1972) that has not since been updated. The act was intended to provide for incidental measures as well as control sanitation. In South Asia, there are continuous actions being taken to better the regulations. This has been led by a group by the name of ASEA which is a group of markets with over 500 million consumers. As of 2003, they have instated, along with a pre-market approval system on cosmetics, an after-market approval system which includes the necessary labeling on all products locally with the name and address of the manufacturer to take responsibility for the product. Australia passed the Industrial Chemicals Act of 2019 where all cosmetics are labeled as industrial chemicals and supervised as such. All cosmetics are regulated as chemicals along with the regulation of cosmetic labeling standards.

⁶ “Topic: Cosmetics Industry.” Statista, 2015, <https://www.statista.com/topics/3137/cosmetics-industry/>.

Along with a lack of, or loose regulations held by many major distribution countries, there is a growing market for replicated and counterfeit products. The size of the economical growth of cosmetics on the black market is hard to grasp, but a likely estimate of 1.9 billion dollars, as of 2015⁷, is around the size of the market. Although much smaller than the current size of the legal cosmetics market, the likelihood of increased growth of illegal goods is large. As the sales of online cosmetics have continuously increased over recent years, the facilitation of counterfeit cosmetic purchasing has become more straightforward and commonplace. With the increased fabrications of ingredients lists being made by these illegal distribution companies, there has been a rise in chemical rashes, infections⁸, and permanent scarring. These illegal goods are often unsanitized and unregulated by national or international bodies. Since illegal goods have been confiscated it has not been uncommon to find asbestos, arsenic, and impure talc within these counterfeits. Along with the growing digital market, the Santee Alley and the Luohu Commercial Market, the two being the biggest counterfeit sale hotspots, alike continue to grow in popularity. These markets are comprised of street vendors, typically selling counterfeits from categories ranging from cosmetics to electronics. The easy access to a myriad of counterfeits has led to many consumers purchasing knockoff cosmetic products and unknowingly exposing themselves to severe bacteria, with examples including E.coli. tracing to both human and animal waste. After the Los Angeles Police Department raid on Santee Alley in June of 2022, where

⁷ Dobric, Mirjana. “31 Beauty Industry Statistics for a Fabulous 2022.” *DisturbMeNot!*, 25 May 2022, disturbmenot.co/beauty-industry-statistics.

⁸ Safe Cosmetics. “Chemicals of Concern.” *Safe Cosmetics*, www.safecosmetics.org/chemicals. Accessed 19 Oct. 2022.

over \$700,000⁹ worth of goods was confiscated, common name brands such as MAC and Urban Decay were found to have been pirated and filled with harmful microbes that can lead to both viral and bacterial infections.

There have also been rising problems related to recent discoveries of microplastics within cosmetics along with how the chemicals in and consumption of makeup have significantly contributed to rising pollution levels. With over 120 billion¹⁰ units of packaging being produced annually, the global cosmetics industry has made major contributions to rising pollution. The immense packaging is attributed to both suppliers and direct consumers which leads blame to both parties. Many common household cosmetics including sunscreen, hairspray, and fragrances have toxic chemicals that have either depleted coral reefs or contribute to the amount of pollution from volatile organic compounds in the products. Goods typically contain microplastics as emulsifiers or cheap fillers which include but are not limited to microbeads. Microplastics typically used are both harmful to people as well as the environment. One of the largest threats to coral reefs is the chemicals within sunscreen. Over 14,000¹¹ tons of toxins from sunscreen are released into the ocean annually through either sewage systems or beachgoers. Certain countries have either banned or partially banned reef-toxic sunscreens and that includes Mexico, Aruba, Bonaire, and Palau.

⁹ Faber, Scott. "Toxic Chemicals." *EWG*, 7 Apr. 2022, <https://www.ewg.org/areas-focus/toxic-chemicals>

¹⁰ Wu, Ivy. "GC Magazine: Beauty's Black Market." *GC Magazine* | The Legal 500, 2018, <https://www.legal500.com/gc-magazine/feature/beautys-black-market/>

¹¹ Rai, Vasudha. "Unseen 2019: The Ugly Side of Beauty Waste." *Mint*, Live Mint, 28 Dec. 2019, <https://www.livemint.com/mint-lounge/features/unseen-2019-the-ugly-side-of-beauty-waste-11577446070730.html>.

