



Boston University Academy Model United Nations Conference XI!

Saturday, January 28th to Sunday, January 29th, 2022

Boston University Academy

Boston, MA

ECONOMIC AND FINANCIAL AFFAIRS

COUNCIL

(ECOFIN)

Background Guide

Introduction from the chair and vice-chair:

Hello, Delegates!

I'm Leo Wang, and I'll be your Chair this year for BUAMUN XI! My Vice-Chair will be Georgie Linscott. This year's committee will be a model of the Economic and Financial Affairs Council - that's ECOFIN. They're the UN branch responsible for sorting out anything to do with money and finances. These include anything from macroeconomic policy, globalization and world interconnectedness, poverty, access to developing technology, and even emerging agriculture. ECOFIN is a really important financial asset for the international committee, and keeping our world in monetary balance.

My reasons for joining the BUAMUN staff comes from my experience on the MUN team in my middle school. I served as a Vice-Chair in BUAMUN last year and staffer in the previous years. I loved the experience in BUAMUN, so this year I'm back to chair my own committee.

You may have read by now that the only thing required for this conference is a position paper on your countries' position. However, I heavily advise you to do some background research so you're much more prepared. It'd be good to take the time to read this background guide, as well as do your own research into your countries' global positioning. Come to the conference prepared and open to different ideas.

Remember, MUN is not only about ideas and resolutions, but also coming together and reaching a consensus. I hope that everyone, whether they have experience in MUN or not, can learn something new from this conference and have fun.

I wish you the best of luck - we truly can't wait to see you try your best in January, and to read your position papers. See you soon!

Sincerely,

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Committee Information:

ECOFIN, or the Second Committee, was founded at the end of World War II in 1945 as one of the original 6 General Assemblies. The ECOFIN (Economic and Financial Affairs Council) Committee, or the Second Committee, was founded in 1945 as one of the original six

General Assemblies. Currently, there are 193 nations being represented in this committee, chaired by Her Excellency Lachezara Stoeva of Bulgaria. ECOFIN focuses on promoting a globalized economy and supporting nations financially to secure a sound global market. ECOFIN not only delves into broad ideas concerning the improvement of global financial situations but also considers issues relating to individual countries in their own unique circumstances.

Recently, ECOFIN dealt with the Israel-Palestine conflict by taking a definitive stance, demanding that “Israel end its occupation of Arab lands in Syria and cease its violation of human rights law in accordance with the Palestine people due to the evident economic impact that political, military, and social situation in the area has on the people affected by this crisis.”

Position Paper Guidelines:

This committee requires two position papers. They are on the topics of COVID-19 Supply chain disruptions and how to avoid a future recession. The absence of at least one position paper will disqualify you (the delegate) from receiving an award. The quality, depth, and clarity of your position papers will influence award decisions. Each position paper should be 1-3 pages and double-spaced. This includes citations which are preferably in the format of footnotes. To insert a footnote, simply click *Insert > Footnote*. Note: a footnote goes after the period. Position papers should follow a general outline with three paragraphs.

Possible position paper outline:

- 1) Introduction to your delegation and the topic as a whole
- 2) The position of your delegation
- 3) Your delegations proposed solutions

Furthermore, the position paper must be titled in the following format:

Delegation: Leo Wang

School: Boston University Academy

Committee: ECOFIN

Position: _____

Topic: _____

Topic 1: Effects of COVID-19 on global supply chains, and examining how supply chains can be regulated

General Overview:

The COVID-19 Pandemic has greatly impacted the global supply chains of international trade. This presents a large economic risk to the entire world, and is one of the greatest challenges facing globalization in the current day.

The global supply chain is a tangled web of suppliers, buyers, shippers, middlemen, and consumers. For example, a small lunchbox cup of pears can be grown in Argentina, packaged in Thailand, and shipped to Canada to sell at a supermarket. The global supply chain is a poorly understood example of a complex system, where many interlocking components interact with each other to bring the average company and consumer products.

When COVID-19 hit in the first quarter of 2020, it caused immense slowdowns and shutdowns all over the countless supply chains. Consumer spending in mid-2020 dropped 10% from the same time in 2019, and many international shipping lanes were interrupted during the pandemic. The most infamous example is when the Suez Canal (a vital global trade artery, connecting the Indian Ocean to the Mediterranean and Atlantic) was held up for a week by the grounding of the massive cargo ship Ever Given. It held up billions of dollars of supplies a day, with long-lasting (and poorly understood effects) on the global economy.

In short, many of the problems of the global supply chain stem from its complexity and several bottlenecks. It's easy to see why COVID has impacted this aspect of the world economy greatly, but it also provides an opportunity to help reconstruct the global supply chain in a more robust and streamlined way. It's up to delegations from various UN member states to come up with creative solutions to the various issues of the global supply chain network.

