DPS-East Model United Nations Conference 2018

Committee: United Nations Economic and Social Council

Background Guide

Instability in Europe and the Mediterranean.

Letter from the Chairperson

> *"We were all Humans until*
> *Race disconnected us,*
> *Religion separated us,*
> *Politics divided us*
> *And Wealth classified us".*

Delegates of the United Nations Economic and Social Council,
It gives me immense pleasure to be chairing a committee abound with some of the oldest, "proudest stalwarts of history" and most developed nations of the world, Europe. With booming GDPs and unemployment rates, this committee specialises in the macroeconomic policy and development, trade and investment, social and economic development, environment and sustainable development and other hotly debated issues of the 21st century.
Our primary agenda will be

" Instability in Europe and the Mediterranean"

The focus of this committee will be to shed light on all major crises plaguiging the region and to discuss and solve both aspects:

1. The *Social* aspect : The Refugee Crisis;
2. The *Economic* aspect: The Economic instability prevailing in the region.

Further, I hope to see committee sessions with maximum discussions so I would find it preferable if delegates were to use the communication platforms opened to you to deliberate with fellow delegates and have a clear idea on what you'd like to have discussed in what order so that committee flow will be streamlined, with no confusion. Do try to get a working paper during & at the end of each day so we have a clear idea about how committee is progressing and can discuss issues more efficiently going forward.

This is the Background Guide, with basic information about our agenda to get you started. SHOULD parts of the background guide be used as sole research in committee, trust me, we will know & you will be reprimanded for it.

My advice?

1. **Start working TODAY** ***Hard work beats Talent when Talent doesn't work hard***
2. **DO NOT BE AFRAID TO SPEAK UP IN COMMITTEE**
3. **Research VERY well about the agendae AND UNDERSTAND YOUR RESEARCH!**
4. **Know your country's stance & other countries stance on the topics at the back of your hand**
5. **Raise your placard so many times that you almost annoy the EB**

and you will shine in committee!

All the best!
Ankit Bisht,
Chairperson, UNECOSOC

Letter from the Vice-Chairperson

"***Every hand and every hour should be devoted to rescue the world from its insanity of guilt, and to assuage the pangs of human hearts with balm and anodyne. To pity distress is but human; to relieve it is Godlike***."

Greetings Delegates,

It gives me immense pleasure to be vice-chairing the UNECOSOC. This committee specialises in macroeconomic policies,environmental and sustainable development, trade and commerce, and social development. Which means we will be emphasizing on certain aspects of economic importance and using financial terms. However, that shouldn't be a deterrent to any first timers as the Executive Board will help you out every step of the way. I remember my first economic committee and being lost, yet having lots of fun and learning experiences.

We're focussing on Europe and the Mediterranean. Europe is a continent with some of the largest GDPs, most developed economies, and a vast ethnic diversity and cultural heritage.

Expect a committee that is fast-paced yet very in depth. I look forward having healthy debate that covers all aspects of this vast agenda. The agenda itself has a lot of potential for debate and I hope each and every aspect of the agenda will be covered in depth.

In essence the committee shall discuss two main topics under our agenda of "Instability in Europe and the Mediterranean",

1. **The Refugee crisis**, where both Ankit and I look forward to committee discussing everything about this social crisis, and
2. **The Economic instability in Europe**, where we hope to see fruitful debate on the resolution of the issue, keeping in mind the various economic issues it brings about.

Delegates, I would like to lay emphasis on the following points
Firstly, you must be thorough with your country's foreign policy and follow it to the T.
Secondly, feel free to bring up any aspect of this agenda, that you feel is important, for discussion, in the form of a Moderated caucus.
And lastly, DO NOT be afraid to speak in committee. Ankit and I will make sure that everyone in committee gets an equal opportunity to speak, so feel free to raise your placard.

I wish all of you the very best for committee and hope to see constructive debate on both the crucial aspects of the agenda.

Dhruv Kulshreshtha,
Vice-Chairperson, UNECOSOC

Economic Crises in Europe from the 2000s onwards:

INTRODUCTION

Europe and the world have been faced with many economic crises through the years. Economists agree that once you go up, you have to come down and so is dictated by the boom and bust cycle. It is however important to note a couple of crises that were severe enough to envelope the entire world in their wake. Namely, the early 2000s recession and the Financial Crisis of 2007-2008.

European Sovereign Debt Crisis:

The European debt crisis is the shorthand term for Europe's struggle to pay the debts it has built up in recent decades. Five of the region's countries – Greece, Portugal, Ireland, Italy, and Spain – have, to varying degrees, failed to generate enough economic growth to make their ability to pay back bondholders the guarantee it was intended to be.

Although these five were seen as being the countries in immediate danger of a possible default at the peak of the crisis in 2010-2011, the crisis has far-reaching consequences that extend beyond their borders to the world as a whole. In fact, the head of the Bank of England referred to it as "the most serious financial crisis at least since the 1930s, if not ever," in October 2011.

How did the crisis begin?

