
UN Economic and Financial Committee

University of Birmingham Model United Nations 2019



Topic One: Energy Security

**Topic Two: Avoiding the Next
Financial Crisis**

Chairs: Charlie Millington, Tanya Ahmed

Letter to the Delegates

Dear delegates,

Thank you for joining us on the ECOFIN Committee, we are both very glad to have you on board.

Given that you have chosen to join this Committee, you are already aware of the many challenges that economics and finance present to the world. Money shapes what we do, what we like, and who we are. Indeed, the general issue facing this Committee is all about what it means to have ***economic security***.

As students, we all know what it's like to be economically insecure: dipping into that overdraft to get that cocktail you know you can't afford; begging for a pay rise from the Bank of Mum and Dad to get the week's third takeaway; and buying just one too many clothes off ASOS. We've all been there.

More to the point however, the economic and financial system we all live under today is in constant flux. Since 2008, the world has been rocked by austerity politics, rising inequality, and the general acceleration of life. All at the hands of a predatory banking system. Clearly, the United Nations, as the only truly global institution, has a role in effectively managing the consequences of these changes.

Moreover, delegates, the UN must adapt to emerging economic challenges. A quick google of energy relations in the Middle East or Central Asia will tell you all you need to know about the coming politics of oil, gas, and even water. This is something we as chairs will have you discuss.

The impacts of 2007/8 are still being felt today by so many across the globe. It is now regarded as fact that this crash could have been avoided. The Dodd-Frank Act confirmed to all of us that The Too Big to Fail banks were the main cause of the Great Recession; subprime lending being their mechanism of financial malevolence. It is up to us delegates to ensure this never happens again and to put in place preventative measures.

Delegates, the theme of this MUN is re-asserting multilateralism. It is with this attitude of consensus-building that the ECONFIN Committee can push changes that millions across the globe want to see.

Thank you for your interest in the Committee and we look forward to meeting you.

Charlie and Tanya.

Introduction to the Committee

The UN Economic and Financial Committee (ECOFIN) makes up one of the six committees of the General Assembly, which was established after WWII in 1945.

As the name suggests, this committee deals with global finance and issues related to the economy, such as sustainable development, economic development, eradication of poverty and macroeconomic policies. Like all other General Assembly committees, every member state of the UN participates in ECOFIN annually, where they debate and come up with resolutions. The committee also holds a joint meeting every year with the Economic and Social Council (ECOSOC), which is one of the six principal organs of the UN dealing with sustainable development.

In our rapidly globalizing world, ECOFIN has a large role in providing effective and practical solutions to modern-day problems, which not only affect businesses and corporations but also human rights on an individual level and the environment.

Topic One: Energy Security

What is energy security?

We all need energy. Whether it be to drive our cars, power our phones, or to just keep the lights on, consistent access to sources of energy are essential to the proper functioning of society. With the 21st Century seeing population booms, new technological advances, and accelerated growth levels, the demand for energy looks set to double from now until 2035 (Klare, 2013).

This has unsurprisingly meant that energy has become a key political issue, especially for developing states. In Political Science, we say the issue has become **securitised**. That is, the object of reference has become so important that it is deemed a matter of national security (Nyman, 2018). In some cases, it is a matter of life and death for the state in question. Hence, we have the term **energy security**.

Energy itself is a contested idea. However, for the purposes of the Committee it will be defined as any natural resource that has properties which allow it to be transformed. In turn, producing electricity/ nutrition. The key energy sources are oil, gas, nuclear, coal, biomass, hydropower, wind, geothermal, and solar.

The generally accepted definition of energy security is twofold:

1. The satisfaction of **energy demand**
2. The **consistent procurement** of energy resources

The first premise is self-explanatory. Although while this theoretically makes sense, in practice, perfect energy security is difficult to achieve. Notwithstanding global energy crises we see in Africa, North Korea, and the Post-Soviet Space, energy insecurity is more acute on a local level. Over the last four years, the UK has seen over 100,000 elderly people lose their lives during the winter because of lack of access to proper

heating. Thus, on many levels, energy insecurity is a serious issue that the ECOFIN Committee must treat as a genuine security challenge.

How can we ensure that, not only on a global, but a local level, energy demands are met? Is there a one-size fits all approach to energy security? Or does the politics of energy complicate the situation too much? These are burning issues that the Committee will inevitably encounter.

