



# **STUDY GUIDE: ECOFIN (ECONOMIC & FINANCIAL AFFAIRS COUNCIL)**

**HFSMUN 2022**



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## Letter from the EB

Dear delegates,

The Executive Board welcomes each one of you. For many, it may be your first-ever MUN conference in your educational experience, and we strongly encourage you to go through this study guide that has been prepared to get an in-depth understanding of the issues that will be discussed in the committee.

There is a lot of information available beyond the study guides too; however, the chairs would recommend you to use UN-backed websites and news agencies like the Reuters. You may also use your national news agencies based on your allocations. You are expected to research, collate, and list down possible points of discussion, questions, and responses. At the same time, it is not only about speaking and presenting, but also about your ability to listen, understand viewpoints, and learn from each other's perspectives.

Lastly, if any delegates face issues with the verbatim in the study guide or have queries regarding the Rules of Procedure, Committee Proceedings, or the agenda, feel free to contact the Executive Board. Wishing all of you a great learning experience and looking forward to having you all with us.

Regards,

The Executive Board, ECOFIN



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# Research Methods for MUN: Tips & Tricks

Following is a suggested pattern for researching (if required):

- Researching and understanding the United Nations and the Committee/Council being simulated- its mandate and historical work done on the agenda.
- Research on the allotted country- understanding its polity, economy, culture, history etc.
- Comprehending the foreign policy of the allotted country. It includes understanding the ideology and principles adopted by the country on the agenda. It further includes studying past actions taken by the country on the agenda and other related issues – specifically analysing their causes and consequences.
- Reading the background guide thoroughly and building upon it instead of completely relying on it.
- Researching further upon the agenda using the footnotes and links given in the guide and from other sources such as academic papers, institutional reports, national reports, news articles, blogs, etc.
- Understanding policies adopted by different blocs of countries (League of Arab States, NATO, EU, etc) and major countries involved in the agenda. Including their position, ideology, and past actions.



- Categorising the agenda into sub-topics and preparing speeches and statements on them. It is the same as preparing topics for the moderated caucuses and their content.
- Preparing a list of possible solutions and actions ECOFIN can adopt on the issue as per your country's policies.
- Assemble proof/evidence for any important piece of information/allegation you are going to use in the committee. (Reuters, a state-operated News agency, UN and UN Authorised Reports)
- Keep your research updated using various news sources until the last day.



## How To Get Prepared?

While the organising team is doing its best to arrange rooms, workshops, catering and so on, there is one very important thing that has to be done by you! You are the ones that fill the conference with life, that lead to interesting discussions and fruitful debates, and make innovative resolutions a reality. This requires some preparation on your side. In advance of the conference, we expect all delegates to research your state's position, familiarise themselves with the rules of procedure, and practice their debating and writing skills. Here are some useful hints on how to get prepared for this conference:

### Central Questions that should guide your research:

- What are the key issues of your agenda topics?
- Why are these issues important?
- What are possible solutions?
- What is hindering those solutions?
- What has the UN (or any other international agency) done so far, to solve these problems?
- What should be done from the perspective of your State to resolve the issues?
- Which other States share your views, which are opposed to your position?



The Research Reports will be a good starting point to get information

about your committee as well as your agenda topics. However, your research should go beyond what is written in the reports.

For further research we greatly recommend:

- The United Nations Homepage
- Non-Governmental Organisations (particularly those accredited by the UN)

Country reports and data published by international or regional organisations

such as the World Bank, WHO, OECD, APEC, etc.

- General socio-economic data: e.g. CIA World Factbook has served delegates in previous years in researching.

Gaining the first overview of a particular member state:

- Your country's government website.
- Search for speeches made by your country on the topic.
- Search for important resolutions regarding your topic.



## Introduction to ECOFIN

The Economic and Financial Affairs Council (ECOFIN) is responsible for EU policy, economic policy, taxation issues, and the regulation of financial services. It also prepares the EU's annual budget and takes care of the legal and practical aspects of their single currency, the Euro.

