UNITED NATIONS GENERAL ASSEMBLY

ECONOMIC AND FINANCIAL COMMITTEE

Discussing global inflation and recession with a special emphasis on disruption in supply chains due to recent multinational conflicts.

DIPLOMACY —— DELIBERATION —— DISCUSSION

Letter from the Executive Board

Right, hello.

Welcome to the simulation of the UN-ECOFIN at SSN-SNUC MUN 2023. As you guys know, this committee is a bit different to other committees simulated at Model United Nations conferences. You will see representation from both: governments of countries and private entities. Hence, the way you research changes quite a bit.

What we expect from every one of you is a good understanding of both parts of the agenda: Global conflicts affecting supply chains and Inflation and think of innovative solutions as to how we can achieve the Sustainable Development Goals using the same, we need not try to solve each and every problem you discover, try to pick a few, as a committee and try to solve them. Socio-economic and legal arguments are appreciated, but make sure you analyze it well.

We will be following UNA-USA Rules of Procedure (Do not worry if you are new to this, we'll explain this in detail). Make sure you check the bibliography here and the references we used to make thisbackground guide; you'll get a better idea of what we were thinking of when we set the agenda.

Also, just a small note: For the delegates who are "experienced", make sure you don't try to dominate first timers, it's not cool and it will earn you no favors. Diplomacy is appreciated. We hope all of you have fun and enjoy this experience. Make sure you research well and make sure you do not violate your foreign policy / company policy.

Have fun!

Raunak, Kathiyayini and Hiba

About the committee & Mandate

The Economic and Financial Committee is the second committee of the General Assembly of the United Nations. Its membership is open to all member states of the United Nations as one of the General Assemblies and follows the same parliamentary procedures as any other main organ of the United Nations. Thus, a total of 193 nations are represented in ECOFIN.

It is responsible for dealing with questions about economics, global finance, and growth and development around the world. The goal of this committee will be to address persistent economic inequity and emerging concerns within global finance.

Its mandate includes policy domains such as macroeconomic policy and globalization, but it also discusses the eradication of poverty through economic reform and how economic development can be achieved in a sustainable way.

According to the United Nations, ECOFIN functions to discuss issues relating to economic growth and development (including international trade, international financial system, external debt sustainability and commodities), financing for development, sustainable development, human settlements, poverty eradication, globalization and interdependence, operational activities for development, and information and communication technologies for development.

Its mandate further explores groupings of nations such as Least Developed Countries to encourage regional growth and support for all nations, which is just one of the many subgroups that are formed under ECOFIN to be able to substantively solve niche issues.

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Key Definitions:

1. **Inflation-** a general increase in prices and fall in the purchasing value of money. Inflation is typically a broad measure, such as the overall increase in prices or the increase in the cost of living in a country.

2. **Global Inflation -** When Inflation impacts the entire world, it is referred to as Global Inflation.

3. **Recession-** A recession is a significant decline in economic activity that lasts for months or even years. Experts declare a recession when a nation's economy experiences negative gross domestic product (GDP), rising levels of unemployment or when the country witnesses falling retail sales.

4. **Disruption in Supply Chains-** A supply chain disruption is any event that causes a disruption in the production, sale, or distribution of products. Supply chain disruptions can include events such as natural disasters, regional conflicts, and pandemics.

5. **Multi-National Conflicts-** It is referred to conflicts between different nation-states and conflicts between people and organizations in different nation-states.

Introduction

The world economy continues to suffer from a series of destabilizing shocks. After more than two years of pandemic, the Russian Federation's invasion of Ukraine and its global effects on supply chains, inflation, and financial conditions have steepened the slowdown in global growth. In particular, the war in Ukraine is leading to soaring prices and volatility in energy markets, a significant increase in agricultural commodity prices, which is exacerbating food insecurity and extreme poverty in many emerging markets and developing economies. The possibility of stubbornly high global inflation accompanied by tepid growth, are just some of the pertinent risks of this crisis. Further, Supply chain problems were prominent during the COVID-19 lockdown amid a "perfect storm" of causes, including shifts in demand, labor shortages and structural factors. The Russia-Ukraine conflict and COVID-19 lockdowns in China have recently exacerbated issues, affecting supply in certain sectors including consumer goods, metals, food, chemicals and commodities. This could eventually result in a sharp tightening of monetary policy in advanced economies to rein in inflation, lead to surging borrowing costs, and possibly culminate in financial stress in developing economies. A forceful and wide ranging response is required by the global community to boost growth, bolster macroeconomic frameworks, reduce financial vulnerabilities, provide support to vulnerable population groups, and attenuate the long-term impacts of the global shocks of recent years.