The second principle is much debated given its economic and environmental implications. Large quantities of resources are exported across vast distances, regularly moving through volatile areas. If energy infrastructure is impeded, entire energy systems can collapse. It is no surprise then that states take to military means to defend their energy imports. The Strait of Hormuz in the Persian Gulf is a prime example. Around 17m tankers of oil pass through the choke point every day (Energy Information Administration, 2012). The proximity of Iran, Saudi Arabia, and Oman makes the area even more tense. What can the ECOFIN do to ensure conflict does not arise in these sorts of strategic arenas?

Of course, there are the issues with the resource itself. What will we do when the oil fields dry up? Can we effectively transition to green energies?

The UN and Recent Developments in Energy Security

With the end of the Cold War, the United Nations took the lead in broadening the international security agenda taken on by many states today. Key to this are the Sustainable Development Goals, a set of 17 targets that are hoped to be reached by 2030. Underpinning most of these goals is the need for access to energy sources. Indeed, Goal Seven looks to ensure universal access to energy sources; lessening reliance on non-renewable sources; and improving energy efficiency.

The UN's most obvious role in energy security has been facilitating collective action on climate change, the most significant environmental issue we face today. The Paris Climate Accords of 2015 saw 175 states agree to keep global temperature increases below 2 degrees Celsius above pre-industrial levels and to eventually limit increases to 1.5 degrees Celsius. The UN will be holding a Climate Summit in September 2019 to build on progress achieved four years prior.

Most recently, the UN has worked with East African and Asia-Pacific states to push energy diversification. Biomass as an alternative to oil and gas in these areas is being considered thanks to UN action. This will increase the resilience of energy systems in Africa and Asia fuelling the continent's development.

The major issues in energy security, broadly understood, concern but are by no means limited to:

- The dependency of various states such as Greece, Germany, Ukraine, and Italy on Russian oil and gas
- The monopolistic nature of energy companies, especially in Russia, Qatar, and Saudi Arabia
- The development of the TAP pipeline that would enable Central Asia/ South Caucasus energy imports and exports to bypass Russia

- Facing up to the challenge of energy shortages in Africa, where two-thirds of Africans experience regular electricity blackouts
- Ensuring a gradual transition away from carbon-based economies/ energy sources
- Reducing overall reliance on non-renewable sources of energy and investing in green technologies
- Combating the causes of climate change in line with the scientific consensus
- Diversifying food sources to reduce carbon emissions, seen with rising levels of veganism in the Western world
- Reducing food waste; if there was zero food waste we could feed the world three times over
- The potential for resource extraction in the Arctic as the ice melts
- The politics of *rent-seeking* in Middle Eastern states because of large revenues from oil exports; this is especially the case in Qatar
- The rise of *environmental refugees*; those who flee from their hometowns due to environmental degradation.

As should be clear, the politics of energy is diverse, contested, and complex. It would be a disservice to the thousands of academics and practitioners to try and cover every issue in this small guide. However, this should have provided you with a good theoretical grounding in the basics of energy security. Please do read the attached resources as they provide a more detailed insight into this topic. As you can see, energy is crucial to most aspects of human life, and it is our duty on ECOFIN to deal with the challenges this presents. We hope this will make for fruitful and enjoyable debate.

Key Resources...