It deals with issues relating to economic growth and development such as macroeconomic policy questions, financing for development, sustainable development, globalization, and interdependence; eradication of poverty; operational activities for development; agricultural development; food security and nutrition; information and communications technologies for development; and towards global partnerships.

## How does ECOFIN work?

The Ecofin Council is made up of the economic and finance ministers from all member states. Relevant European Commissioners also participate in meetings.

These meetings generally take place once a month.

## The ECOFIN Council:

1. Coordinates member states' economic policies.
2. Furthers economic convergence
3. Monitors their budgetary policies.

It also coordinates EU positions for international meetings, such as the G20, the International Monetary Fund, and the World Bank. It is also responsible for the financial aspects of international negotiations or measures to tackle climate change.



## AGENDA 1: Discussing the fragility of global supply chains and possible improvements for them in light of the COVID-19 pandemic

Global supply chains refer to the cross-border organization of the activities required to produce goods or services and bring them to consumers through inputs and various phases of development, production, and delivery. They are sophisticated networks of manufacturing, logistics, transportation, and communication firms that move products and materials through worldwide production and distribution channels. It can be said that the global supply chain can reach various continents as well as countries to find and supply goods and services. When implemented, the supply chain will involve the flow of information, processes, and resources around the world.

The global supply chain makes manufacturers and industries more efficient and profitable by reducing costs and encouraging businesses to expand into international markets. It ensures closer ties to partner firms based on customer needs and enhanced transparency.



It has promoted the increased use of advanced data analytics to improve the efficiency of supply chain management. Global supply chains entice more focus on corporate social responsibility. Unforeseen events, such as how a 200,000-tonne ship (built-in 2018 and operated by Taiwanese transport company Evergreen Marine) ran aground and became lodged sideways in the Suez Canal, causing congestion in ports around Europe, made it very clear how quickly global supply chains can collapse. The shortage of containers and the associated rise in freight rates, particularly on the route from Asia to Europe, are further examples of external influences on global supply chains.

While natural disasters, extreme weather, and other events have affected the global supply chain in the past, the movement of people and goods around the world has never been impacted by a catastrophe with the breadth and scope of the COVID-19 pandemic. The pandemic has devastated the food and beverage industry, diminishing operational capacity “from farm field to consumer,” as *Supply Chain Management Review’s* production, processing, packaging, and distribution are more expensive due to new rules mandated by COVID-19, and stay-at-home orders have driven plummeting demand for food service at restaurants. In addition, supply chains are vulnerable to vendors selling counterfeit products due to the lack of transparency in the operations of international partners.



## Case Study: Reluctancy to buy Chinese goods

When whole companies in China are forced to stop due to Coronavirus, components are in limited supply elsewhere. Electronics, clothes, and pharmaceutical companies have all lately suffered the effects of this. The car sector is an excellent example of a supply chain that is particularly vulnerable. A vehicle might be supported by up to 1,000 providers. The majority of German automakers' suppliers are from Europe. Some critical components, particularly electronic components, are sourced from China. Because today's automobiles are built on a just-in-time basis, it only takes one supplier who fails to produce on time to halt production or even the entire network. Since China contributes largely to the global supply chain, the lockdowns that China has to enforce because of the pandemic, greatly affect and disrupt the global supply chain. Furthermore, during the COVID-19 Pandemic, certain campaigns have been launched in support of a boycott of Chinese goods. Human rights problems, territorial conflicts with China, support for separatist groups within China, and objections to more specific issues linked to China, such as the government's mismanagement of the COVID-19 epidemic, are also common grounds for boycotting China.

In nations like India, the Philippines, and Vietnam, there have been demands for a boycott of Chinese goods, as well as separatist movements within China. A complete boycott of Chinese products is seen as impossible to achieve, given that the country produces a



huge number of commodities that are marketed and used all over the world and also owns holdings in a lot of non-Chinese businesses.

The 2008 Chinese milk incident, which affected thousands of individuals, was viewed as a symptom of inadequate food safety, and as a result, many Chinese parents are wary of Chinese milk products. However, in recent years, the Chinese government has taken several steps to restrict the sale of inferior food.

