GEF

STUDY GUIDE

2024

COLOMBO MODEL UNITED NATIONS

2024

Global Economic Forum Study Guide

Overview of committee

The Global Economic Forum is a novel committee solely concerned with matters of economic importance. A gathering of key actors in the global economic landscape, the committee exists as a means of formulation of novel solutions to pre-existing economic problems. Delegates will be tasked with analysing current economic affairs and discussing issues such as income gaps, climate finances, and inflation. Delegates will also be tasked with utilising diplomatic tools in engaging in fruitful debate during the committee, with delegates encouraged to engage with others within the committee in constructing effective resolutions that bring meaningful change to a vast macroeconomic landscape. Delegates will be expected to navigate the intricacies of political and economic ties and attempt to discern the most viable path to success in line with their individual policies.

Committee Mandate

The Global Economic Forum is an unconventional simulation - with proposed themes that would act as a mandate. What this means, is that delegates are required to maintain broad discussion across any of the stipulated themes provided below. This does not mean that delegates can ignore the topics - it only means that delegates could use the themes as a guide to segment the topic and address the several dimensions of the topic based on the themes. The themes would be:

1. Climate and Nature
2. Fairer Economies
3. Tech and Innovation
4. Jobs and Skills
5. Better Business
6. Health and Healthcare
7. Global Cooperation
8. Society and Equity

The themes provided above represent a combination of several sustainable development goals that the Global Economic Forum aspires to achieve. A closer look at the themes alongside its corresponding sustainable development goals are provided below:

1. **Climate and Nature**
    - *Clean Water and Sanitation(SDG 6)*
    - *Affordable and Clean Energy(SDG 7)*
    - *Sustainable cities and communities(SDG 11)*
    - *Climate Action(SDG 13)*
    - *Life Below Water(SDG 14)*
    - *Life on Land(SDG 15)*

2. **Fairer Economies**
    • *No Poverty(SDG 1)*
    • *Zero Hunger(SDG 2)*

• Decent Work and Economic Growth(SDG 8) • Reduced Inequalities(SDG 10)

3. **Tech and Innovation**
   • Decent Work and Economic Growth(SDG 8)
   • Industry, Innovation and Infrastructure(SDG 9)
   • Responsible Consumption and Production(SDG 12)

4. **Jobs and Skills**
   • Quality Education(SDG 4)
   • Gender Equality(SDG 5)
   • Decent Work and Economic Growth(SDG 8)

5. **Better Business**
   • Industry, Innovation and Infrastructure(SDG 9)
   • Responsible Consumption and Production(SDG 12)

6. **Health and Healthcare**
   • Good Health and Well Being(SDG 3)

7. **Global Cooperation**
   • Peace, Justice and Strong Institutions(SDG 16) • Partnerships for the Goals (SDG 17)

8. **Society and Equity**
   • Reduced Inequalities(SDG 10)
   • Peace, Justice and Strong Institutions(SDG 16)

Message from the Head Table:

The chairs of the Global Economic Forum expect that delegates will approach the committee with passion, enthusiasm and an intention to research and debate in detail about all matters of economic affairs. We implore you to apply the principles and experiences you find in your daily lives. This is because we understand that economics, as a subject, is one of the subjects with a high amount of real-world application, hence when it comes to solutions and statements, you must think out of the box and make intriguing speeches as relevant to who you are representing as possible.

Finally, we encourage you to engage in diplomatic discussions conducive to the creation of effective solutions within the economic sector. We wish you the best of luck for conference!

- Yusuf and Saveesha

PRACTICE DEBATE 1:

Circumventing recessionary conditions with a spotlight on housing and labour markets.

