

Economic and Financial Committee

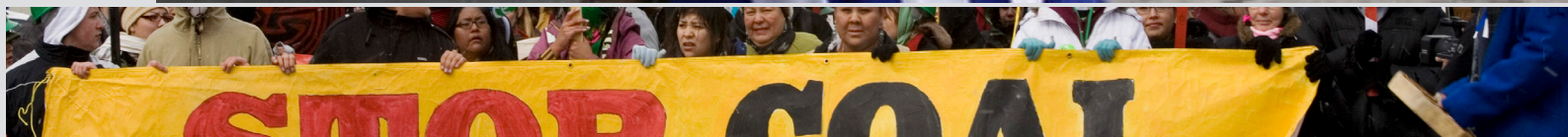


Table of Contents

- 1. Letter from the Director**
- 2. Letter from the Chair**
- 3. Committee and Topical Overview**
- 4. Topic 1: Third United Nations Decade for the Eradication of Poverty**
- 5. Topic 2: External Debt Sustainability and Development**
- 6. Topic 3: Protection of Global Climate for Present and Future Generations of Humankind**

Letter from the Director

Dear Delegates:

Hello to you all, and welcome to MUNI XXII! My name is Lewis Wang and I am the director of the General Assembly Second Committee, also known as the Economic and Financial Committee (ECOFIN) this year. It is a great honor to have you all participating and I will try my best to make this committee realistic, organized, and competitive for you. In this committee you will discuss real challenges that human beings face right now regarding economic and financial development and, I believe, with your brilliance, cooperation, and open-mindedness, you can come up with plans and measures that can contribute to the resolution of these challenges. Thank you for choosing to participate in MUNI. I hope you will enjoy this committee. I am looking forward to seeing you all in March.

Best regards,

Lewis Wang
Director, ECOFIN

Letter from the Chair

Hi everyone!

Welcome to MUNI XXII's ECOFIN committee! My name is Anusha and I will be your chair for this conference. I've been to MUNI for four years as a delegate and this is my first year on staff. I'm really excited to see what we can come up with this weekend to address issues on the agenda. The topics we have ahead of us are challenging, but in the time that we have, I hope to see contentious debate that will result in effective policies in any resolutions we pass. Especially in today's political climate, it's important as ever to develop skills in diplomacy and learn to view the same issue from a wide latitude of perspectives. Prepare yourselves to learn from your peers and approach the topics from new angles. I am a Political Science and Economics major so ECOFIN is one of my favorite committees and maybe it'll soon be yours too! If there are any questions you have about MUNI, our committee, or our topics, please do not hesitate to reach out to me at anushat2@illinois.edu.

Thank you,

Anusha Thotakura
Head Chair, ECOFIN

Committee and Topical Overview

The Economic and Financial Committee (ECOFIN) is the committee in the General Assembly that deals with issues related to economic development and financing those developments. The topics it discusses include: macroeconomic policy, international trade, world financial system, sustainable development, globalization, eradication of poverty, global climate change, agricultural and industrial development, food security, and technologies and development. It also considers issues that are tied up with special groups and situations, including the least developed countries (LDCs) and Landlocked developed countries (LLDCs). As for its purview, ECOFIN makes recommendation on measures and methods to improve economic development, especially sustainable development, of party countries. It also recommend measures to finance such developments and maintain the general stability of the international financial market. It does not address budgetary issues within the UN (Fifth Committee), neither does it address social and humanitarian (human right) issues (Third Committee).

This year we picked three topics for you all to discuss: eradication of poverty, external debt sustainability, and climate change. Global poverty has and will always remain one of the biggest challenges to the global community, and as the second United Nations Decade for the Eradication of Poverty comes to an end in 2017, we need to announce a third one with plans and strategies to deal with the challenges of poverty in the future. High stocks of external debt is another big challenge to global development, as it has been made evident in various European countries (e.g. Greece, Italy, etc.). Plans and strategies are also needed facing ever rising stocks of external debt. Finally, climate change is a long-term challenge that the human race as a whole is facing together, and the global community must stand together to provide practicable plans to avoid devastating long-term effects that climate change could have on future generations. We made progress last year in Paris, but we need more actionable goals and specific plans for the future.