Technology developed by Chinese companies has also been scrutinised, particularly in the United States; for example, in 2018, President Donald Trump signed the National Defence Authorization Act for Fiscal Year 2019 into law, which included a provision prohibiting the federal government from using Huawei and ZTE equipment due to security concerns. The COVID-19 pandemic has been used by some organisations to promote anti-China campaigns; for example, the Vishva Hindu Parishad in India has called for a boycott of China in retaliation for China's alleged direct involvement in the severe acute respiratory syndrome coronavirus 2 virus strain and the subsequent COVID-19 pandemic.

## Links to refer to:

- <https://www.reuters.com/business/covid-curbs-bite-chinese-ports-threatening-global-supply-chains-2022-03-16/>
- <https://www.reuters.com/world/americas/canada-is-concerned-about-supply-chain-issues-watching-ports-closely-finance-2021-10-14/>



## AGENDA 2: Discussing the global impacts of Tariffs, Sanctions, and Embargoes being used as a deterrent to war

Sanctions, even when comprehensive and enjoying international backing for nearly six months, failed to get Saddam Hussein to withdraw from Kuwait. In the end, it took Operation Desert Storm. Other sanctions have also fallen short. The Iranian regime continues to support terrorism, oppose the Middle East peace process, and press ahead with its nuclear weapons program. Fidel Castro is still in place atop a largely authoritarian political and economic system. India and Pakistan were not deterred from testing nuclear weapons by the threat of draconian penalties. Libya has refused to produce the two individuals accused of the destruction of Pan Am 103. Sanctions could not persuade Haiti's junta to honour the results of an election. They also failed to persuade Serbia and others to halt their military aggression. And China continues to export sensitive technologies to selected countries and remains a society where human rights are violated.



Nevertheless, sanctions help to achieve various foreign policy goals, ranging from modest to fairly significant. Sanctions introduced in the aftermath of the Gulf War increased Iraqi compliance with resolutions calling for the complete elimination of its weapons of mass destruction and diminished Iraq's ability to import weapons. In former Yugoslavia, sanctions were one factor contributing to Serbia's decision to accept the Dayton agreement in August 1995. China appears to have shown some restraint in exporting nuclear and ballistic missile parts or technologies.

### Case Study: Russo Ukrainian war

*Since President Vladimir Putin's ill-fated invasion of Ukraine, Russia has been expelled from the Western financial system and punished with a variety of international economic and financial penalties. Addressing the World Economic Forum earlier this week, Ukrainian President Volodymyr Zelenskyy called for "maximum" sanctions so that Russia "clearly knows the immediate consequences of their actions."*



In the wake of its invasion of Ukraine, Russia has become the most sanctioned country in the world, with 5,581 sanctions currently in place. Between its recognition of the Luhansk and Donetsk regions as independent states on February 22 and March 8, the number of sanctions against Russian individuals and entities imposed by the United States, the EU, and select countries like Switzerland, the United Kingdom, and Japan more than doubled when compared to the period prior. Putin's invasion has pushed Russia past one of the United States' biggest nemeses in Western Asia.

Before the invasion of Ukraine, Iran was by far the most sanctioned state in history, with 3,616 active sanctions by the U.S., the UN, the EU, and countries like Australia, Canada, India, and Israel. The relationship between the latter and the Islamic Republic has been especially fraught, with disputes surrounding Iran's atomic arsenal and its general hostile stance towards Israel threatening to escalate regularly. A majority of the sanctions imposed on Syria stem from the events surrounding the Syrian civil war starting in 2011. Following civil unrest linked to the Arab Spring movement, clashes between President Bashar al-Assad's forces and an unlikely coalition of foreign and domestic actors, often at odds on key issues, resulted in a humanitarian crisis and the internal and external displacement of more than half of Syria's 22 million inhabitants over the years.