The global economy seems headed for a severe recession and parallels are being drawn with the global financial crisis of 2008 and the slowdown brought about in 2020 by the Covid-19 pandemic. In its June 2022 global economic forecast, the World Bank warned that the risk of stagflation has risen due to a “sharp slowdown” in global economic growth coinciding with a “steep” rise in the rate of inflation to multi-decade highs. Stagflation is a period of stagnant economic growth accompanied by persistently high inflation and a sharp rise in unemployment. Several factors have contributed to making up this gloomy scenario, a few of the most impactful and pertinent factors have been detailed below.

General trends and causes

Russia's invasion of Ukraine

Beyond the suffering and humanitarian crisis from Russia's invasion of Ukraine, the entire global economy will feel the effects of slower growth and faster inflation.

Impacts will flow through three main channels. One, higher prices for commodities like food and energy will push up inflation further, in turn eroding the value of incomes and weighing on demand. Two, neighboring economies in particular will grapple with disrupted trade, supply chains, and remittances as well as an historic surge in refugee flows. And three, reduced business confidence and higher investor uncertainty will weigh on asset prices, tightening financial conditions and potentially spurring capital outflows from emerging markets.

Russia and Ukraine are major commodities producers, and disruptions have caused global prices to soar, especially for oil and natural gas. Food costs have jumped, with wheat, for which Ukraine and Russia make up 30 percent of global exports, reaching a record.

Beyond global spillovers, countries with direct trade, tourism, and financial exposures will feel additional pressures. Economies reliant on oil imports will see wider fiscal and trade deficits and more inflation pressure, though some exporters such as those in the Middle East and Africa may benefit from higher prices.

Steeper price increases for food and fuel may spur a greater risk of unrest in some regions, from Sub-Saharan Africa and Latin America to the Caucasus and Central Asia, while food insecurity is likely to further increase in parts of Africa and the Middle East.

Longer term, the war may fundamentally alter the global economic and geopolitical order should energy trade shift, supply chains reconfigure, payment networks fragment, and countries rethink reserve currency holdings. Increased geopolitical tension further raises risks of economic fragmentation, especially for trade and technology.

The ongoing war in Ukraine has dimmed prospects of a post-pandemic economic recovery for emerging and developing economies in the Europe and Central Asia region, says the World Bank's Economic Update for the region. Economic activity will remain deeply depressed through next year, with minimal growth of 0.3% expected in 2023, as energy price shocks continue to impact the region. So far, however, the region has weathered the storm of Russia's invasion of Ukraine better than previously forecast. Regional output is now expected to contract by 0.2%
this year, reflecting above expectation growth in some of the region's largest economies and the prudent extension of pandemic-era stimulus programs by some governments.

Ukraine's economy is now projected to contract by 35%

this year although economic activity is scarred by the destruction of productive capacity, damage to agricultural land, and reduced labor supply as more than 14 million people are estimated to have been displaced. According to recent World Bank estimates, recovery and reconstruction needs across social, productive, and infrastructure sectors total at least $349 billion, which is more than 1.5 times the size of Ukraine's pre-war economy in 2021.

The global economy continues to be weakened by the war through significant disruptions in trade and food and fuel price shocks, all of which are contributing to high inflation and subsequent tightening in global financing conditions. Activity in the euro area, the largest economic partner for emerging and developing economies (EMDEs) of Europe and Central Asia, has deteriorated markedly in the second half of 2022, due to distressed supply chains, increased financial strains and declines in consumer and business confidence. The most damaging effects of the invasion, however, are surging energy prices amid large reductions in Russian energy supply.

In March, the World Bank pointed to the existence of high debt among emerging markets and developing economies. As per its estimates, these economies account for about 40% of the global GDP. The dilemma for policymakers was to trade between containing inflation and preserving economic recovery post pandemic.