The global economy has experienced slow growth since the U.S. financial crisis of 2008-2009, which has exposed the unsustainable fiscal policies of countries in Europe and around the globe. Greece, which spent heartily for years and failed to undertake fiscal reforms, was one of the first to feel the pinch of weaker growth. When growth slows, so do tax revenues – making high budget deficits unsustainable. The result was that the new Prime

Minister George Papandreou, in late 2009, was forced to announce that previous governments had failed to reveal the size of the nation's deficits.

In truth, Greece's debts were so large that they actually exceed the size of the nation's entire economy, and the country could no longer hide the problem.

Investors responded by demanding higher yields on Greece's bonds, which raised the cost of the country's debt burden and necessitated a series of bailouts by the European Union and European Central Bank (ECB). The markets also began driving up bond yields in the other heavily indebted countries in the region, anticipating problems similar to what occurred in Greece.

Why do bonds yields go up in response to this type of crisis, and what are the implications? The reason for rising bond yields is simple: if investors see higher risk associated with investing in a country's bonds, they will require a higher return to compensate them for that risk. This begins a vicious cycle: the demand for higher yields equates to higher borrowing costs for the country in crisis, which leads to further fiscal strain, prompting investors to demand even higher yields, and so on. A general loss of investor confidence typically causes the selling to affect not just the country in question, but also other countries with similarly weak finances – an effect typically referred to as "contagion."

What did European governments do about the crisis?

The European Union has taken action, but it has moved slowly since it requires the consent of all nations in the union. The primary course of action thus far has been a series of bailouts for Europe's troubled economies. In spring, 2010, when the European Union and International Monetary Fund disbursed 110 billion euros (the equivalent of $163 billion) to Greece. Greece required a second bailout in mid-2011, this time worth about $157 billion. On March 9, 2012, Greece and its creditors agreed to a debt restructuring that set the stage for another round of bailout funds.

Ireland and Portugal also received bailouts, in November 2010 and May 2011, respectively. The Eurozone member states created the European Financial Stability Facility (EFSF) to provide emergency lending to countries in financial difficulty.

The European Central Bank also became involved. The ECB announced a plan, in August 2011, to purchase government bonds if necessary in order to keep yields from spiraling to a level that countries such as Italy and Spain could no longer afford. In December 2011, the ECB made €489 ($639 billion) in credit available to the region's troubled banks at ultra-low rates, then followed with a second round in February 2012. The name for this program was the Long Term Refinancing Operation or LTRO. Numerous financial institutions had debt coming due in 2012, causing them to hold on to their reserves rather than extend loans.

Slower loan growth, in turn, could have weighed on economic growth and made the crisis worse. As a result, the ECB sought to boost the banks' balance sheets to help forestall this potential issue.

Although the actions by European policymakers usually helped stabilize the financial markets in the short term, they were widely criticized as merely "kicking the can down the road," or postponing a true solution to a later date. In addition, a larger issue loomed: while smaller countries such as Greece are small enough to be rescued by the European Central Bank, Italy and Spain are too big to be saved. The perilous state of the countries' fiscal health was, therefore, a key issue for the markets at various points in 2010, 2011, and 2012.

In 2012, the crisis reached a turning point when European Central Bank President Mario Draghi announced that the ECB would do "whatever it takes" to keep the eurozone together. Markets around the world immediately rallied on the news, and yields in the troubled European countries fell sharply during the second half of the year. (Keep in mind, prices and yields move in opposite directions.) While Draghi's statement didn't solve the problem, it made investors more comfortable buying bonds of the region's smaller nations. Lower yields, in turn, have bought time for the high-debt countries to address their broader issues.

What is the current status of the crisis?

Today, yields on European debt have plunged to very low levels. The high yields of 2010-2012 attracted buyers to markets such as Spain and Italy, driving prices up and bringing yields down. While this indicates greater investor comfort with taking the risk of investing in the region's bond markets, the crisis lives on in the form of very slow economic growth and a growing risk that Europe will sink into deflation (i.e., negative inflation). The European Central Bank has responded by slashing interest rates, and it appears on track to initiate a quantitative easing program similar to that used by the U.S. Federal Reserve in the United States.

Why is default such a major problem? Couldn’t a country just walk away from its debts and start fresh?

Unfortunately, the solution isn’t that simple for one critical reason: European banks remain one of the largest holders of region’s government debt, although they reduced their positions throughout the second half of 2011. Banks are required to keep a certain amount of assets on their balance sheets relative to the amount of debt they hold. If a country defaults on its debt, the value of its bonds will plunge. For banks, this could mean a sharp reduction in the number of assets on their balance sheet – and possible insolvency.

Due to the growing interconnectedness of the global financial system, a bank failure doesn’t happen in a vacuum. Instead, there is the possibility that a series of bank failures will spiral into a more destructive “contagion” or “domino effect.”

The best example of this is the U.S. financial crisis when a series of collapses by smaller financial institutions ultimately led to the failure of Lehman Brothers and the government bailouts or forced takeovers of many others. Since European governments are already struggling with their finances, there is less latitude for government backstopping of this crisis compared to the one that hit the United States.