Leading the current round of sanctions against Russia are Switzerland, the EU, and France, with 568, 516, and 512 restrictions, respectively. The overwhelming majority of those sanctions target individuals, with only 366 of the 2,827 sanctions geared towards entities. Not included in these figures are sectoral sanctions like general trade embargoes placed on gas or oil. On top of the sanctions put in place by nation-states and governing bodies, over 300 companies have either partially or completely withdrawn from the Russian market, according to researchers at the Yale School of Management. Among them are industry heavyweights like Adidas, Google, Disney, Exxon, and Volkswagen.

The League of Nations was created in 1920 with the power to impose sanctions on countries that broke international law. In its early years, there were a couple of successes: potential incursions by Greece and Yugoslavia into neighbouring states were halted by the League's threat to shut off their external trade. The real test came in 1935 when Italian Prime Minister Mussolini invaded Ethiopia. All but six of the League's 58 members deployed sanctions against Italy. They throttled exports to reduce the country's access to foreign exchange reserves and limit its capacity to wage war. Yet, after several months of fighting, Mussolini's army entered Addis Ababa, and the sanctions were lifted.



There are several lessons to be learned from this failure. First, economic weapons are less effective when deployed against large states. Second, the early advocates of sanctions, such as Wilson, had a naive view of human nature. They believed that populations would desist from aggressive actions when their material interests were threatened. The unfortunate truth is that nations and their rulers, especially autocratic ones, sometimes have other priorities. Third, incomplete economic blockades are ineffective. Both the United States and Germany remained neutral during the Italo-Abyssinian War and the League failed to cut off Italy's oil supplies.

Mussolini's isolation on the world stage pushed him into Hitler's arms. Germany and Japan, fearing that the economic weapon would next be deployed against them, accelerated their search for self-sufficiency in raw materials. In Germany's case, this meant pushing further into Central Europe, annexing Austria in 1938 and the whole of Czechoslovakia the following year. Hitler even told a foreign diplomat in 1939 that he needed Ukraine so that the Germans would never starve again. Japan's desperate need for oil eventually brought it into conflict with the United States. Thus, the sanctions against Italy hastened the onset of World War Two.

## Links to refer to:

- <https://graphics.reuters.com/UKRAINE-CRISIS/SANCTIONS/byvrjenzmve/>
- <https://graphics.reuters.com/UKRAINE-CRISIS/FOOD/zjvqkgomjvx/>
- <https://www.reuters.com/breakingviews/how-sanctions-against-russia-could-backfire-2022-05-26/>
- <https://www.gov.uk/government/collections/uk-sanctions-on-russia#:~:text=This%20sanctions%20regime%20is%20aimed,on%20the%20UK%20sanctions%20list.>
- <https://www.reuters.com/world/india/india-says-trying-stabilise-economic-transactions-with-russia-2022-04-06/>
- <https://www.reuters.com/world/india/russia-becomes-indias-second-biggest-oil-exporter-trade-sources-2022-06-13/>



# Questions a resolution must answer

## Agenda 1

1. What contributes to the fragility of global supply chains?
2. What impact does the existence of global supply chains have on the global economy?
3. What are the risks that the global supply chains face amidst the Covid-19 Pandemic?
4. What measures can be taken to improve the quality of the global supply chains during the covid-19 pandemic?

## Agenda 2

1. Can Tariffs, Sanctions, and Embargoes instigate or delay a war?
2. What effect do Tariffs, Sanctions, and Embargoes have on the global trade economy?
3. Viability of Tariffs, Sanctions, and Embargoes on larger and stronger economies i.e.: Russia, United States, and China.
4. Importance of Tariffs, Sanctions, and Embargoes keeping the global economic situation in mind

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- <https://www.reuters.com/breakingviews/how-sanctions-against-russia-could-backfire-2022-05-26/>
- <https://www.gov.uk/government/collections/uk-sanctions-on-russia#:~:text=This%20sanctions%20regime%20is%20aimed,on%20the%20UK%20sanctions%20list.>
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- <https://www.reuters.com/business/covid-curbs-bite-chinese-ports-threatening-global-supply-chains-2022-03-16/>
- <https://www.reuters.com/world/americas/canada-is-concerned-about-supply-chain-issues-watching-ports-closely-finance-2021-10-14/>