Along with pollution, there has also been major deforestation related to the immense use of palm oil being that over 70% of cosmetics have it listed within the ingredients list. As alternatives to palm oil have been produced, the most effective, this being rapeseed oil, was banned by the FDA. Certain solutions to excessive use have been created through the Roundtable for Sustainable Palm Oil (RSPO), similar to that of a treaty which involves multiple large stakeholders within the industry, with the Body Shop being the first global cosmetics company to join. Many global beauty companies have also joined the RSPO while also expanding upon it, one example being L'Oréal's creation of a Sustainable Palm Index, The Sustainable Palm Index combines a set of 15 criteria weighted according to the supplier's position in the supply chain, including integrated suppliers, surfactants manufacturers (who only purchase derivatives), and oleochemicals manufacturers (who purchase both derivatives and palm and palm kernel oils), to assess suppliers. Along with combatting deforestation, many countries have begun to address plastic use with rising plastic bans and encouragement from governments to switch to biodegradable single-use materials instead. Places that have already adopted this ban in their countries include Canada with a ban on most single-use plastics, Rwanda with their "plastic-free nation" (with the usage of single-use plastics having severe consequences such as 6 month jail time), India with their announcement in 2017 of a ban on single-use plastics by 2022, and Tahiti with a partial ban on specific single use plastics.

II. UN Involvement

The United Nations (UN) has worked extensively to improve regulations for the global cosmetics industry. For example, the UN Environment Program has conducted formal research and reporting into the environmental impacts of the cosmetics industry. The UN also shared a semi-recent report, being as of June 2015. The report done by the UNEP: *Plastics in cosmetics: Are we polluting the Environment Through Our Personal Care*. The report mentions how certain products are made up of 90% plastic, relating the amount to the same used in the packaging. Due to the amount of plastic used in the products, over 299 million tons of plastic made its way into the coastal regions. The amount of plastic being dumped into the ocean from cosmetic-related products has a rough cost of about 13 billion dollars¹² in environmental damages annually, according to the UNEP's report. The conclusion of the report only held several recommendations but finished with no resolutions being passed. A summarization of the recommendations included taking environmental factors into account during the design phase of products, urging consumers to take a closer look at their current product possessions and search for micro-beads, encouraging state governments to promote phasing out plastic in products, urging researchers to look deeper into the long term effects of microplastics, and for researchers to also look into the effects of these products on the food chain. Some of these recommendations were incorporated in a current working resolution in March of 2022¹³ in Nairobi, Kenya. During the 5th United

¹² Organization, World T. "G/TBT/35/Rev.1." *Results List*, docs.wto.org/dol2fe/Pages/FE_Search/FE_S_S006.aspx?FullTextHash=1&MetaCollection=WTO&SymbolList=%22G%2FTBT%2F35%22%22BOR%2B%22G%2FTBT%2F35%2F%2A%22&languageUIChanged=true

¹³ Young, Olivia. "Palm Oil in Cosmetics: Environmental Impact and Sustainability Concerns." *Treehugger*, 2020, <https://www.treehugger.com/palm-oil-cosmetics-5206444>.

Nations Environmental Assembly, Prime Ministers along with state heads of 175¹⁴ countries all met to endorse the proposed resolution. The resolution UNAE-5 aims to combat plastic pollution through the negotiation of a treaty that would make 2024 a benchmark for the end of plastic pollution. If passed, the resolution would be the largest multilateral agreement since the Paris Accord on climate change.

In recent times, many states and substates have begun to adopt action plans in relation to pollution in cosmetics. As of January 2018, the E.U set the most proggressive restrictions in place to date globally. This has placed a restriction on microplastics in certain cosmetic products with the request being sent to the European Chemical Agency to put a dossier on restricting microplastics. The new restrictions led the World Trade Organization (WTO) to call a meeting to discuss product quality, safety, and trade implications. The meeting took place in November of 2019 where members discussed ways in which they could better quality infrastructure. The committee resulted in the agreement on a new procedure to improve transparency among WTO members which is all contained in the (G/TBT/35/Rev.1)¹⁵ recommendation. The overall meeting was summarized with transparency, quality infrastructure, specific trade concerns, and standards.

III. Topics to Consider

Trade Restrictions

¹⁴ Little Hands Hawaii, Ryan. "Reef Safe Mineral Sunscreen Made in Hawai'i." *Little Hands Hawaii*, 2021, <https://littlehandshawaii.com/>.