How has the European debt crisis affected the financial markets?

The possibility of a contagion has made the European debt crisis a key focal point for the world financial markets in the 2010-2012 period. With the market turmoil of 2008 and 2009 in fairly recent memory, investors’ reaction to any bad news out of Europe was swift: sell anything risky, and buy the government bonds of the largest, most financially sound countries. Typically, European bank stocks – and the European markets as a whole –

performed much worse than their global counterparts during the times when the crisis was on center stage.

The bond markets of the affected nations also performed poorly, as rising yields means that prices are falling. At the same time, yields on U.S. Treasuries fell to historically low levels in a reflection of investors' "flight to safety."

Once Draghi announced the ECB's commitment to preserving the eurozone, markets rallied worldwide. Bond and equity markets in the region have since regained their footing, but the region will need to show sustained growth in order for the rally to continue.

What were the political issues involved?

The political implications of the crisis were enormous. In the affected nations, the push toward austerity – or cutting expenses to reduce the gap between revenues and outlays – led to public protests in Greece and Spain and in the removal of the party in power in both Italy and Portugal. On the national level, the crisis led to tensions between the fiscally sound countries, such as Germany, and the higher-debt countries such as Greece. Germany pushed for Greece and other affected countries to reform the budgets as a condition of providing aid, leading to elevated tensions within the European Union.

After a great deal of debate, Greece ultimately agreed to cut spending and raise taxes. However, an important obstacle to addressing the crisis was Germany's unwillingness to agree to a region-wide solution since it would have to foot a disproportionate percentage of the bill.

The tension created the possibility that one or more European countries would eventually abandon the euro (the region's common currency). On one hand, leaving the euro would allow a country to pursue its own independent policy rather than being subject to the common policy for the 17 nations using the currency. But on the other, it would be an event of unprecedented magnitude for the global economy and financial markets. This concern contributed to periodic weakness in the euro relative to other major global currencies during the crisis period.

Early 2000s Recession:

The 2001 recession was an eight-month economic downturn. It began in March 2001 and lasted through November 2001. The economy contracted in the first quarter, January to March, by 1.1 percent. It improved to 2.1 percent in the second quarter, April to June. It contracted again in the third quarter, July to September, by 1.3 percent. The economy recovered in the fourth quarter, October to December, growing 1.1 percent.

Unemployment reached 5.7 percent in December 2001. That's a little more than the natural rate of unemployment. Unemployment continued to climb even after the recession ended. In June 2003, it reached 6 percent. Employers wait to lay off workers until orders are strong enough. That makes the unemployment rate a lagging indicator.

The Causes of the Recession

> The 2001 recession resulted from the Y2K scare (Y2K stands for Year 2000). It was an erroneously foretold Year 2000 software problem that had to do with the two-digit storage of year values. In 1999, there was an economic boom in computer and software sales.
>
> Many companies and individuals bought new computer systems to make sure their software was Y2K compliant. The operating code had to be able to

understand the difference between 2000 and 1900. Many fields within that code only had two spaces, not the four needed to differentiate between the two dates.

As a result, the stock price of many high-tech companies started to increase. Investors' began buying stock in any high tech company, whether they were showing profits or not. The exuberance for dot.com companies became irrational.

The boom led to a bust in dot-com businesses. It became apparent in January 2000 that computer orders were going to decline. The shelf life of most computers is about two years. Companies had just bought all the equipment they would need. As a result, the stock market dropped in March 2000. As stock prices declined, so did the value of the dot.com companies and many went bankrupt.

The Federal Reserve ignored the markets and continued raising interest rates. The fed funds rate reached 6.5 percent by May 2000. Interest rates remained high when the economy needed low rates for cheap credit.

The 9/11 attack worsened the downturn. The New York Stock Exchange closed for four trading days after the attacks. That was the first time since the Great Depression. The stock market reopened on September 17, 2001. The Dow Jones Industrial Average fell 7.13 percent, closing at 8,920.70. The 617.78 point loss was the Dow's worst one-day drop at that time. For reference, historical tables on U.S. gross domestic product growth, U.S. GDP history, and U.S. inflation rate have annual statistics that go back as far as 1929.

The Impact of the Recession

Although the recession ended in November 2001, the threats of war drove the Dow down for another year. It hit bottom on October 9, 2002, when it closed at 7,286.27.

That was a 37.8 percent decline from its peak. No one knew for sure if the bull market had returned until the Dow hit a higher low on March 11, 2003, closing at 7,524.06.
The tax cuts were phased in through 2009, too slowly to boost the economy. Economic growth was 1 percent in 2001 and only increased to 1.8 percent in 2002 and 2.8 percent in 2003. To solve this, Congress passed the Jobs And Growth Tax Relief Reconciliation Act in 2003 to speed up the tax cuts and give breaks to businesses.
Second, many people saved their rebates instead of spending them. Tax cuts went to everyone, regardless of income. Those with higher incomes are more likely to invest rather than spend any tax cuts.
The response to the 2001 recession set the stage for the 2008 recession. The Fed continued lowering interest rates through 2003. That forced banks to earn less revenue. They looked for other sources, such as derivatives and exotic loans. When the Fed began raising rates in 2004, many mortgage-holders had trouble paying the higher rates.
In the long run, the Bush tax cuts hurt the economy by dramatically decreasing government revenues. That increased each year's annual deficit, and thereby the U.S. debt. Congress fought against President Obama's jobs bill because it was more concerned about the debt. Instead, it forced a 10 percent spending cut with sequestration. That contractionary fiscal policy made it harder to recover from the Great Recession.