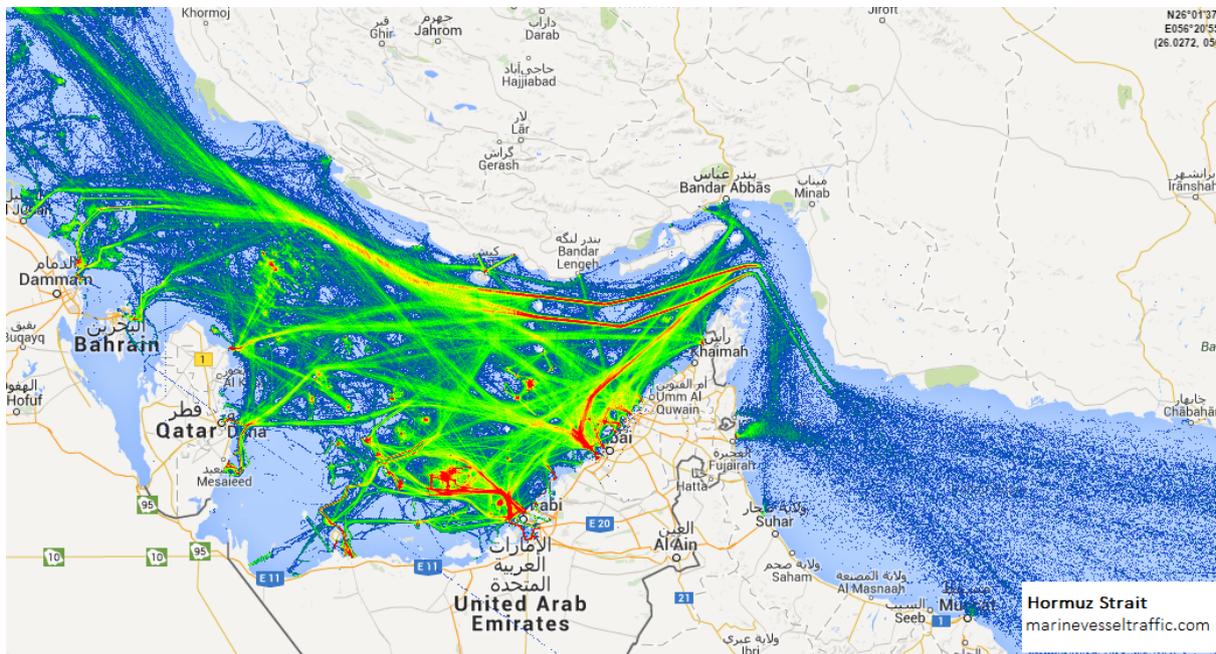
- <https://www.un.org/sustainabledevelopment/>
Overview of UN Sustainable Development Goals. Many are underpinned by access to energy
- https://www.unido.org/sites/default/files/2009-01/energy_development_and_security_0.pdf
UNIDO report on energy security
- http://www.un.org/en/events/environmentconflictday/pdf/GN_Renewable_Consultation.pdf
UN/EU report on resource conflicts
- <http://www.un.org/en/sections/issues-depth/climate-change/index.html>
Webpage detailing UN's actions on climate change
- <https://www.unescap.org/sites/default/files/energy-security-ap.pdf>
A UN Report into energy security of the Asia-Pacific. Very detailed discussion on every issue in Energy Security
- https://www.uneca.org/sites/default/files/uploaded-documents/SRO-EA/22ICE/Eng/eac_energy_framework_report.pdf
UN-East Africa Energy Security Framework. Detailed insight into the UN's work in the region.
- <https://atlas.media.mit.edu/en/>
The Observatory of Economic Complexity has great information of import-export relations
- https://www.chathamhouse.org/sites/default/files/public/Research/Energy,%20Environment%20and%20Development/renewing_energy_security_mitchell_july_2002.pdf
Chatham House report on energy security challenges, published 2002
- <https://fas.org/sqp/crs/mideast/R45281.pdf>
Report from the Congressional Research Service on the state of the Strait of Hormuz; a key issue we may discuss on the Committee
- <http://foreignpolicynews.org/2017/06/20/paradox-rentier-state/>
A nifty little article on the energy politics of the Middle East; will introduce you to terms such as *rentier states*, *Dutch Disease*, *rent seeking*

Key Maps and Stats

Strait of Hormuz: 20% of global oil passes through the choke point



Strait of Hormuz, shipping lanes: intense shipping of supplies from a handful of states