Financial spill-overs are most likely to be felt in advanced economies with exposure to Russian financial assets, including some Italian, French and Austrian banks, according to the World Bank. Their exposure to the sanctioned country's economy is through business ties and local presence.

The American economy and the US dollar

The US dollar plays an outsized role in the global economy and international finance. And right now, it is stronger than it's been in two decades. The simplest explanation comes back to the Fed. As the Fed has raised interest rates, making the dollar stronger than it has been in two decades, global money has flocked to the US for investment in its government's securities. Such investment now combines both high returns and the security of the US economy.

While the Fed is pursuing this strategy, the rest of the world's other central banks have also had to raise their interest rates to stem the outflow of the dollar and the decline in their exchange rates vis-à-vis the dollar. This has meant dearer money and high cost of imported essentials across the world.

In any economic climate, the dollar is seen as a safe place to park your money. In a tumultuous climate — a global pandemic, say, or a war in Eastern Europe — investors have even more incentive to purchase dollars, usually in the form of US government bonds. This has impacted all currencies globally with the value of the UK pound, the euro, China's yuan and Japan's yen, among many others, tumbling. That makes it more expensive for those nations to import essential items like food and fuel.

In response, central banks that are already fighting pandemic-induced inflation wind up raising rates higher and faster to shore up the value of their own currencies. The dollar's strength also creates destabilizing effects for Wall Street, as many of the S&P 500 companies do business around the world. By one estimate from Morgan Stanley, each 1% rise in the dollar index has a negative 0.5% impact on S&P 500 earnings.

Interest rates have risen at a historic pace, pushing mortgage rates to their highest level in more than a decade and making it harder for businesses to grow. Eventually, the Fed's rate hikes should broadly bring costs down. But in the meantime, consumers are getting a one-two punch of high borrowing rates and high prices, especially when it comes to necessities like food and housing.

Americans opened their wallets during the 2020 lockdowns, which powered the economy out of its brief-but-severe pandemic recession. Since then, government aid has evaporated and inflation has taken root, pushing prices up at their fastest rate in 40 years and sapping consumers' spending power.

Wall Street has been hit with whiplash, and stocks are now on track for their worst year since 2008 — in case anyone needs yet another scary historical comparison. But last year was a very different story. Equity markets thrived in 2021, with the S&P 500 soaring 27%, thanks to a torrent of cash pumped in by the Federal Reserve, which unleashed a double-barreled monetary-easing policy in the spring of 2020 to keep financial markets from crumbling. The party lasted until early 2022. But as inflation set in, the Fed began to take away the proverbial punch bowl, raising interest rates and unwinding its bond-buying mechanism that had propped up the market.

Eurozone and the European gas supply

The euro zone is almost certainly entering a recession, with surveys today showing a deepening cost of living crisis and a gloomy outlook that is keeping consumers wary of spending. While there was some easing of price pressures, according to the surveys, they remained high. The
European Central Bank is under pressure as inflation is running at more than four times its 2% target, reaching a record 9.1% last month. Nowhere is the collision of economic, financial, and political calamities more painfully visible than in the United Kingdom.

Like the rest of the world, the UK has struggled with surging prices that are largely attributable to the colossal shock of Covid-19, followed by the trade disruptions created by Russia's invasion of Ukraine. As the West cut off imports of Russian natural gas, energy prices have soared and supplies have dwindled.

Energy is the main spillover channel for Europe as Russia is a critical source of natural gas imports. Wider supply-chain disruptions may also be consequential. These effects will fuel inflation and slow the recovery from the pandemic. Eastern Europe will see rising financing costs and a refugee surge. It has absorbed most of the 3 million people who recently fled Ukraine, United Nations data show.

European governments also may confront fiscal pressures from additional spending on energy security and defense budgets. While foreign exposures to plunging Russian assets are modest by global standards, pressures on emerging markets may grow should investors seek safer havens. Similarly, most European banks have modest and manageable direct exposures to Russia.