The Great Recession of 2008:

The 2008 financial crisis is the worst economic disaster since the Great Depression of 1929. It occurred despite Federal Reserve and Treasury Department efforts to prevent it.
It led to the Great Recession. That's when housing prices fell 31.8 percent, more than the price plunge during the Depression. Two years after the recession ended, unemployment was still above 9 percent. That's not counting discouraged workers who had given up looking for work.

Causes

The first sign that the economy was in trouble occurred in 2006. That's when housing prices started to fall. At first, realtors applauded. They thought the overheated housing market would return to a more sustainable level.

Realtors didn't realize there were too many homeowners with questionable credit. Banks had allowed people to take out loans for 100 percent or more of the value of their new homes. Many blamed the Community Reinvestment Act. It pushed banks to make investments in subprime areas, but that wasn't the underlying cause.
The Gramm-Rudman Act was the real villain. It allowed banks to engage in trading profitable derivatives that they sold to investors. These mortgage-backed securities needed home loans as collateral. The derivatives created an insatiable demand for more and more mortgages.
The Federal Reserve believed the subprime mortgage crisis would remain confined to the housing sector. Fed officials didn't know how far the damage would spread. They didn't understand the actual causes of the subprime mortgage crisis until later.
Hedge funds and other financial institutions around the world owned the mortgage-backed securities. The securities were also in mutual funds, corporate assets, and pension funds. The banks had chopped up the original mortgages and resold them in tranches. That made the derivatives impossible to price.
Why did stodgy pension funds buy such risky assets? They thought an insurance product called credit default swaps protected them. A traditional insurance company known as the American International Group sold these swaps. When the derivatives lost value, AIG didn't have enough cash flow to honor all the swaps.
Banks panicked when they realized they would have to absorb the losses. They stopped lending to each other. They didn't want other banks giving them worthless mortgages as collateral. No one wanted to get stuck holding the bag. As a result, interbank borrowing costs, known as Libor, rose. This mistrust within the banking community was the primary cause of the 2008 financial crisis.

Turkey

2001

Throughout the 1980s and 1990s, Turkey relied heavily on foreign investment for economic growth, with trade above 40% of GNP. The Turkish government and banking systems lacked the financial means to support meaningful economic growth. The government was already running enormous budget deficits, and one of the ways it managed to sustain these was by selling huge quantities of high-interest bonds to Turkish banks. Continuing inflation (likely a result of the enormous flow of foreign capital into Turkey) meant that the government could avoid

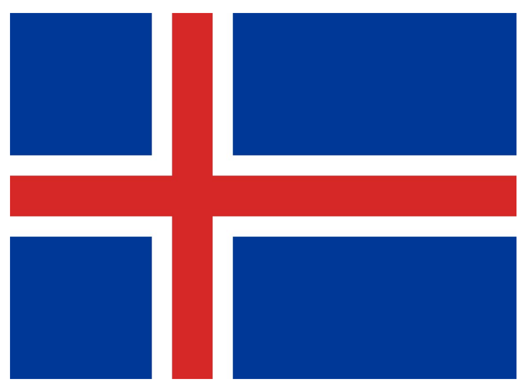
defaulting on the bonds in the short term. As a consequence, Turkish banks came to rely on these high-yield bonds as a primary investment.
The International Monetary Fund (IMF) team in 1996 warned of an impending financial crisis because of the deficit, which soon came into being. Turkey's unstable political landscape led many foreign investors to divest from the country. As foreign investors observed the political turmoil and the government's attempts to eliminate the budget deficit, they withdrew $70 billion worth of capital from the country in a matter of months. This left a vacuum of capital that Turkish banks were unable to alleviate because the government was no longer able to pay off its bonds. With no capital to speak of, the Turkish economy slowed dramatically.

2018 onwards

The Turkish currency and debt crisis of 2018 is an ongoing financial crisis in Turkey with international repercussions due to financial contagion. It is characterized by the Turkish lira plunging in value, high inflation, rising borrowing costs, and correspondingly rising loan defaults. The crisis was caused by the Turkish economy's excessive current account deficit and foreign-currency debt, in combination with President Recep Tayyip Erdoğan's increasing authoritarianism and his unorthodox ideas about interest rate policy.

While the initial stage of the crisis was prominent for a major devaluation of the currency, which somewhat stabilized due to belated interest rate hikes after May, succeeding stages were characterized by debt defaults and finally by economic contraction. With the inflation rate stuck in the double digits, stagflation ensued.