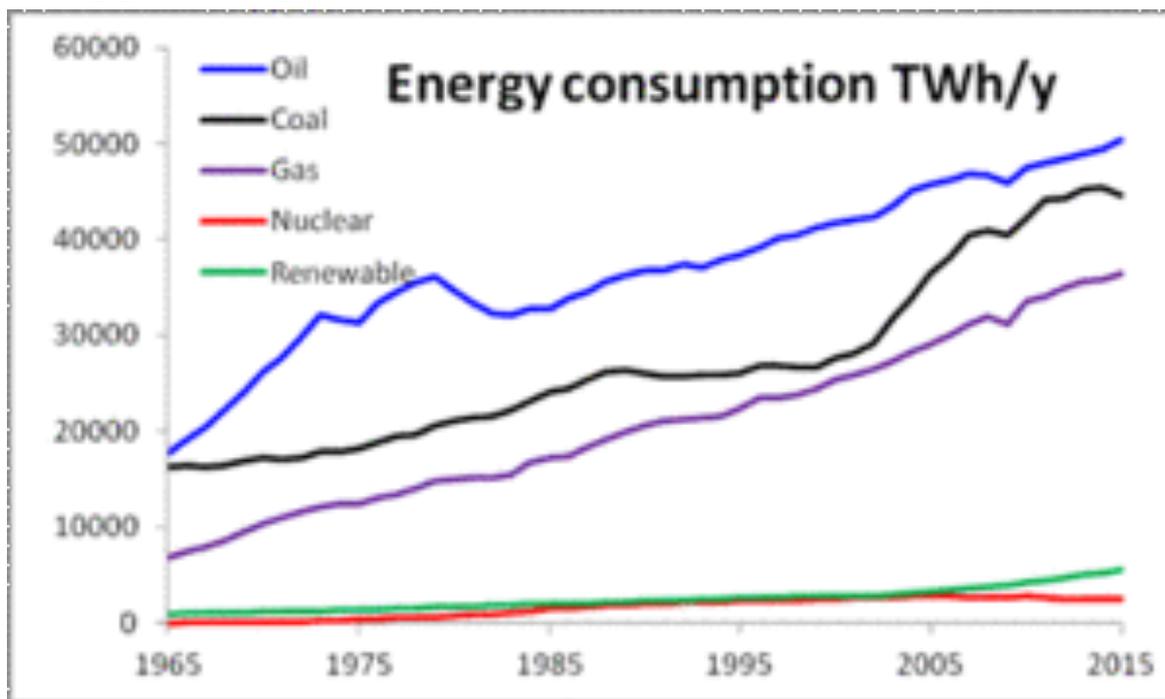
The SUMED Pipeline: Aramco, IPIC (UAE) have a combined 30% stake in the oil route that acts as an alternative to the Sues Canal which sees around 50 vessels per day