Introduction and scope:

The accepted definition of a recession is the shrinking of economic output, measured by Gross Domestic Product (GDP), over two consecutive quarters. Major recessions were predicted to take place in the United States by the twilight of 2023, yet no slowdown has been observed. In comparison, the European Union has undergone slow growth rates of between 0.1 to 0.8%, and is predicted to enter a recession in the foreseeable future. Likewise, many low-income countries around the world have entered economic crises, with global growth rates slowing and central bank interest rates rising. A large part of the debate will be considering the effects of government intervention in periods of recession and the recognition of the tangible harms of recessionary conditions to the public.

Topic breakdown:

1. Defining recessionary conditions
2. Market structures and government intervention

Defining recessionary conditions:

Important indicators of such conditions include low output and rising unemployment rates. Countries often respond to the fluctuation of such indicators by utilising fiscal and monetary policy and adjusting to achieve favourable business and economic conditions. The slowing of growth rates at a global scale has come amidst major events such as the wars in Ukraine and Palestine, and recovery from the COVID-19 pandemic. Delegates must analyse the relevance of various economic problems that may lead to recessionary conditions, and pay close attention to current affairs and its impact on the conditions within the global economy.

Market structures and government intervention

The European Union, in response to an inflationary surge in 2022, imposed record-high interest rates and tighter budget constraints, resulting in largely stagnant growth rates. Many countries have responded in a similar fashion, as a result of economic stimulus efforts during the COVID-19 pandemic, and the question of how many countries and businesses will respond as a consequence of recessionary conditions must be engaged by delegates. Delegates must also consider the perspectives of non-governmental actors in such economic situations and are urged to evaluate the considerable trade-offs of action and non-action during the course of the debate.

Case study

Canadian Housing Market

Between 2010 and 2022, the Canadian Housing Market saw real prices jump by 90%, in the process becoming one of the most expensive and unaffordable housing markets in the world. A key issue driving these high prices is the high levels of demand, driven by population growth and immigration, coupled with low levels of supply, leading to prices of housing being driven up significantly. Affordable interest rates and access to inexpensive debt prior to 2022 lead to demand being further inflated, yet with the Bank of Canada engaging in significant rate-hiking to curb inflation, this has also led to the construction of new housing becoming expensive and less profitable, which has further curbed supply. While the market showed signs of recovery by December 2023, with the market recording an 8.7% jump in homes sold from November, and the Bank of Canada expected to cut rates moving into 2024, the market remains significantly unaffordable for Canadians, with declining confidence in the market a symptom of possible future downturns.

Research Questions:

- How can LEDCs be assisted in recovering from recessionary conditions?
- How do global conflicts affect economic conditions?
- What is the role of the IMF, World Bank and high-income countries?
- What is the future of global economic recessions?

Useful links:

- https://www.reuters.com/markets/europe/eu-exec-cuts-euro-zone-2023-growth-forecast-sees-rebound-2024-2023-11-15/
- https://www.theguardian.com/business/2023/nov/05/middle-east-war-could-spark-global-recession-say-wall-street-experts
- https://www.visualcapitalist.com/canadian-housing-market-price-growth-2023/
- https://www.reuters.com/world/asia-pacific/sri-lanka-economy-could-shrink-by-35-4-president-says-2023-01-28/
- https://www.ft.com/content/9c6b09e9-6e10-472b-b600-0f56cbfcc383

PRACTICE DEBATE 2:

Constraints on international trade and cooperation with emphasis on protectionism, sanctions, and geopolitical crises.

Introduction and scope:

In the globalised world in which we live, countries have grown to trade with each other for two crucial reasons: to obtain goods and services at a lower cost and/or to obtain goods and services at a lower opportunity cost. This has developed a culture of dependency between nations. However, international trade has also been threatened by several factors. These factors have either made goods and services more exorbitantly priced or entirely inaccessible. Whether it be inflated costs or scarcity, threats to international trade ultimately cascade to households. This significantly impacts the quality of life

Topic breakdown:

Protectionism and its effects on international trade:

Protectionism refers to the economic ideology that advocates using tariffs and other government restraints to protect domestic businesses from international competition. The major dilemma faced by governments is between protecting local businesses and providing enough competition to local businesses to ensure efficiency. However, governments are often roped by bias and hence attempt to thwart international firms to try to protect the interests of domestic firms. In 2023, a request made by Qatar Airways to expand operations to major Australian cities was denied in an attempt to protect the Australian flag carrier Qantas. This was despite several passengers alleging that Qantas was charging exorbitant prices that were nearly double the price of its competitors. Therefore, it is clear that governments are often compelled by domestic firms to overlook the well-being of consumers.