In some of the most-affected countries in Central and Eastern Europe—Hungary, the Slovak Republic and the Czech Republic—there is a risk of shortages of as much as 40 percent of gas consumption and of gross domestic product shrinking by up to 6 percent. The impacts, however, could be mitigated by securing alternative supplies and energy sources, easing infrastructure bottlenecks, encouraging energy savings while protecting vulnerable households, and expanding solidarity agreements to share gas across countries. European infrastructure and global supply have coped, so far, with a 60 percent drop in Russian gas deliveries since June 2021. Total gas consumption in the first quarter was down 9 percent from a year earlier, and alternative supplies are being tapped, especially LNG from global markets.

A reduction of up to 70 percent in Russian gas could be managed in the short term by accessing alternative supplies and energy sources and given reduced demand from previously high prices. This explains why some countries have been able to unilaterally halt Russian imports. However, diversification would be much harder in a total shutoff. Bottlenecks could reduce the ability to re-route gas within Europe because of insufficient import capacity or transmission constraints. These factors could lead to shortages of 15 percent to 40 percent of annual consumption in some countries in Central and Eastern Europe.

Monetary and fiscal policies

The risk of monetary, fiscal, or financial policy miscalibration has risen sharply amid high uncertainty and growing fragilities. Monetary and fiscal policy moves in advanced economies risk pushing the world towards global recession and prolonged stagnation, inflicting worse damage than the financial crisis in 2008 and the COVID-19 shock in 2020, UNCTAD warns in its Trade and Development Report 2022.

According to the report, rapid interest rate increases and fiscal tightening in advanced economies combined with the cascading crises resulting from the COVID pandemic and the war in Ukraine have already turned a global slowdown into a downturn with the desired soft landing looking unlikely.

In a decade of ultra-low interest rates, central banks consistently fell short of inflation targets and failed to generate healthier economic growth. Any belief that they will be able to bring down prices by relying on higher interest rates without generating a recession is, the report suggests, an imprudent gamble.

At a time of falling real wages, fiscal tightening, financial turbulence and insufficient multilateral support and coordination, excessive monetary tightening could usher in a period of stagnation and economic instability for many developing countries and some developed ones.

This year's interest rate hikes in the United States are set to cut an estimated $360 billion of future income for developing countries (excluding China) and signal even more trouble ahead, the report warns.

Currently, 46 developing countries are severely exposed to multiple economic shocks and another 48 seriously exposed, heightening the threat of a global debt crisis.

The report concludes the situation in developing countries is much more tenuous than recognized by the G20 and other international financial fora, with talk of a global financial safety net increasingly at odds with their reality. Developing countries have already spent an estimated $379 billion of reserves to defend their currencies this year, almost double the amount of new Special Drawing Rights (SDRs) recently allocated to them by the International Monetary Fund, and have also suffered significant impact from capital flight.

Over-tightening risks pushing the global economy into an unnecessarily severe recession.Financial markets may also struggle with overly rapid tightening. Yet, the costs of these policy mistakes are not symmetric. The hard-won credibility of central banks could be undermined if they misjudge yet again the stubborn persistence of inflation. This would prove much more detrimental to future macroeconomic stability. Where necessary, financial policy should ensure that markets remain stable. However, central banks need to keep a steady hand with monetary policy firmly focused on taming inflation. Formulating the appropriate fiscal response to the cost-of-living crisis has become a serious challenge.

First, fiscal policy should not work at cross-purpose with monetary authorities' efforts to bring down inflation. Doing so will only prolong inflation and could cause serious financial instability, as recent events illustrated.

Second, the energy crisis, especially in Europe, is not a transitory shock. The geopoliticalrealignment of energy supplies in the wake of the war is broad and permanent. Winter 2022 will be challenging, but winter 2023 will likely be worse. Price signals will be essential to curb energy demand and stimulate supply. Price controls, untargeted subsidies, or export bans are fiscally costly and lead to excess demand, undersupply, misallocation, and rationing. They rarely work. Fiscal policy should instead aim to protect the most vulnerable through targeted and temporary transfers.

Third, fiscal policy can help economies adapt to a more volatile environment by investing in productive capacity:

human capital, digitalization, green energy, and supply chain diversification. Expanding these can make economies more resilient to future crises. Unfortunately, these important principles are not always guiding policy right now.