Russian pipelines: no wonder Gazprom is so influential



Rising global energy consumption; measured in Terawatt hours per year

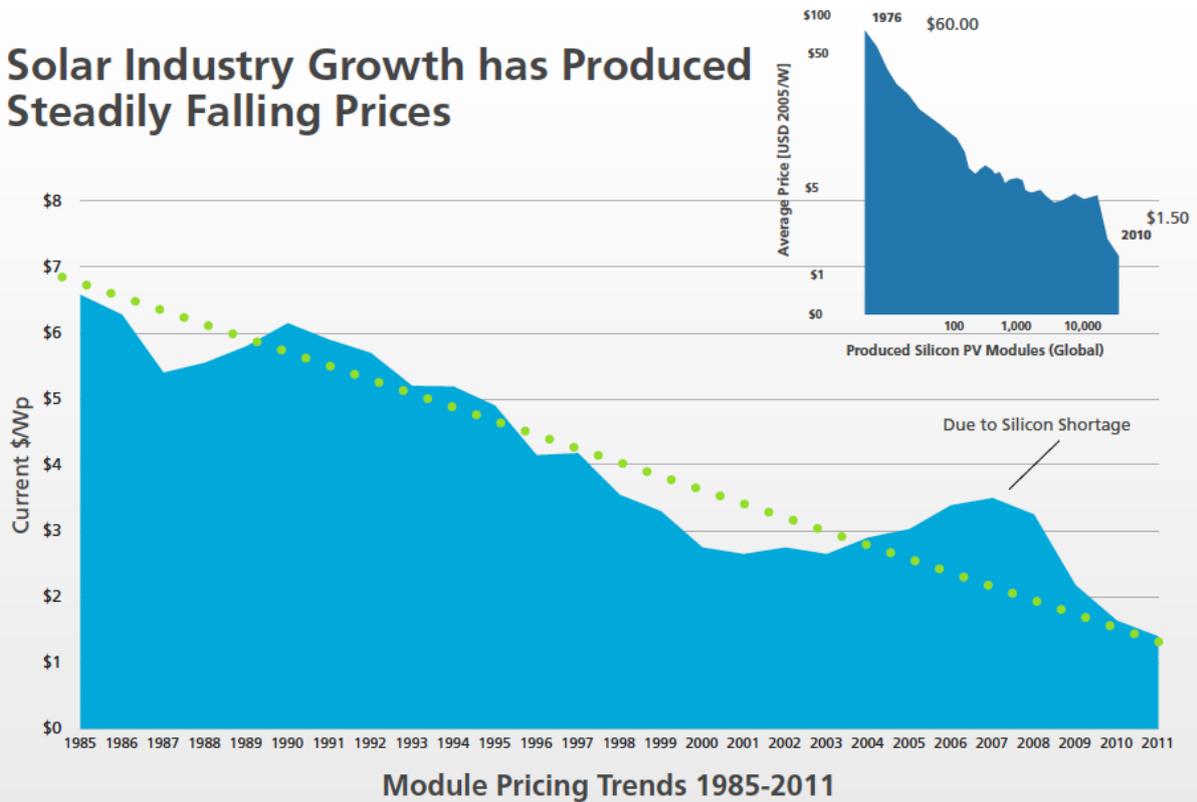


Oil prices from 2006-2016, rising as of 2018



The Declining price of solar panels: is the future bright after all?

Solar Industry Growth has Produced Steadily Falling Prices



Sources: 1976-1985 data from IPCC, Final Plenary, Special Report Renewable Energy Sources (SRREN), May 2011; 1985-2010 data from Paula Mints, Principal Analyst, Solar Services Program, Navigant; 2011 numbers based on current market data

Key Terms...

Given that very few of you will have ever encountered Energy Security in your studies here are some key terms that you should learn in order to have a good understanding of the issues at play...

Carrying capacity	The minimum number of people, animals, and crops that can be supported in an area without environmental degradation
Carter Doctrine	A policy set out by President Carter in 1980 which asserted the US would use military force in the Persian Gulf to protect its energy interests
Delivery systems	The physical infrastructure that is built to deliver energy supplies
Demand-induced scarcity	When the demand for a resource cannot be met by supply
Dutch Disease	A somewhat causal relationship between development in one sector and the decline in others
EEU	The Eurasian Economic Union that consists of Russia, Kazakhstan, Kyrgyzstan, Armenia, and Belarus. It is Russia's latest push to integrate the Eurasian region
Energy independence	Where a state/ individual has complete autonomy over their energy supply
Energy interdependence	The above state is rare due to energy interdependence. Where energy resources are shared and traded between states
Energy security	A state of being where energy demands are satisfied and procurement of energy resources is smooth
Food Security	The satisfaction of food demands
Gazprom	The Russian state-owned natural gas company. World's largest oil producer and has claim to one of the largest natural gas fields in the world
GCC	The Gulf Cooperation Council consisting of Bahrain, Kuwait, Oman, Qatar, Saudi, and UAE. All are major oil producers

Global Limits	Major environmental issues that the planet faces: climate change, ocean acidification, ozone depletion, biodiversity loss etc etc..
Green technologies	Technologies that are used to reduce human impacts on the environment; clean power, clean fuel, low carbon
IEA	The Intl Energy Agency established after the 1973 Crisis, it acts as a policy advisor to governments; its goal is ensuring energy security, economic development, and environmental protection
Infrastructural resilience	The fact that many of the built entitles that transport energy have not been interrupted
Khaleeji Capital	A term used to describe the verbose mode of capitalism in the Persian Gulf
LNG	Liquefied Natural Gas. Its production is increasing globally
Ontological Security	A stable sense of self/ identity
OPEC	The Organisation of Petroleum Exporting Countries is an energy consortium consisting of 14 middle powers. They command 82% of the world's proven oil reserves
Peak Oil	Coined by Hubert, a predicted time where the peak of oil production is reached and oil supply levels will decline
Post-Soviet Space	A geographical area used to describe the former Soviet States of Eastern Europe, the South Caucasus, and Central Asia where oil politics are salient
Proven reserves	The amount of a natural resource a state has
Rent-Seeking	The behaviour of politicians especially in the Middle East and Central Asia where excessive funds from exports are used for their own gain
Rentier State	A state where, due to excessive funds from exports, taxation is not