Sanctions and Geopolitical crises and their effects on International Trade:

Sanctions are coercive measures implemented against states. This is a new trend in international politics which has come to being as a consequence of geopolitical crises. Sanctions affect states which impose them as well as the states that have been imposed upon. For instance, the sanctioning of Russia by the EU led to Russia shutting down Nord Stream 1. This substantially reduced gas supplies to Europe and inflated the cost of gas for citizens in the EU. Furthermore, these sanctions against Russia have led to several firms such as McDonalds, Coca Cola, Deloitte, KPMG and PWC pulling out of the country. This has occurred at the expense of jobs for citizens as well as that of choice for consumers.

Case study

China - Australia Trade War

In 2020, when China began an economic coercion campaign against Australia, Communist Party leaders believed they possessed substantial leverage due to the complementary characteristics of the two economies. Resource-rich Australia supplied commodities that were imperative for China. China curbed Australian imports significantly, citing concerns about trade practices and pest infestations, causing a AUD 24bn ($16bn) blow to Australia, equivalent to 5.5% of its annual exports. Despite the economic ramifications, Australia resiliently withstood the coercion. Australian exports dipped briefly under the restrictions imposed - but managed to recover adequately shortly thereafter. Now, after three years of Chinese intimidation, Australia is emerging in a surprisingly robust manner.

Research questions:

- How should existing organisations such as the WTO be reformed to achieve greater cooperation?
- How could China be engaged with other blocs in international trade and cooperation, such as debt restructuring?
- Are subsidies a form of protectionism?
- Does a perfect balance between globalisation and self-sufficiency exist? If not, what measures would drive nations closer to that balance?
- Are trading blocs destructive?
- Should politics and economics be independent of each other? Should there be consideration of ethics in the imposition of sanctions?
- What is the line between nationalism and jingoism? How must this line be reflected in protectionism?
- How should nations deal with currency volatility?

Useful links:

- https://www.economist.com/asia/2023/05/23/australia-has-faced-down-chinas-trade-bans-and-emerged-stronger
- https://www.forbes.com/sites/realspin/2015/05/12/the-big-three-u-s-airlines-versus-persian-gulf-carriers/?sh=ab86bb935aad
- https://www.aljazeera.com/features/2023/12/20/sanctions-on-russian-oil-have-failed-were-they-ever-meant-to-succeed
- https://www.reuters.com/business/global-trade-drops-13-red-sea-attacks-ifw-kiel-institute-2024-01-11/
- https://www.ft.com/content/ca51ebf5-fbb8-4c88-a93d-ded3d6d3bcdd

CONFERENCE:

The enhancement of public finances for debt management, climate obligations, and economic growth

Introduction and scope:

Public finance is a furcate of economics that considers the government's role in stimulating economic growth with special emphasis on the expenditure and organisation of public resources. It further analyses the allotment and governance of resources for achieving economic and social objectives.

Over the years, the concept and importance of public finance has changed dramatically. These changes were instigated through ever-changing societal beliefs, technological development, and modernised economic theories. From classical economies that involved little government intervention to the development of Keynesian economies due to the great depression, the role and importance of public finance changed drastically. The consequences of the Second World War included significant inflationary pressures which were caused by excessive aggregate demand, and as a result, the relevance of enhancing public finances through changes in government taxation and spending grew. Methods such as using expansionary fiscal policies and increasing government spending on social and public projects to boost aggregate demand proved to be key solutions to greater economic growth.