Topic 1: Third United Nations Decade for the Eradication of Poverty

Introduction

Global poverty is one of the biggest challenges the world currently faces. Eradicating global poverty is one of the most important missions of the United Nations, as it is one of the millennium goals that all countries committed to in 2000. And by adopting the 2030 Agenda for Sustainable Development to end Poverty, the world reaffirmed this commitment and set new and more ambitious goals for the entire human race. In the past, the General Assembly has proclaimed two United Nations Decades for the Eradication of Poverty: the First from 1997 to 2006, and the second from 2008 to 2017. Now that the second decade is approaching its end, it is an urgent requirement that the United Nations reaffirms its commitment, reviews its progress, and sets new goals for itself including setting an agenda and plans for the next decade on eradicating poverty. The goal of this topic is to produce a document proclaiming the Third United Nations Decade for the Eradication of Poverty, decide a theme and several objectives for it, and suggest a plan and some measures for its implementation. In this process delegates should reevaluate the current situation of global poverty, set goals, and suggest plans of action for the next ten years.

Global Poverty: Its Impact, Distribution, and Causes

Global poverty has and will always be one of the biggest challenges the human race faces. Poverty is more than a lack of wealth, income, or food. Poverty means that one has limited and insufficient access to basic services and needs, including food, water, education, shelter, and healthcare. Without sufficient access to these services, one may suffer from hunger, malnutrition, diseases without treatment, shortened life expectancy, and above all, the deprivation of opportunities and accesses to a better life.

Specifically, past efforts to eradicate poverty have been focusing heavily the eradication of extreme poverty. Right now the line of extreme poverty is set by the World Bank in 2008 to be \$1.25 per person per day. But even when the line of extreme poverty is so low, there are still 836 million people in the world living in extreme poverty right now¹. And these population are not distributed equally across the globe. They are heavily concentrated to certain regions in the world. These regions include sub-Saharan Africa, Southern and Southeastern Asia, and China. These areas account for more than 70 percent of the world population in extreme poverty². In these areas, almost one in five people are in extreme poverty and suffer from the lack of nutritious food, clean water, education and healthcare. The lack of access to such services affect children the most, since the lack of certain resources (sufficient nutrition, for example) could do damage to their growth and leave permanent disabilities. Data suggests that one in four children

¹ <http://www.un.org/sustainabledevelopment/poverty/>

² http://www.un.org/sustainabledevelopment/wp-content/uploads/2016/08/1_Why-it-Matters_Poverty_2p.pdf

under age five does not grow to a proper height due to malnutrition³. And this applies also to developed countries as well, though in smaller numbers. Right now, in the world's richest and most developed countries, there are still 30 million children growing in extreme poverty⁴.

There are various reasons and causes for poverty. The most direct cause is unemployment, since without a job there could not be enough income to guarantee access to these crucial resources and services. Another reason is the absence of a sufficient welfare system, which, were it in place, could at least guarantee the satisfaction of basic needs of education, healthcare, food/water, and shelter. But it must be recognized that global poverty, and particularly extreme poverty, has deeper causes than that. It is not that people are unwilling to be productive, but in many cases that they are unable to be productive. There are various factors that could prevent people from working and thus indirectly cause poverty, such as social exclusion and discrimination, war, natural disasters, diseases, and political instability. When there is systematic social exclusion and discrimination in a society, people of a certain subgroup may be denied access to work in general, or in other cases they may be denied access to certain kinds of occupations and forced to do jobs with low wages. For example, the Rohingyas, who recently attracted much attention because they were/currently are forced to migrate by the Myanmar Army, are largely in poverty exactly because the Myanmar government and society denied their right to work and earn a living by not granting them citizenship. War and natural disasters are two other factors that cause poverty: Syria right now and Haiti after its 2010 earthquake are two best examples of each. It should be noted that not all natural disasters or conflicts necessarily lead to poverty: certain populations are more vulnerable to these events than others. Less developed, less wealthy, and more densely populated states and societies are more prone to be affected by such events. Particularly, countries and people who are previously in poverty, without the help from others, are the weakest when facing events such as natural disasters and wars, and are very likely to enter into a vicious cycle of poverty in which the poor countries get even poorer.

The United Nations and Global Poverty Eradication

Eradication of poverty has always been one of the central tasks and goals of the United Nations. Eight Millennium Development Goals (MDGs) are set in the United Nations Millennium Declaration adopted in 2000, of which the eradication of extreme poverty is the first. This goal is further specified as two targets: 1. Halve, between 1990 and 2015, the proportion of people whose income is less than \$1.25 a day; 2. Halve, between 1990 and 2015, the proportion of people who suffer from hunger⁵. These targets have been attained 5 years ahead of schedule in

³ <http://www.un.org/sustainabledevelopment/poverty/>

⁴ http://www.un.org/sustainabledevelopment/wp-content/uploads/2016/08/1_Why-it-Matters_Poverty_2p.pdf