	used and subjects are instead 'paid off' through economic rent
Resource Curse	The Paradox of Plenty. An abundance of natural resources is felt to stunt development
Resource procurement	The act of physically extracting resources out of the Earth for human use
Resource Wars	A conflict that breaks out over resource control
Saudi Aramco	The principle Saudi oil company. The largest energy company in the world by revenue
Structurally-induced scarcity	The condition of different groups facing unequal access to energy supplies
Supply risks	General insecurities surrounding the supply of energy
Supply-induced scarcity	Where supply systems breakdown and the energy source in question cannot meet its target
The Shale Revolution	The 2016 discovery of shale gas in the US allow it to reduce its reliance on imported oil and gas.
TurkStream	A proposed pipeline that would run from Russia to Turkey and then Eastern Europe
Water Wars	Conflict that breaks out over the control of water
1973 OPEC Crisis	During the Yom Kippur War, OPEC states placed an embargo on their oil supplies, quadrupling prices

Questions to Consider...

- HOW CAN MULTILATERALISM HELP SOLVE THE ISSUES YOU'VE JUST ENCOUNTERED?
- ARE STATES THE PROBLEM OR THE SOLUTION HERE?
- WHY ARE WE CONSUMING SO MUCH MORE ENERGY?
- IS THE MOST SIGNIFICANT SOURCE OF ENERGY INSECURITY CLIMATE CHANGE?
- IS IT WORTH GOING RENEWABLE? IS IT EVEN POSSIBLE? CAN NON-RENEWABLE RESOURCES BE DEFENDED?
- WHAT TO DO ABOUT RUSSIAN ENERGY SUPREMACY IN THE POST-SOVIET SPACE?
- WHAT IS CHINA'S ROLE IN ALL THIS?
- WILL THE MIDDLE EAST CONTINUE TO BE THE ENERGY CENTRE OF GRAVITY?
- DOES THE US' FRACKING REVOLUTION SPELL AN END TO ENERGY INSECURITY?
- HOW CAN THE UN BECOME MORE INVOLVED IN MANAGING THE CONSEQUENCES OF RESOURCE WARS, AND PREVENTING THEM FROM HAPPENING IN THE FIRST PLACE?
- DOES THE UN SECURITY COUNCIL PAY ENOUGH ATTENTION TO ENERGY SECURITY?

Topic Two: Avoiding Financial Crisis

Defining a 'financial crisis'

What exactly is a financial crisis? According to businessdictionary.com, it is "a situation in which the *supply* of money is outpaced by the *demand* for money". In practice, the value of products, services and other assets decrease in value suddenly due to high inflation and this is often characterized by lower income levels, high unemployment and bankruptcy of banks.

Historical Context

The world has seen many financial crises, popularly and namely the Great Depression and the financial crisis of 2007-2008. The Great Depression took place from 1929 to 1939, starting with the crash of the stock market in the United States. This resulted in an overall decrease of about 15% in the world's gross domestic product, and consequently significantly reducing industrial production, wholesale prices and foreign trade. It is said that the financial crisis of 2007-2008 is the worst economic recession since the Great Depression, which truly took a toll on the global economy.

The root causes are difficult to pinpoint and identify, as they're also the direct causes to the financial crisis of 2007-2008. However, starting from US and making its way to Western Europe, banks' lending excessive amounts of money in giving people enough funding for mortgages increased the demand for housing and that is essentially where it started from. Previously, mortgages could be given only to people who had a stable job and/or a good credit score to ensure that home owners could repay their loans on a regular basis. Slowly but surely, banks started to fail to repay their depositors meaning they were unable to repay the people they owed money, because the people who owed the banks money failed to repay their loans. Account holders and investors now received less money than they had put in or owned.

What Caused the 2007 Crash?

Primarily, and as touched upon previously, credit was cheap and therefore more and more people started borrowing money, which they could not repay later. The income to debt ratio started becoming unsustainable around 2005 as energy prices rose and ultimately, increasing the rate of inflation globally. Property was losing its financial value and many financial firms now owned property and other assets of less value. The landmark cause was

the collapse of the American investment bank, Lehman Brothers. This then had a ripple effect onto Europe.

What Role Did the UN Play in the 2007 Crash?