More Information:

- Many suppliers operate on a 'just-in-time' production schedule, a slight delay to which can domino into massive delays for consumers.
- Businesses are having a hard time maintaining a comfortable inventory of products, creating issues if supply and demand dynamics shift.
- Consumer spending has increased significantly since the pandemic, after a two-year decline and plateau.
- **Many experts believe that a reorganization of supply chains, though international regulation, would help build a more robust global economy far more stable than the current chaotic model.**

Questions to Consider:

- What are the best ways to repair the global supply chain in a more resilient and efficient manner? Should the profits of distributors be considered?
- What are the far-reaching economic effects of COVID-19?

Bloc Positions – Topic 1:

Argentina *(in agreement with greater supply chain regulation)*

They want to maintain a constant stream of revenue for importing plastic.

Australia *(in agreement with greater supply chain regulation)*

One of the nations hit hardest by supply chain shortages, Australia wants to ensure access to foreign goods.

Brazil *(in agreement with greater supply chain regulation)*

Brazil produces few essential goods domestically, and wants greater access to international markets.

Canada *(in agreement with greater supply chain regulation)*

Also impacted by supply chain shortages.

China *(against greater supply chain regulation)*

They are the world's main supplier of consumer products. Interested in large economic growth, they have recently become more cautious toward their policies. Still, they want to continue dominating the global supply chain.

Egypt *(against greater supply chain regulation)*

Egypt's greatest possession is the Suez Canal, a major artery for international trade. They want as much trade as possible through the canal, for their own financial benefit.

India *(against greater supply chain regulation)*

India is interested in having a larger portion of the global trade markets, not regulating them.

Italy *(neutral)*

Italy's supply chains are seldom threatened by non-European interests.

Indonesia *(against greater supply chain regulation)*

Most of Indonesia's plastic waste ends up in the ocean and harms the fishing industry.

Japan *(in agreement with greater supply chain regulation)*

A large supplier with a massive consumer base in the United States, Japan wants faster shipping times and cheaper transportation to North America

South Korea *(in agreement with greater supply chain regulation)*

With China next door, South Korea wants to counter their interests and forge a stronger trade connection with the west as a supplier.

Morocco *(neutral)*

Morocco has little interest in global supply chains.

Philippines *(against greater supply chain regulation)*

The Philippines have no interest in a more globalized supply chain, instead focusing on trade relations with China

Russia *(against greater supply chain regulation)*

With intense international sanctions, Russia is intensely repelled to a more globalized world. Russia's trade mostly involves China and a few smaller allies.

South Africa *(against greater supply chain regulation)*

If ships were forced to go around the horn of Africa, South Africa would benefit greatly.

Switzerland *(neutral)*

Supply chains have little effect in Switzerland.

Thailand *(in agreement with greater supply chain regulation)*

A country mostly reliant on outside imports, Thailand wants easier access to foreign goods.

Turkey *(against greater supply chain regulation)*

Turkey has the vital Bosphorus strait in its borders, but a century-old treaty prevents it from exercising full control over the strait. Turkey is extremely against supply chain regulation, wanting exclusive control over its strait.

Ukraine *(in agreement with greater supply chain regulation)*

Ukraine desperately needs supplies in dealing with its current war, and is one of the world's strongest advocates in favor of an efficient supply chain.

United Arab Emirates (*against greater supply chain regulation*)

The UAE's primary export and sole economic driver is oil, a fragile industry not kind to change

United Kingdom (*against with greater supply chain regulation*)

Since Brexit, the UK has looked to distance itself from the world. However, many British citizens have been plagued with supply chain shortages.

United States (*in agreement with greater supply chain regulation*)

Crippled with supply chain shortages and with business inventories in disarray, the United States is desperate for greater supply chain regulation. However, the corporate institutions in the US are more apathetic towards change.

Further Research:

<https://www.gisreportsonline.com/r/supply-chain-regulation/>

<https://www.whitehouse.gov/briefing-room/presidential-actions/2021/02/24/executive-order-on-americas-supply-chains/>

<https://www.jpmorgan.com/insights/research/global-supply-chain-issues>

<https://www.fticonsulting.com/insights/articles/supply-chain-disruption-risk-global-economic-recovery#:~:text=The%20COVID%2D19%20pandemic%20has,to%20global%20shortages%20and%20inflation.>

<https://www.whitehouse.gov/cea/written-materials/2021/06/17/why-the-pandemic-has-disrupted-supply-chains/>

Topic 2: Implications of COVID-19 on the world economy and how to prevent a recession

General Overview:

COVID-19, and other factors such as the Ukraine War, have heavily destabilized the world economy, leading to many fears of an incoming recession. Economic research group Ned Davis calculates the chances of a recession as 98%.

The US dollar is the benchmark for global currency. With the Central Bank raising interest rates, it makes the dollar more popular with foreign investors. This has negative impacts for other currencies - the Chinese yuan, the UK pound, the Euro, and Japanese yen have rolled down in value. This makes it hard for these nations to import essential commodities.

The top driver of the world economy is retail, and American consumers (the world's cash cow, who lifted the country out of the COVID crash) have been exhausted. With inflation and prices rising (and income stagnating), Americans are revisiting their savings accounts, reluctant to make large purchases, causing troubles for the international economy.