The enhancement of public finances can lead to increased employment opportunities, stimulate further investments, and various other benefits. Through the use and proper handling of fiscal tools such as taxes, public expenditure, and public debt, the aggregate supply and demand can both be increased. The enhancement of public finances is of vital importance as it can result in price and economic stability, greater transparency and accountability in government spending as well as the proper allocation of resources.

Topic breakdown:

1. Debt management
2. Climate obligations
3. Economic growth

Debt management:

Public debt management refers to the surveillance and planning taken to control a government's overdue debts. It also assures that a government's monetary needs and obligations are met at the lowest possible price. Through the enhancement of public finances, the main goal would be to improve or maintain fiscal sustainability, with governments also having the opportunity to borrow funds to finance infrastructure projects, budget deficits, etc. Through diversifying the sources of revenue of a country, governments would be able to meet financial obligations and overcome recessionary phases as well as reduce the reliance on borrowing money and increasing their debt. Furthermore, through amending expenditure control and budgeting processes to establish a more effective and efficient public finance management system, reliance on debt would decline.

Climate Obligations:

Global warming is one of the foremost problems faced by the world today. It is of utmost importance that governments are able to raise and allocate funds towards projects that are aimed at attenuating and adapting to climate change through the enhancement of public finances. For example, strategies such as green budgeting (allotting funds to achieve climate goals), carbon pricing (eg. carbon taxes), and green bonds, are ways in which governments could work towards achieving their set climate goals. A nation's development and budget allocation decisions should incorporate the Sustainable Development Goals, in which goal number 13 calls for urgent climate action. The threats that global warming poses on the macroeconomic and microeconomic aspects of all countries are distressing and every single decision or policy adopted by a government may have a climate impact.

The Climate Macroeconomic Assessment Program (CMAP) which was launched by the International Monetary Fund in 2021 helps countries with adaptation, preparedness, risk management, and the development of policies that would aid in enduring the economic consequences of climate change. The CMAP report was published for Samoa in December 2021, and it depicts the importance of the enhancement of public finances to mitigate climate change and elaborates on potential strategies such as fuel subsidy policies, carbon taxation, risk assessment budgeting, etc.

According to a survey conducted by the Organization for Economic Co-operation and Development (OECD), 60% of the organisation's members have not implemented green budgeting or green public financial management practices. Hence, it is of utmost importance to elaborate on this issue and acquire solutions to such a pertinent problem.

Economic Growth:

Enhancing public finances creates a stable, fiscal environment which plays a crucial role in fostering economic growth. From methods such as allocating funds for skill development programs to obtain an educated workforce, which would improve productivity and efficiency, to greater infrastructure investments and tax reforms, the proper handling of public finances can lead to immense economic growth. Moreover, through collaboration with the private sector, the burden on public finances could be scaled down whilst at the same time leading to more effective implementation of projects that could boost economic growth. Through the implementation of efficient, innovative fiscal policies, further revenue generation, and expenditure management, sustainable economic growth can be achieved.

Case Study:

- ➔ Sri Lanka's Economic Downturn

In 2019, Sri Lanka received the award of Emerging Destination, signalling potential growth in the tourism sector and possible future development in national infrastructure. As of 2023, the nation's economy has contracted by 7.8% in 2022 and a further 7.9% in the first half of 2023. Sri Lanka owes approximately US$ 34.8 billion as of April 2022, according to Government statistics, with total public debt valued at US$ 83.6 billion as of the end of 2022.

The predicament faced by Sri Lanka comes in the face of poor governance, restrictive trade regimes, and loose monetary policy, with an administered exchange rate a band-aid to a tumbling house of cards. Commercial borrowing of high-risk and ill-timed tax cuts implemented in 2019 meant that debt experienced rapid growth to unsustainable levels. Consequently, the nation is dependent on domestic debt restructuring strategies and IMF-approved funding to regain macroeconomic stability and mitigate the effects of the economic crisis.