Iceland



The Icelandic financial crisis was a major economic and political event in Iceland that involved the default of all three of the country's major privately owned commercial banks in late 2008, following their difficulties in refinancing their short-term debt and a run on deposits in the Netherlands and the United Kingdom. Relative to the size of its economy, Iceland's systemic banking collapse was the largest experienced by any country in economic history. The crisis led to a severe economic depression in 2008–2010 and significant political unrest.

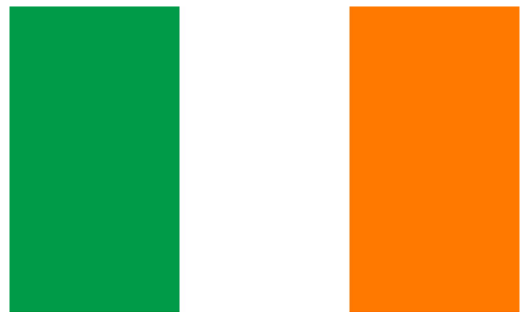
In the years preceding the crisis, three Icelandic banks, Kaupthing, Landsbanki and Glitnir, multiplied in size. This expansion was driven by ready access to credit in international financial markets, in particular short-term financing. As the international financial crisis unfolded in 2007–2008, investors perceived the Icelandic banks to be increasingly risky. Trust in the banks gradually faded, leading to a sharp depreciation of the Icelandic króna in 2008 and increased difficulties for the banks in rolling over their short-term debt. At the end of the second quarter of 2008, Iceland's external debt was 9.553 trillion Icelandic krónur (€50 billion), more than 7 times the GDP of Iceland in 2007. The assets of the three banks totaled 14.437 trillion krónur at the end of the second quarter 2008, equal to more than 11 times the national GDP. Due to the huge size of the Icelandic financial system in comparison with the Icelandic economy, the Central Bank of Iceland found itself unable to act as a lender of last resort during the crisis, further aggravating the mistrust in the banking system.

On 29 September 2008, it was announced that Glitnir would be nationalised. However, subsequent efforts to restore faith in the banking system failed. On 6 October, the Icelandic legislature instituted an emergency law which enabled the Financial Supervisory Authority (FME) to take control over financial institutions and made domestic deposits in the banks priority claims. In the following days, new banks were founded to take over the domestic operations of Kaupthing, Landsbanki and Glitnir. The old banks were put into receivership and liquidation, resulting in losses for their shareholders and foreign creditors. Outside Iceland, more than half a million depositors lost access to their accounts in foreign branches of Icelandic banks. This led to the 2008–2013 Icesave dispute, that ended with a EFTA Court ruling that Iceland was not obliged to repay Dutch and British depositors minimum deposit guarantees.

In an effort to stabilize the situation, the Icelandic government stated that all domestic deposits in Icelandic banks would be guaranteed, imposed strict capital controls to stabilize the value of the Icelandic króna, and secured a US$5.1bn sovereign debt package from the IMF and the Nordic countries in order to finance a budget deficit and the restoration of the banking system. The international bailout support programme led by IMF officially ended on 31 August 2011, while the capital controls which were imposed in November 2008 were lifted on 14 March 2017.

The financial crisis had a serious negative impact on the Icelandic economy. The national currency fell sharply in value, foreign currency transactions were virtually suspended for weeks, and the market capitalisation of the Icelandic stock exchange fell by more than 90%. As a result of the crisis, Iceland underwent a severe economic depression; the country's gross domestic product dropped by 10% in real terms between the third quarter of 2007 and the third quarter of 2010. A new era with positive GDP growth started in 2011, and has helped foster a gradually declining trend for the unemployment rate. The government budget deficit has declined from 9.7% of GDP in 2009 and 2010 to 0.2% of GDP in 2014; the central government gross debt-to-GDP ratio is expected to decline to less than 60% in 2018 from a maximum of 85% in 2011.

Ireland



The **post-2008 Irish banking crisis** was the situation whereby, due to the Great Recession, a number of Irish financial institutions faced almost imminent collapse due to insolvency. In response, the Irish government instigated a €64 billion euro bank bailout. This then led to a number of unexpected revelations about the business affairs of some banks and business people. Ultimately, added onto the deepening recession in the country, the bank bailout was the primary reason for the Irish government requiring IMF assistance and a total restructuring of the Irish Government occurred as result of this.

Russia

2008-09

The Great Recession in Russia was a crisis during 2008–2009 in the Russian financial markets as well as an economic recession that was compounded by political fears after the war with Georgia and by the plummeting price of Urals heavy crude oil, which lost more than 70% of its value since its record peak of US$147 on 4 July 2008 before rebounding moderately in 2009. According to the World Bank, Russia's strong short-term macroeconomic fundamentals made it better prepared than many emerging economies to deal with the crisis, but its underlying structural weaknesses and high dependence on the price of a single commodity made its impact more pronounced than would otherwise be the case.