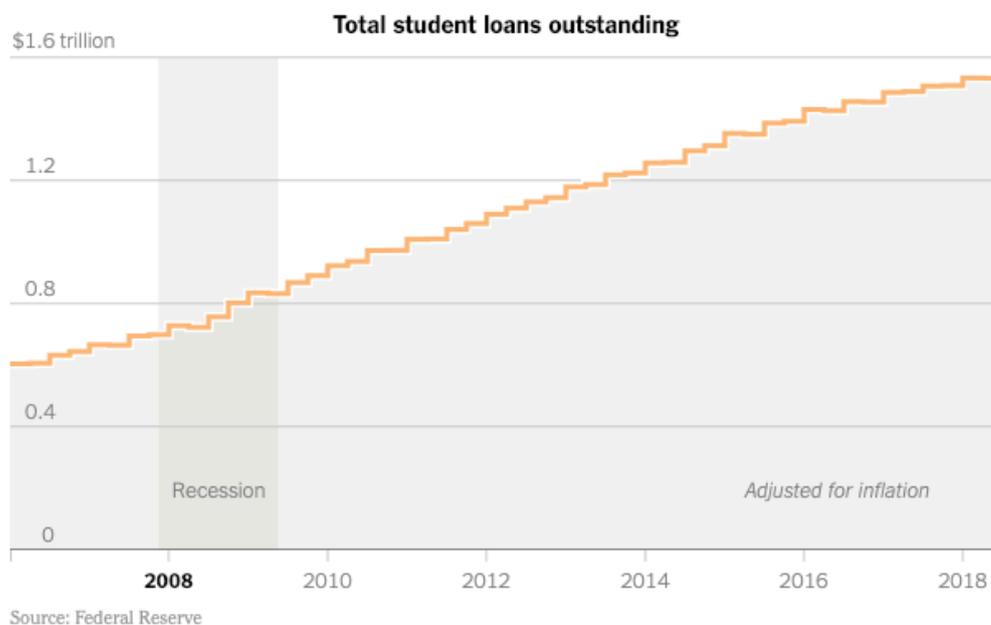
In short, the United Nations did not get involved in the crash. However, this was primarily because the United Kingdom and the United States did not want the UN to be a place for dialogue regarding the crisis. The World Bank and the International Monetary Fund (IMF) were the ones to react and the most powerful nations willingly resorted to other platforms of discussion and negotiation when it came to the crisis.

Recent Developments: Another Crisis?

Many argue that the world is still suffering from the consequences of the last financial crisis in one way or another and the impacts of it are still effecting the global economy. According to the Bank of England, "History shows that there are two we can be sure of when it comes to financial crises: there will be another one, and the next one won't be the same as the last". The governments bailed out financial firms during the time of the last crisis, and therefore now they (more closely) monitor the financial system and even stress test banks against numerous hypothetical scenarios.

There are potential signs of an upcoming financial crisis. The GDP growth of OECD countries has slowed down significantly over the last few years, which contributes to economic uncertainty across the world. Although global unemployment has increased a little, there is the matter of easily available loans, namely student loans. In countries like the US, where higher education is extremely expensive, more and more students have been taking out loans to fund their studies. Naturally, with unpredictable employment trends, it is difficult to foresee the repayment abilities of these loans.

Students are borrowing at record levels





GDP growth, quarter on previous quarter, 2013Q2-2018Q3 Source: OECD

Key Resources...

- <https://www.historyextra.com/period/modern/financial-crisis-crash-explained-facts-causes/>

An article that explains the 2008 Crash in a succinct manner

- <https://www.un.org/development/desa/dpad/wp-content/uploads/sites/45/publication/WESS2017-PB54.pdf>

A UN policy brief that highlights growing economic and financial trends throughout the 21st century

- <https://www.theguardian.com/business/2018/oct/03/world-economy-at-risk-of-another-financial-crash-says-imf>

Guardian article outlining the IMF's prediction of another financial crash

- <https://www.tuc.org.uk/blogs/five-reasons-why-another-financial-crisis-could-be-looming>

The UK's main trade union consortium on why there will be another crisis

Questions to Consider...

1. What has the world learned from the financial crisis of 2007-2008?
2. To reduce the amount and types of loans individuals have to take, are there ways to reduce the cost of education, especially in countries like the United States?
3. What sort of measures should governments and central banks take to better foresee financial risks? Or should they take any at all?
4. How do we increase the employability of minority groups, such as immigrants and disabled people?