The immediate future for the world economy lies in the ability of the authorities around the world to correctly calibrate monetary policy so that there is no over-tightening or under-tightening of money. The former will lead to prolonged recession and debt and payments crises in developing economies, as has already started to happen in Sri Lanka and Pakistan. The latter will lead to an inability to bring inflation under control.

This is not all. Even as all eyes are set on getting monetary policy right, fiscal policy cannot be left to go on doing its own thing. It must not increase liquidity, which can well result from efforts to lower taxes to ease the burden of costly essentials on the consumer. Besides, in conditions of price rise, governments in poorer countries need to do something to alleviate the burden on the common man. The only way to do this without excessively loosening the purse strings will be to target financial support to the vulnerable groups.

This has to be accompanied with making credit available to smaller businesses at lower than the prevailing high market rates (resulting from monetary tightening) so that they can remain in business. Such businesses closing down because money has become too costly would lead to the same kind of distress as had happened during the initial stages of the lockdown.

Spillovers and effects

Disruption in supply chains

While there had been signs of easing supply chain disruption earlier in 2022, evolving global factors and geopolitics are causing new risks and pockets of stress. Potential risk factors include: a possible rebound in U.S. port congestion; spillover from the Russia-Ukraine conflict at Northern European ports; limitations on air freight transportation, particularly along the Asia-Europe Lane; COVID-19 lockdowns in China; and disruptions to rail freight, including the overland rail link from China to Europe. Some sectors are likely to be further implicated in future supply chain issues than others. Russia's dominant role in global energy, industrial metals and soft commodities supply has already pushed commodity price inflation to the highest levels since around 1960. The EU and the U.K. have also banned Russian ships from docking at ports, which poses a significant risk to European supply chains and commodity prices. Some of the major disruptions affecting supply chains and strategies that are being rapidly deployed by leading organizations to help build resilience and agility are commodity pricing, production delays, logistics disruption, over reliance on a limited number of third parties and doubling down on the technology investment.

The main sectors where the effects can be felt are:

Metals and Mining

So far, most Russian mining companies have not experienced significant logistics disruption during metal export from Russia to Europe. However, logistical bottlenecks are increasing which have pushed up export costs and are extending delivery times. A high concentration of industrial metal supply relies on Russia, specifically nickel, palladium, platinum, rhodium, aluminum and copper. Aluminum faces the most significant and immediate disruption risk, as around 60% of Russia's traditional alumina import requirements are closed off or disrupted. This is because Australia has banned the export of Australian alumina ores and related products to Russia. In recent years, Australia has accounted for around 20-30% of Russia's import requirements. Ukraine is the largest exporter of alumina to Russia and operations were suspended in early March. The potential for alumina shortages is an immediate and tangible issue, which could be problematic for supply chains as aluminum is a critical metal used in packaging, transport (Automobiles and aerospace), renewable energy infrastructure and wiring.

Russia exported 412 million tons (Mt) of oil and oil products in 2019 and 380 Mt in 2020. Looking at coal, Russia exported 218 Mt in 2019 and 212 in 2020. The other commodities listed (Ferrous metals, fertilizers, grain, iron ore) have lower but still significant export volumes between

22 and 41 Mt.

Chemical Supply

For most European chemicals' companies, the direct sales and earnings exposure to Russia is low at only around 1-2% of sales. However, the supply of fertilizers is likely to be impacted as Russia is a very significant producer/exporter of potash, with around 18% of global potash production in 2021. Another 17% of global production in 2021 came from Belarus where the major producer has already declared force majeure. Russia also accounts for roughly 10% of global ammonia production, 20-25% of global ammonia exports and 5% of global urea production. Low or no supply from Russia combined with high energy prices is likely to result in a significant disruption to the supply of fertilizers in the foreseeable future and the situation has already resulted in price spikes.

Automotive Sector

The automotive sector is facing disruption due to rising costs and the availability of nickel, copper, platinum group metals, aluminum and steel products. Escalating Russia risks, complex automotive supply chains and dependence on key metals could make the situation volatile in the coming months.

Semiconductors

While the geopolitical situation does not affect metals directly required in semiconductor production, neon gas could become an issue. Neon gas is a by-product of steel manufacturing in Ukraine, although most semiconductor vendors have found a second source since the annexation of Crimea in 2014. The more significant issue for the semiconductor sector lies in its end markets, namely the supply of palladium to the auto industry and nickel to battery makers.The autos end market is key for European semis, with major device companies having 30-45% exposure. Currently, semiconductor supply is a major bottleneck for the industry and as a result,volumes have struggled to recover.