In late 2008 during the onset of the crisis, Russian markets plummeted and more than $1 trillion had been wiped off the value of Russia's shares, although Russian stocks rebounded in 2009 becoming the world's best performers, with the MICEX Index having more than doubled in value and regaining half its 2008 losses.

As the crisis progressed, Reuters and the Financial Times speculated that the crisis would be used to increase the Kremlin's control over key strategic assets in a reverse of the "loans for shares" sales of the 1990s, when the state sold off major assets to the oligarchs in return for loans. In contrast to this earlier speculation, in September 2009 the Russian government announced plans to sell state energy and transport holdings in order to help plug the budget deficit and to help improve the nation's aging infrastructure. The state earmarked about 5,500 enterprises for divestment and plans to sell shares in companies that are already publicly traded, including Rosneft, the country's biggest oil producer.

From July 2008 – January 2009, Russia's foreign exchange reserves (FXR) fell by $210 billion from their peak to $386 billion as the central bank adopted a policy of gradual devaluation to combat the sharp devaluation of the ruble. The ruble weakened 35% against the dollar from the onset of the crisis in August to January 2009. As the ruble stabilized in January the reserves began to steadily grow again throughout 2009, reaching a year-long high of $452 billion by year's-end.

Russia's economy emerged from recession in the third quarter of 2009 after two quarters of record negative growth. GDP contracted by 7.9% for the whole of 2009, slightly less than the economic ministry's prediction of 8.5%. Experts expect Russia's economy will grow modestly in 2010, with estimates ranging from 3.1% by the Russian economic ministry to 2.5%, 3.6% and 4.9% by the World Bank, International Monetary Fund (IMF), and Organisation for Economic Co-operation and Development (OECD) respectively.

<u>2014–17</u>

The financial crisis in Russia in 2014–2017 was the result of the collapse of the Russian ruble beginning in the second half of 2014. A decline in confidence in the Russian economy caused investors to sell off their Russian assets, which led to a decline in the value of the Russian ruble and sparked fears of a Russian financial crisis. The lack of confidence in the Russian economy stemmed from at least two major sources. The first is the fall in the price of oil in 2014. Crude oil, a major export of Russia, declined in price by nearly 50% between its yearly high in June 2014 and 16 December 2014. The second is the result of international economic sanctions imposed on Russia following Russia's annexation of Crimea and the Russian military intervention in Ukraine.

The crisis has affected the Russian economy, both consumers and companies, and regional financial markets, as well as Putin's ambitions regarding the Eurasian Economic Union. The Russian stock market in particular has experienced large declines, with a 30% drop in the RTS Index from the beginning of December through 16 December 2014.

During the financial crisis, the economy turned to prevalent state ownership, with 60% of productive assets in the hands of the government. By 2016, the Russian economy rebounded with 0.3% GDP growth and was officially out of the recession. In January 2017, Russia had foreign currency reserves of around $391 billion, an inflation rate of 5.0% and interest rate of 10.0%.

Latvia

In 2008, after years of booming economic success, the Latvian economy took one of the sharpest downturns in the world, picking up pace in the last quarter in which GDP contracted by 10.5%. In February 2009 the Latvian government asked the International Monetary Fund and the European Union for an emergency bailout loan of 7.5 billion Euros, while at the same time the government nationalized Parex Bank, the country's second largest bank.

On concerns of bankruptcy, Standard & Poor's subsequently downgraded Latvia's credit rating to non-investment grade BB+, or "junk", its worst ever rating. Its rating was put on negative outlook, which indicates a possible further cut. On February 20 the Latvian coalition government headed by Prime Minister of Latvia Ivars Godmanis collapsed.

The Baltic States have been amongst the worst hit by the global financial crisis. In December 2008 the Latvian unemployment rate stood at 7%. By December 2009, the figure had risen to 22.8%. The number of unemployed has more than tripled since the onset of the crisis, giving Latvia the highest rate of unemployment growth in the EU. Early 2009 estimates predicted that the economy would contract by around 12% in 2009, but even those gloomy forecasts turned out to be too optimistic as the economy contracted by nearly 18% in the fourth quarter of 2009, showing little signs of recovery.

However, by 2010 commentators noted signs of stabilisation in the Latvian economy. Rating agency Standard & Poor's raised its outlook on Latvia's debt from negative to stable. Latvia's current account, which had been in deficit by 27% in late 2006 was in surplus in February 2010.

In June 2012 International Monetary Fund Managing Director Christine Lagarde lauded Latvia's accomplishments in bringing order to the country's economy, and emphasized Latvia must complete three more tasks - strive to join the eurozone, promote economic competitiveness, reduce social inequality. She concluded that by implementing its international loan program, Latvia has proven that it can be powerful and disciplined.

Spain

The 2008–present Spanish financial crisis, also known as the Great Recession in Spain or the Great Spanish Depression, began in 2008 during the world financial crisis of 2007–08. In 2012, it made Spain a late participant in the European sovereign debt crisis when the country was unable to bail out its financial sector and had to apply for a €100 billion rescue package provided by the European Stability Mechanism (ESM).