⁵ <http://www.unmillenniumproject.org/goals/gti.htm#goal1>

2010⁶. The number of people in the world who are living in poverty dropped from 1.4 billion in 1990 to only 836 million in 2015, and only 14% of people in developing countries are in extreme poverty in 2015, comparing to more than 50% in 1990⁷. Built upon that accomplishment, the United Nations General Assembly adopted the monumental *Transforming Our World: the 2030 Agenda for Sustainable Development* on 25 September, 2015, in which 17 Sustainable Development Goals (SDGs) are laid out as the goals for the whole human race for the next 15 years. The first SDG, again, is to “end poverty in all its forms everywhere”⁸. This goal is further specified into 7 targets, of which the most salient two are the complete eradication of extreme poverty (that is, anyone who lives under \$1.25 per day) by 2030, and to halve the people who are “living in poverty in all its dimensions according to national definitions”. Other targets include the establishment of social protection system, increasing investment in poverty eradication, ensuring that all people have equal access to basic services, and resilience against climate-related disasters⁹. The salient of this new goal, comparing to the MDG, is that it not only addresses absolute poverty (measured as \$1 per day before and \$1.25 per day now), but also relative poverty, that is, poverty according the prevailing standard of a state or a society¹⁰.

Since eradication of poverty is one of the regular topics of the Economic and Financial Committee, this topic has been annually reviewed and discussed. Each year, the Economic and Financial Committee hears a report on the implementation of the First/Second United Nations Decades for the Eradication of Poverty (which will be introduced below), in which the current progress, accomplishment, and challenges in implementing measures and plans to end all poverty. Furthermore, it also receives declarations each year from the Group of 77 and China, and the Least Developed Countries, which provides suggestions and guidelines to plans and measures for the eradication of poverty.

Two United Nations Decades for the Eradication of Poverty

United Nations efforts to reduce and end poverty can be traced back before 2000. In 1995, the United Nations General Assembly proclaimed the First United Nations Decade for the Eradication of Poverty (1997-2006), with the theme of “Eradicating Poverty is an ethical, social, political and economic imperative of humankind”.¹¹ The goal of this decade is to eradicate all absolute poverty and substantially reduce poverty in general. This decade marks the international

⁶ <http://www.worldbank.org/en/topic/poverty/overview>

⁷ [http://www.un.org/millenniumgoals/2015_MDG_Report/pdf/MDG%202015%20rev%20\(July%201\).pdf](http://www.un.org/millenniumgoals/2015_MDG_Report/pdf/MDG%202015%20rev%20(July%201).pdf)

⁸ <https://sustainabledevelopment.un.org/content/documents/21252030%20Agenda%20for%20Sustainable%20Development%20web.pdf>

⁹ <http://www.un.org/sustainabledevelopment/poverty/>

¹⁰ <http://www.unesco.org/new/en/social-and-human-sciences/themes/international-migration/glossary/poverty/>

¹¹ <https://documents-dds-ny.un.org/doc/UNDOC/GEN/N97/767/11/pdf/N9776711.pdf?OpenElement>

community's general recognition and awareness of poverty as an overall challenge and an obstacle to further sustainable social and economic development.

In general, the first decade was successful in raising awareness and establishing a trend of poverty eradication. Yet further challenges remain at the end of that decade, further challenges still existed to be addressed. The most salient thing is that employment is lagging behind, which means once aid is used up, development could not be sustained. Thus people end up in poverty again. The problem of poverty is also tied up with inequality regarding location, gender, and social class: sub-Saharan Africa faces entrenched poverty problem which is severer than any other areas in the world; women and children suffer more from poverty than male population, and the poorest benefited the least from the campaign against poverty. There is still unequal access to various kinds of resources among people¹².

To continue this trend and further deal with these issues, the United Nations proclaimed the second Decade for the Eradication of Poverty (2008-2017) in 2007, with the theme of "Full Employment and Decent Work for All". It aims at addressing the leftover problems from last decade and establishing development that is more sustainable over the long-term. The goals still include raising awareness and capacity building, but it also incorporates job and employment development into the framework of poverty eradication¹³.

Current International and Regional Framework

The United Nations plays an important role not only in making goals and proclamations for poverty eradication, but also in the implementation of them. Multiple United Nations agencies are actively contributing to the effort to implement the plans for the two decades for the eradication of poverty and ultimately to end all poverty, including the United Nations Development Programme (UNDP), the Economic and Social Council (ECOSOC), and UN Children's Fund (UNICEF), etc. ECOSOC is the main coordinator; UNDP is a major funding and aid provider; UNICEF provides help specifically targeted at children in poverty. Other UN agencies also play a role in their own areas, such as the WHO (health) and UNESCO (education).