The stock market was doing very well in 2021 - but inflation setting in has pushed it into a bear market (down over 20% from its recent high) The Federal Reserve has been blamed for "yanking the tablecloth out" from under the market by raising interest rates and rolling back the market-turning bond buying scheme. With similar effects worldwide, there are very few safe places for investors to place assets and money.

The sanctions against Russia (for its war in Ukraine) have also had disastrous effects for the entire international community, particularly in Europe. Gas prices have soared worldwide, causing massive effects in everyday life and contributing to inflation.

It is up to the Delegates of the United Nations to help address these problems in the face of an upcoming recession.

More Information:

- The Federal Reserve will persevere in its campaign to end inflation, even if it means a recession.
- Supply chains breaking down has certainly not helped
- Many economists say that, while a recession may be coming, it hasn't hit yet.
- The average length of recessions in the USA since 1945 is 11.1 months

Questions to Consider:

- How does your member state benefit/harm from the changes in regulating the recessions?
- What kind of regulation, if any, would benefit your nation?

- What are some of the tradeoffs for imposing regulations, in terms of economic effect, consequences for your currency, and costs?

Bloc Positions – Topic 2:

Argentina (*against global inflation regulations*)

While inflation in Argentina is amongst the worst in the world (with prices rising 88% since October 2021), the government refuses to support regulation.

Australia (*in agreement with global inflation regulations*)

Australia, being an island, relies heavily on imports and was hit hard during the COVID pandemic, resulting in massive shortages.

Brazil (*neutral*)

Brazil is a country with little domestic production, but with a major election victory for the left, the country will likely open up to the prospect of global inflation regulation.

Canada (*in agreement with global inflation regulations*)

Canada's inflation isn't terrible, but does have an impact. Canada is not afraid of regulation, and will support global measures.

China (*against global inflation regulations*)

China's current economy is often viewed as extraordinarily unstable by outsiders, but it is much more robust than it seems. They intend to keep their chokehold on international exports, and see inflation regulation as a way of combating that.

Egypt (*in agreement with global inflation regulations*)

Egypt is undergoing a period of turmoil and water scarcity, with COVID hitting hard. They are eager to improve their economic situation.

India (*in agreement with global inflation regulations*)

India is in grave need of economic reform, as COVID has shown. They will be interested in pursuing global inflation reform, especially as a means of curtailing China.

Italy (*in agreement with global inflation regulations*)

Italy has been gravely impacted by COVID and its lasting economic aftershocks.

Indonesia (*neutral*)

Indonesia has been hit hard by COVID and its economic effects, and would like to improve its situation.

Iran (*against global inflation regulations*)

Sitting in the Middle East, Iran is rich in oil reserves and a large part of their economy depends on oil exports. They also are against global inflation regulations, with it likely adding more turmoil to the troubled government,

Japan (*in agreement with global inflation regulations*)

Japan hasn't been hit too hard by inflation or economic distress, and wants to keep it that way.

Philippines (*neutral*)

Philippines is largely dependent on imports, but its government has remained apathetic to partake in inflation regulations

Russia (*against global inflation regulations*)

Russia's economy during COVID has fared very admirably, and with many sanctions enacted against them thanks to their invasion of Ukraine, more international regulation is strongly opposed.

South Africa (*in agreement with global inflation regulations*)

South Africa relies heavily on imports, resulting in strongly negative consequences on COVID for its economy.

Saudi Arabia (*against global inflation regulations*)

Saudi Arabia is one of the largest oil producing and exporting countries in the world. The government sees potential UN regulations as further encroachment from the international community.

Thailand (*in agreement with global inflation regulations*)

Thailand's inflation has been moderate and the government has put measures into effect to suppress it.

Turkiyë (*against with global inflation regulations*)

In Turkiyë's borders lies the great Bosphorus strait, sole point of entry to the Black Sea. It is one of the most important shipping arteries in the world, but the 1919 Treaty of Marmara forbids Turkiyë from controlling the strait. The government has since started to build a canal around the Bosphorus, and Turkiyë is adamant about proclaiming its intercommercial authority.

Qatar (*neutral*)

Qatar is positioned on a major shipping area, the Persian gulf. They are eager to tap into the shipping industry there, and will take either side.

United Kingdom (*neutral*)

The UK has recently left the EU, leaving its citizens wondering where their country now sits on the global economic stage.

United States (*neutral*)

The American public has been making a big deal out of the inflation crisis, pushing the United States to be tentative of regulation. The Federal Reserve will continue on its crusade, inflation or not.

Venezuela (*in agreement with global inflation regulations*)

Venezuela's economy has been further shattered by COVID, and international inflation regulations would likely help.

Further Research:

<https://www.weforum.org/agenda/2022/11/how-new-laws-meet-climate-goals/>

<https://www.brookings.edu/research/biden-could-reduce-inflation-mitigate-a-recession-and-strengthen-democracy-with-a-new-eu-us-trade-agreement/>

<https://www.washingtonpost.com/business/2022/11/29/economy-recession-federal-reserve/>

<https://www.reuters.com/markets/us/us-can-avoid-recession-yellen-says-2022-12-08/>