The main cause of Spain's crisis was the housing bubble and the accompanying unsustainably high GDP growth rate. The ballooning tax revenues from the booming property investment and construction sectors kept the Spanish government's revenue in surplus, despite strong increases in expenditure, until 2007. The Spanish government supported the critical development by relaxing supervision of the financial sector and thereby allowing the banks to violate International Accounting Standards Board standards. The banks in Spain were able to hide losses and earnings volatility, mislead regulators, analysts, and investors, and thereby finance the Spanish real estate bubble. The results of the crisis were devastating for Spain, including a strong economic downturn, a severe increase in unemployment, and bankruptcies of major companies.

Even though some fundamental problems in the Spanish economy were already evident far ahead of the crisis, Spain continued the path of unsustainable property led growth when the ruling party changed in 2004. In these early times Spain had already a huge trade deficit, a loss of competitiveness against its main trading partners, an above-average inflation rate, house price increases, and a growing family indebtedness. During the third quarter of 2008 the national GDP contracted for the first time in 15 years, and, in February 2009, Spain (and other European economies) officially entered recession. The economy contracted 3.7% in 2009 and again in 2010 by 0.1%. It grew by 0.7% in 2011. By the 1st quarter of 2012, Spain was officially in recession once again. The Spanish government forecast a 1.7% drop for 2012.

The provision of up to €100 billion of rescue loans from eurozone funds was agreed by eurozone finance ministers on 9 June 2012. As of October 2012, the so-called Troika (European Commission, ECB and IMF) is in negotiations with Spain to establish an economic recovery program required for providing additional financial loans from ESM. In addition to applying for a €100 billion bank recapitalization package in June 2012, Spain negotiated financial support from a "Precautionary Conditioned Credit Line" (PCCL) package. If Spain applies and receives a PCCL package, irrespective to what extent it subsequently decides to draw on this established credit line, this would at the same time immediately qualify the country to receive "free" additional financial support from ECB, in the form of some unlimited yield-lowering bond purchases.

The turning point for the Spanish sovereign debt crisis occurred on 26 July 2012, when ECB President Mario Draghi said that the ECB was "ready to do whatever it takes to preserve the euro". Announced on 6 September 2012, the ECB's Outright Monetary Transactions (OMT) program of unlimited purchases of short-term sovereign debt put the ECB's balance sheet behind the pledge. Speculative runs against Spanish sovereign debt were discouraged and 10-year bond yields stayed below the 6% level, approaching the 5% level by the end of 2012.

Greece

The Greek debt crisis is the dangerous amount of sovereign debt the Greek government owes. Sovereign debt is the amount that a country's government owes to creditors, often times outside creditors. It became hazardous when a possible debt default threatened the European Union (EU).

Since 2008, EU leaders have struggled to agree on a solution. During that time, the Greek economy shrank 25% thanks to spending cuts and tax increases demanded by creditors. Greece's debt-to-GDP ratio grew to 179%.

The disagreement is a matter of which countries lose out more.

Greece wants the EU to forgive some of the debt. Since February 2015, the various European authorities and private investors have loaned Greece €294.7 billion. Greece has only repaid €41.6 billion.

The EU would forgive debt if Greece adopts austerity measures. These reforms will strengthen its government and financial structures. Germany and its bankers have led this approach since Germany has lent the most.

The crisis triggered the eurozone debt crisis and created fears of a global financial crisis. It threw into question the viability of the eurozone itself. It warned of what could happen to other heavily indebted EU members.

Delegates, please note that Greece will be brought up multiple times in committee due to the volatile situation of its economy and its effect on the economy of the Eurozone as a whole. What we have given you is a **mere introduction** to the topic and we urge you to come well researched and versed with this crisis.

Portugal

Between 2009-16 the Portugal economic experienced a severe economic crisis –

characterised by falling GDP, high unemployment, rising government debt and high bond yields. This was caused by a combination of the global recession, lack of competitiveness and limitations of being in the Euro.

Portuguese Unemployment

With the rapid drop in real GDP and austerity measures, the Portuguese unemployment rate has increased at one of the fastest rates in the EU.

It has got so bad, the Portuguese Prime Minister has been quoted as saying the young Portuguese, should show more effort and leave the country to get a job. 'They should show more effort' and 'leave their comfort zone.' He suggested that teachers unable to find a job at home should think about emigrating to Angola or Brazil. Unsurprisingly, the austerity measures are leading to widespread protest and concern the relatively new Portuguese democracy could be threatened by the spectre of mass-unemployment.

Portugal National Debt

On joining the Euro, the Portuguese national debt was below the 60% limit set by the Maastricht criteria. By the start of the debt crisis in 2009, the level of public sector debt had edged up to 70% of GDP. However, the recession of 2009-12, has seen a rapid increase in the level of debt, despite efforts to reduce public spending and austerity measures pursued by the government.

In 1998, Portugal government debt per capita was €5,443 per person, by 2010 this has increased to €15,115.