However, the situation observed in Sri Lanka is not isolated, with many countries falling victim to what is dubbed "debt-trap diplomacy." As countries begin to default on significant foreign debts, it is the delegates' objective to find solutions that adequately mitigate the effects of future economic crises.

➔ Mauritius and the mobilisation of climate finance

A small island developing state in the Indian Ocean, Mauritius, is vulnerable to climate events such as cyclones and heavy rain and is further impacted by the rising sea levels as a result of global warming. Many small island developing states require climate adaptation mechanisms in order to mitigate the effects of climate change. Mauritius has taken significant steps in setting climate mitigation objectives that meet its nationally determined conditions under the 2015 Paris Agreement. To meet targets of a reduction in greenhouse emissions by 40% by 2030, the nation requires an estimated funding of $6.5 billion, of which 65% will be externally financed. These yearly financing requirements are further burdened by the significant impact on Mauritius's tourism industry due to the pandemic, which resulted in the contraction of the Gross Domestic Product by 15%. It must be noted that many developed countries have set up climate funds to assist less-developed countries, valued at around $35 billion in deposits. However, only $11 billion has been actually disbursed, with many countries lacking the project-accreditation services to meet the requirements of climate funding.

Research questions:

- Is there a need for newer and more inclusive DRV's (Debt Restructuring Vehicles), a combination of the Paris Club and China?
- How can Western Democracies engage with the Belt and Road Initiative? If not, how could existing alternatives such as the Blue Dot Network and Global Gateway be improved to provide development options for LEDC's?
- Are lenders such as the IMF a moral hazard? If so, what improvements need to be made to avoid moral hazards?
- What is the role of the World Bank Development loans? Are they more political than not? What measures could be made to de-politicise economic stakeholders such as the World Bank and the IMF?
- Should development banks exist to exclusively support SMEs (Small and Medium-sized Enterprises) or should this support to SMEs be integrated into the wider banking system? If so, how do you propose such forms of integration?
- How crucial is it to preserve the independence of Central Banks? What are the mechanisms that would assist with the preservation of Central Bank independence?
- How should countries receive the OECD International tax reform guidance for the implementation of a global minimum tax? What is a progressive tax, and how could existing taxes be made more progressive? How could countries cooperate in the elimination of double taxation?
- How could developed countries assist developing countries in the formulation of a 'system of national accounts'?

- How could informal sectors be formalised? What incentives could countries provide to attract more remittances? How could nations counter informal transaction methods such as the Hawala and Undiyal systems?
- What policing methods could the international community employ to regulate MNCs? What existing organisations could be used to powerfully counter illicit MNC activity in LEDC's?
- How could nations circumvent unstable oil prices? What measures could be taken to counter OPEC+ and its demands for inflated oil prices?
- How could countries mitigate spillover effects of geopolitical crises? Should countries restrict international trade and as a method of suppressing over-dependence? Should countries cooperate with others' to become more self-sufficient?
- What would NEXIT (the Netherlands' exit from the EU) look like? What would the consequences of NEXIT on the EU War economy be ?
- How can economic activity be boosted whilst reducing income gaps?

Useful links:

- https://zoetalentsolutions.com/what-is-public-finance/#:~:text=Public%20finance%20is%20significant%20because,municipal%2C%20state%2C%20and%20federal
- https://www.imf.org/external/np/mae/pdebt/2000/eng/index.htm#I
- https://www.elibrary.imf.org/view/journals/061/2022/006/article-A001-en.xml
- https://oecdecoscope.blog/2018/12/17/how-can-public-finance-reforms-boost-economic-growth-and-enhance-income-equality/
- https://www.worldbank.org/en/country/srilanka/publication/sri-lanka-development-update-2023
- https://www.omfif.org/2023/12/how-mauritius-is-mobilising-climate-finance/