¹⁵ Kesslen, Ben. "California Woman in Semi-Comatose State Due to Mercury Poisoning from Mexican Skin Cream." *NBCNews.com*, NBCUniversal News Group, 12 Sept. 2019, www.nbcnews.com/news/us-news/california-woman-semi-comatose-state-due-mercury-poisoning-mexican-skin-n1052961.

With rising bans and restrictions on cosmetic goods, many countries are rightfully concerned over the implications that these regulations will have on trade relations. With the trade restrictions that have been imposed since the EU's new cosmetic chemical bans, there has been rising worry among many of the EU's current trade relations. In response to the Commission's consultation on the review's inception impact assessment (IIA), international trade groups expressed concern that the proposal to extend the generic approach to risk assessment (GRA) – which is currently in place for carcinogenic, mutagenic, and reprotoxic (CMR) chemicals – to other hazard classes would eventually disconnect the EU from others in the market. The current bans have also caused outrage among many EU cosmetic brands as they are seen as too restrictive. The outrage from these brands stems from the extended ban that includes restrictions in relation to immunotoxicity, neurotoxicity, respiratory sensitization, and specific target organ toxicity. The brands express concern as they believe these restrictions are already addressed through the pre-existing safety assessment of cosmetics. Along with hazardous chemicals, it is likely that many fragrances and alcohol will be banned from cosmetics, the most notable being lavender. As more countries adopt similar bans, the balance of current trade relationships has caused worry globally.

Environmental Effects

The environmental effects of the cosmetic industry can have major impacts on the world's waterways, soil, and trash consumption. Dyes, bleaches, solvents, air transport, and packaging are all part of the most prevalent pollutants in the industry. The toxins in these cosmetics eventually make their way into both soil and the ocean resulting in the destruction of natural wildlife and habitat. Along with pollution, the cosmetics industry contributes

substantially to deforestation, as an estimated 18 million acres of trees are cut down annually. Due to the increased demand for natural products, many companies have resorted to acquiring their natural ingredients in unsustainable ways. Depleting supplies have led companies, revlon and maybelline, etc., to buy in bulk quantities—which depletes non-renewable natural resources. In efforts to combat the rising pollution, companies have begun to design and test more sustainable packaging, such as casings made up of algae and bamboo (which has unfortunately resulted in the same exploitation of environmental goods). Along with common pollutants, toxins found in sunscreens have been shown to be a bleaching agent on coral reefs. Chemicals often found in sunscreens, like Oxybenzone, activate viruses in zooxanthellae, which is fatal to the algae. In response to the dying coral reefs, many conservationists have begun introducing new coral species by using cement and epoxy to attach the new coral reef links.

Green Washing

Greenwashing is the act of favoring marketing and the appearance of sustainability over minimizing environmental impact. Greenwashing is a common technique used by many global cosmetic companies to entice buyers through the green consumption effect, which is when packaging aids the consumers welfare more so than its environmental advantages. Greenwashing reduces the credibility of many brands and limits consumers' ability to make environmentally conscious purchases. Greenwashing can also include claims of “natural” products which can otherwise include toxins and dangerous chemicals. As companies are being urged by the U.N and many major distribution countries to reduce plastic presence in their products, more false claims are being made about pollution and safety measures in cosmetics. The increasing greenwashing marketing tactics are closely related to the recent government regulatory

announcements from the EU, the U.S., and China as the international community collaborates to decrease carbon emissions. Due to these claims, a devastating outcome has been the use of greenwashing by cosmetic companies, as more regulations are being enacted many companies have taken poorly to adjustments which has led to false claims of standard, in order to pass these newly emplaced restrictions. Greenwashing is possible due to the gaps of regulation within only the cosmetic industry.

Product Origins

Many cosmetic products contain ingredients that are often produced through dangerous work environments as well as child labor. A notable example is mica powder, a substance which was originally used as a replacement for plastic glitters in makeup. Mica powder is acquired through mining in narrow deep shafts that often collapse. Mica mining typically uses children as they are smaller and can fit into narrow crawl spaces. This leaves many impoverished children to work in these mines, as a way of financially supporting their families. These children work without light and a sense of direction in these shafts leading to common occurrences of injuries and fatalities. Along with dangerous environments, these children are exposed to both skin lacerations and dust through mining the product, which can lead to respiratory illness and skin infections. Around 60%¹⁶ of the world's mica comes from two areas, Jharkhand and Bihar; both are regions in India. Both locations are extremely impoverished, with over 46% of the population of Jharkhand and Bihar living in poverty. An estimation of over 22,000¹⁷ children work in mica

¹⁶ Ugly, Pretty. "Pretty Ugly the Film – a Film about Toxins Hiding in Our Cosmetics." *Pretty Ugly*, 2021, <https://www.prettyuglythefilm.com/>.