Ukraine

A prolonged crisis in Ukraine began on 21 November 2013 when then-president Viktor Yanukovych suspended preparations for the implementation of an association agreement with the European Union. The decision sparked mass protests from the proponents of the agreement. The protests, in turn, precipitated a revolution that led to Yanukovych's ousting. After the ousting, unrest enveloped in the largely Russophone eastern and southern regions of Ukraine, from where Yanukovych had drawn most of his support. Subsequently, an ensuing political crisis developed after Russia intervened militarily in said regions and annexed the then-autonomous Ukrainian region of Crimea. As Russia's intervention emboldened the Russophone Ukrainians already in upheaval, the unrest in the Donetsk and Luhansk oblasts devolved into a subnational war against the post-revolutionary Ukrainian government. Then, as that conflict progressed, the Russophone Ukrainian opposition turned into a pro-Russian insurgency often supported and assisted by the Russian military and its special forces.

The crisis has had many effects, both domestic and international. According to an October 2014 estimate by the World Bank, the economy of Ukraine contracted by 8% during the year 2014 as a result of the crisis. Economic sanctions imposed on Russia by western nations contributed to the collapse in value of the Russian rouble, and the resulting Russian financial crisis.

The war in Donbass caused a coal shortage in Ukraine, as the Donbass region had been the chief source of coal for power stations across the country. Furthermore, Zaporizhia Nuclear Power Station was forced to close down one of its reactors after an accident. The combination of these two problems led to rolling blackouts across Ukraine during December 2014.

Additionally, due to the Ukrainian crisis, a construction of a new pipeline in Turkey with an annual capacity around 63 billion cubic metres (bcm) was proposed, so as to carry natural gas to Europe while completely bypassing Ukraine as a traditional transit hub for Russian gas.

Progress on implementing reforms in post-revolutionary Ukraine has been said to be slow. According to a BBC report in February 2016, Ukraine remained gripped by corruption, and little progress had been made in improving the economy. Low-level fighting continued in the Donbass. The report also said that there was talk of a "Third Maidan" to force the government to take action to remedy the crisis.

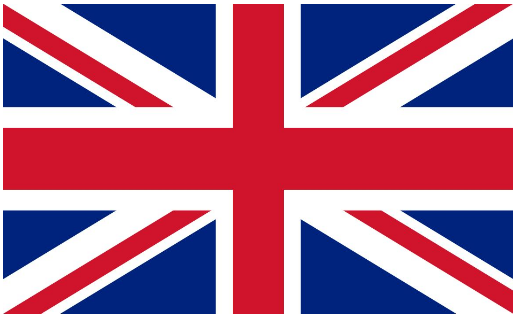
An IMF four-year loan program worth about $17.5 billion was agreed in eight tranches over 2015 and 2016, subject to conditions regarding economic reforms. Analysts disputed that the $17.5 billion represented a 'new' bailout, noting that the IMF's announcement amounted to making good on "old promises, rather than offering any new cash." However, due to lack of progress on reforms, only two tranches worth $6.7 billion were paid in 2015. A third tranche of $1.7 billion may be paid in June 2016 subject to the bringing into law of 19 further reform measures. In May 2016 the IMF mission chief for Ukraine stated that the reduction of corruption was a key test for continued international support.

Germany

When the global economic crisis reached Europe in 2008, Germany was not immune to its devastating impact. However, in contrast to the majority of the G8 members, Germany was able to exit the economic crisis as quickly as it entered it.

At the onset of the financial crisis, Germany experienced a rapid decline in GDP that took place in the fourth quarter of 2008. The decline continued and resulted in Germany's GDP growth rate to become negative in 2009, however it showed signs of drastic improvement in the third quarter. Germany experienced a gradual increase in inflation at the halfway point in 2009, which suggested an indication of economic recovery. During the economic crisis there was a decrease in demand for German exports which contributed to the sharp decline in Germany's GDP in 2009. The improvements gained momentum and the swift increase that occurred in the first quarter of 2010 led to a positive GDP growth rate.

United Kingdom



Brexit is the term used to refer to the United Kingdom's decision to leave the European Union (EU). On June 23, 2016, the UK decided to officially sever ties with the EU. This monumental decision came as the result of a referendum where 51.9% were in favour of leaving the EU.

While the decision marked a huge statement for the UK, the referendum vote is not legally binding. There are still many hurdles that must be dealt with before Brexit can become a reality.

Delegates, please note that this is a very basic introduction to the complex and peculiar economical situation that the United Kingdom finds itself in. We have included what we feel to be an apt introduction to the same and urge that you research extremely well on the topic. We understand that this issue is one of great depth and that not everyone will be able to comprehend it in the same level. Hence, the basic introduction that we have given you. Should you have any queries or difficulties on Brexit or anything else related to committee, feel free to contact us:

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Questions a Resolution Must Answer

1. What reforms should be implemented to revive economic growth in crippled economies such as Greece and Ireland?
2. How should the economic impacts of BREXIT be dealt with?
3. How can economic development be harmonised in Europe?
4. What reforms should be implemented in future to prevent economic recession?
5. Should flourishing economies bailout faltering economies? If yes, in what proportion and how?