Technology

The industry-wide silicon chip shortage and disruptions related to COVID-19 lockdowns in China have left the technology sector facing renewed supply constraints. For instance, with the technology giant Apple, the main focus is still on supply despite concerns about inflation affecting consumer purchases and the pausing of sales in Russia, which will impact year-over-year growth by around 150 basis points. In the first quarter of 2022 Apple saw a 26% quater-over-quarter drop in product sales, with worse still to come. Apple is expecting the impact on revenue in the second quarter of 2022 to be $4 billion-$8 billion, substantially larger than the loss seen in the first quarter of the year.

Case Studies

1.Automobile Supply Chain Disruption during COVID

Used cars became a hot commodity during the pandemic, with their prices increasing by roughly 50 percent between January 2020 and December 2021. The spike in used car prices was a prominent example of how global supply chain disruptions have contributed to U.S. inflation. It also highlighted the complexity of global supply and demand relationships.

In the early stages of the COVID-19 pandemic, many U.S. and European auto manufacturers shut down production to help stop the disease's spread. Semiconductor producers, concentrated in Asia, responded by shifting production toward chips for electronic devices such as computers and games. As the pandemic progressed, demand increased in these other markets as homebound consumers shifted their spending away from services such as restaurant meals and travel and toward consumer durables.

Later in 2020, when U.S. auto manufacturers resumed production, they faced chip supply shortages. The shortages not only reflected pandemic-related production shutdowns in Asia, but they also reflected a reluctance on the part of chip manufacturers to shift production back to chips used in auto production and away from the relatively lucrative market for chips used in electronic devices.

The diminished supply of new cars in the U.S. market provided support for higher used car prices. (See chart below.) Since used cars comprise roughly 4 percent of the basket that makes up the consumer price index (CPI), the 50 percent cumulative price increase for the category increased the overall CPI by a cumulative 2 percentage points. According to an analysis by Richmond Fed economist Alex Wolman, the increase in motor vehicle prices ranked as one of the "main culprits" of the U.S. inflationary increase through November 2021.

The used car example illustrates the limited ability of monetary policy to control inflation's short-run trajectory. "It's true that inflation is a monetary phenomenon, in the sense that monetary policy has the ability to control inflation over the medium to long run," says Wolman. "However, even when monetary policy is being successful at controlling inflation, unusual shocks to supply and demand for particular goods and services move inflation around from month to month."

The World economy has indeed faced a string of unusual supply and demand shocks since the pandemic's onset — most of which have tended to boost inflation.

2.Afghanistan

According to the sources, through April, more than 172,000 people have died in the course of the War in Afghanistan. The estimated amount of direct Afghanistan and Iraq war costs that the United States has debt-financed: is estimated at more than $2 trillion.

The estimated principal and interest owed by 2050: up to $6.5 trillion.

This war, as with much of government spending, isn't paid by money the government has. The money is borrowed into existence.

The financial costs of debt-financed spending by today's decision makers will burden future generations. The pain of printing trillions of unbacked bills isn't felt immediately, so the gravity of the action is subtle, but the result is unavoidable.

When Congress granted then-President George W. Bush the authority to use all "necessary and appropriate force" against those involved with the 9/11 a week after the attacks, the federal government went down a course set debt-finances military action, which has resulted in global inflation.

One dollar in 2001 had the purchasing power of $1.54 today. The dollar had an average inflation rate of 2.19 percent per year between 2001 and today, producing a cumulative price increase of 54.15 percent.

That means that today's prices are 1.54 times higher than average prices in 2001, according to the Bureau of Labor Statistics' Consumer Price Index, a measure that notoriously understates real-world inflation as a result of deploying clever hedonic adjustments, geometric weighting, and substitutions that tend to paint a rosier picture.

Said another way, a dollar today buys no more than 65 percent of what it could buy in 2001. And by other measures besides the flawed Consumer Price Index (CPI), it buys even less.