¹⁷ Team, ChemLinked. "Cosmetic - Regulatory & Market Intelligence Expertise in AP Especially China." *ChemLinked*, 2020, <https://cosmetic.chemlinked.com/>.

mines. Mica is used in between 50 to 90 percent of all cosmetic products,¹⁸ leading to the cosmetic industry being the fourth largest buyer of mica. Mica mining also directly affects waterways, soil erosion, sinkholes, the pollution of soil, and deforestation. Ultimately, the exploitative and destructive origins of mica powder are just one example which demonstrates the importance of regulating the production of cosmetics.

Legal Authority Over Cosmetic Companies

The world's ten most valuable cosmetic companies all reside in separate countries, making regulations and bans different for brands and distributors. Cosmetic companies also have typical third party suppliers for ingredients, further complicating regulations. Along with legal logistics, the ever-changing business results in new companies diving into the field of cosmetics quite frequently, withholding their own third-party suppliers and their own personal regulations. Which in turn is a whole new chain reaction which just continues to increase the size of the overall industry. Holding all brands to the same standard is difficult in retrospect to the logistics of the current regulatory standards making it a logistical problem for those in charge of overall regulation. Cosmetics is also similar to any other consumerist field in that a brand can create a product in a separate country with fewer regulations and then distribute the said product in a more regulated country to cut costs and restrictions. The field is overall an ever-changing business that has resulted in little legal accountability. Therefore, in accordance with the UN's global mandate, it is essential to develop common legal standards and regulatory enforcement policies for the cosmetics industry.

¹⁸ Faber, Scott. "Toxic Chemicals." *EWG*, 7 Apr. 2022, <https://www.ewg.org/areas-focus/toxic-chemicals>.

IV. Case Study

The cosmetic consumerism market is one of unknown territory to many. By shopping for products online, consumers are put at risk of exposing themselves to both unregulated and counterfeit products. As sub markets and fads among the industry rise, competition for each brand to release their own unique product rises as well. CBD is a well known chemical found within marijuana that has no traces of THC, the psychoactive part of the plant. CBD is a hugely successful medical pain reliever, inflammation-reducer, and light sedative. In 2018, CBDs¹⁹ were legalized across the U.S. through the changed federal law regarding the production and marketing of hemp. As a result, there has been a surge in products “infused with CBD” in the cosmetic market. A large scheme playing throughout the cosmetics industry is the amount of the chemical CBD used within the products. The amount is typically not enough to provide actual health benefits. The medical amount of CBD in cosmetics falls below the 1% mark due to novel restrictions on the chemical. Although restrictions on the usage of the plant remain high, the struggle for proper regulation on these products has left departments scrambling. Meg Kramer, the editor and manager of CBD Hacker, has a website that covers cannabinoid news. Kramer mentions the overall lack of regulation on the market has led to many products being chemically limitless, with cases of products containing methylmercury. Methylmercury is a type of mercury that is extremely harmful to the skin and if ingested can cause neurological damage. Recently, 2019 in Sacramento County, a woman who bought a CBD skin cream product online,

¹⁹ Dobric, Mirjana. “31 Beauty Industry Statistics for a Fabulous 2022.” *DisturbMeNot!*, 25 May 2022, <https://disturbmenot.co/beauty-industry-statistics/>.

a mexican imported cream, was later hospitalized for exposure to methylmercury. The skin cream that was later found to have been counterfeit which contained over five hundred times the amount of mercury that is typically allowed. Although the product was a knockoff, the leeway for regulation on smaller, less publicly known companies is astronomical. This lack of regulation has made the overall safety of the cosmetics market incredibly faulty.

V. Guided Questions

1. What can be done to address the amount of pollution produced by the cosmetics industry?
2. What part of the lack of regulation on this industry has led to the largest financial hardships?
3. What are countries that currently have the least amount of regulations doing to tighten restrictions?
4. What can be done about unsustainable product usage?
5. How can distribution companies better aid the regulation of cosmetic products?
6. How has your country dealt with cosmetic regulation?
7. What are current labor laws like for your country?
8. How does the mass production of cosmetic products affect developing countries?
9. What overall regulations has your country enacted?

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