The government of USA's borrowing has accelerated rapidly to the upside since the COVID lockdowns and emergency "stimulus" efforts. That portends potentially much higher rates of inflation ahead.

Now that most of the global currencies are pegged to the US Dollar, the result of the purchasing power of the dollar going down results in the value of money all across the world taking a hit. In turn, causing inflation.

3.US-China Trade War

A trade war occurs when a nation imposes tariffs or quotas on imports, and foreign countries retaliate with similar forms of trade protectionism. As it escalates, a trade war reduces international trade.

A trade war starts when a nation attempts to protect its domestic industry and create jobs. In the short run, it may work. Tariffs are intended to give a competitive advantage to domestic producers. As a result, they would receive more orders from local customers. As their businesses grow, they would add jobs.

But in the long run, a trade war costs jobs. It depresses economic growth for all countries involved. It also triggers inflation when tariffs increase the prices of imports.
U.S. politicians have long threatened a trade war with America's largest trading partner in goods. A trade deficit occurs when exports are less than imports.

In 2017, the United States exported $130 billion to China. The three largest export categories are aircraft at $16 billion; soybeans at $12 billion; and automobiles at $10 billion. U.S. imports from China were $505 billion. Most of it is electronics, clothing, and machinery.

Half of all Chinese imports are goods used by U.S. manufacturers to make other products. They send raw materials to China for low-cost assembly. Once shipped back to the

Once shipped back to the United States, they are considered imports. The tariffs raise companies' costs, forcing them to either raise prices or lay off workers. One example is salmon caught in Alaska and sent to China for processing, and then sent back to U.S. grocery shelves.

China is the world's top exporter. Its comparative advantage is that it can produce consumer goods for lower costs than other countries can. China has a lower standard of living, which allows its companies to pay lower wages. American companies can't compete with China's low costs, so the U.S. loses manufacturing jobs. Americans, of course, want these goods for the lowest prices. Most are not willing to pay more for "Made in America." This results in commodity prices rising which in turn causes inflation.

4.South China Sea Conflict

The South China Sea’s maritime security environment remains under threat due to USD 2.5 trillion worth of untapped natural resources and fishing areas that have individually antagonized competing claims by Malaysia, Vietnam, Philippines, Taiwan, Brunei and Indonesia with China. To avoid conflict, claimants commonly engage in performative tension management, lodging diplomatic protests, denouncing conflicting claims on domestic platforms, or conducting military drills around individual claims.

The Association of Southeast Asian Nations (ASEAN) has regularly sought to diplomatically engage with China to forge a legally binding Code of Conduct (CoC) in the disputed waters to ensure peace and security in the region. However, this annual exercise has resulted in the ongoing postponement of delineating maritime claims instead of producing meaningful resolution.

The key deterrent to defining claims in the South China Sea is the waterway's global and regional significance. Around one-third of global shipping, approximately worth USD 5.3 trillion, transits through the South China Sea annually. Not only is the economic security of the region closely tied to the ability for maritime trade to transit through the disputed waters without disruption, but the strategic waterway is also a vital artery of trade for the world's largest economies and their ability to access the sizeable consumer markets in Asia.

The lack of availability of local commodity for the countries involves results in unnecessary costs of import to sustain their standard of living. This contributes to global inflation due to a lack of resource harvesting.

Questions a Resolution Must Answer (QARMA):

1. How can international community mitigate the causes of inflation?
2. What are the legal structures that are the most important when it comes to dealing with inflation and how can they be implemented better?
3. What are the root causes of global conflicts that result in global inflation and how can they be dealt with?
4. How can the issue of protectionism and differing economic ideologies affecting global supply chains be addressed?
5. Should there be more emphasis on the economic consequences of global conflicts rather than the immediate consequences? Considering that an economic harm will result in exponential humanitarian harm down the line?
6. How can Supply Chains be managed better during times of conflict?
7. Should there be a global repercussion mechanism for entities that directly cause global inflation and harm to the international marketplace? If so, how can this be enforced on a global scale?
8. How much do targeted sanctions affect global supply chains?
9. Is the concept of pegging your currency to a more standardized currency a risky idea? Considering the ill-effects if the value of the standard currency takes a hit?
10. What kind of fiscal and monetary policy changes should be encouraged in status quo to curb the issue at hand?

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