Other than the United Nations, other international organizations also play important roles in eradicating poverty. The two most important ones are the World Bank and the International Monetary Fund (IMF). Both are critical in providing funding, aid, and loans to help certain countries improve living conditions, build critical infrastructure, provide skill training/education, and conduct studies and surveys. Furthermore, state governments also contribute to end poverty through regional organizations and direct bilateral and multilateral frameworks. For example, funding is provided through regional development banks such as the Asian Development Bank and the African Development Bank. The amount of official development assistance (ODA) given by developed countries directly to developing ones has also increased over the past two decades. NGOs and international corporations are also major factors in poverty eradication.

¹² <https://documents-dds-ny.un.org/doc/UNDOC/GEN/N07/462/48/pdf/N0746248.pdf?OpenElement>

¹³ <https://documents-dds-ny.un.org/doc/UNDOC/GEN/N07/476/07/pdf/N0747607.pdf?OpenElement>

United Nations' Role and Strategies

In implementing the two decades for the Eradication of Poverty, the United Nations adopted multiple strategies and measures. First of all, the United Nations is a major policy advisor for governments in making domestic plans and policy strategies for eradication of poverty. The United Nations also launched campaign to raise international community's awareness of poverty as a problem. It also provided funds and aids through the UNDP to provide basic services to people in extreme poverty. Knowing that such provision may not lead to sustainable development, it also provided funds to build critical infrastructure, provide skill training courses for employment, promote general education and conduct projects increase local employability and entrepreneurship. In addressing new challenges, the United Nations also tried new measures to achieve sustainable development, such as promoting tourism to underdeveloped countries, and provide micro-financing and micro-loans to start up companies in such countries¹⁴.

Future and Further Challenges

The second Decade for the Eradication of Poverty is coming to an end this year. The Group of 77 and China have urged the General Assembly to proclaim a third decade for the eradication of poverty (2018-2028) last year¹⁵. The task of this committee this year is to proclaim this third decade and make a plan for the this decade, which should include a theme, an objective, a proposed framework for implementation, proposed roles, and strategies on behalf of the United Nations, and policy and measure suggestions with a special focus on the theme decided. The ultimate goal, of course, is to end all poverty by 2030.

The new theme, strategies and new objectives should be decided upon consideration of the newest challenges and obstacles emerged since the beginning of the last decade. Four large challenges can be identified as obstacles to poverty eradication: 1. Slow recovery from the financial crisis. The financial crisis in 2008 put the previously booming world economy into recession, and now after almost nine years the world is still struggling to recover. As a result, many countries in the world, both developed and developing, are experiencing high unemployment and low or negative economic (GDP) growth, which is not reducing but rather increasing population in poverty. This situation is exacerbated by the large amount of external debt many countries bear right now. There is much more to do to turn the world back to development and growth and to create more jobs and employment. 2. Growing inequality. Inequality has been a big problem in some developing countries, such as China and Brazil, but it also proved problematic in the last two decades in 70 percent of the developed world. Inequality seriously constrains people's opportunities and expectation of the future. Specifically, unequal access to certain resources, such as education, may lead to even greater inequality in the future and force the population in poverty to remain in poverty as they have no means to change their current situation and leave poverty. 3. Climate Change. Climate change is a large challenge to

¹⁴ <https://documents-dds-ny.un.org/doc/UNDOC/GEN/N96/261/47/pdf/N9626147.pdf?OpenElement>

¹⁵ <http://www.g77.org/statement/getstatement.php?id=161017>

people all over the world. We are witnessing more and more climate change-related natural disasters, such as hurricanes, typhoons, and floods. Facing these events, people in poverty are most likely to be affected by them and least able to respond accordingly. A flood may destroy their crop field and leave the family in hunger for a whole year. Poverty eradication must prepare people with the ability to encounter such events so that they would not be pushed back into poverty by natural disasters. 4. Conflicts and Refugee Crisis. The World Development Report suggests that the biggest constraint on poverty is violence. Many international conflicts and civil wars broke out since 2010¹⁶; the most famous ones are in Libya, Yemen, and Syria. Each of them has created hundreds of thousands of refugees. Conflicts and violence destroys homes, infrastructures, and people's means of survival, making people unable to engage in regular, productive work. Some of them had to join military forces to fight; others, facing the threat of death, had to leave their original occupation and home country to become refugees. Either way, people are no longer able to do productive work and earn an income; as a result, many of them fall into poverty.¹⁷

Questions to Consider

1. How can we increase jobs and employment given the current international macroeconomic situation?
2. How can we reduce income inequality? What long-term prevention strategies should be implemented?
3. What measures ought to be taken to minimize the risk of poverty due to climate change and natural disasters?
4. What can be done to alleviate suffering and reduce poverty for those currently in war zones and conflict areas? How can we do the same for refugees?

¹⁶ <http://www.economist.com/node/18558041>

¹⁷ <https://documents-dds-ny.un.org/doc/UNDOC/GEN/N14/487/92/pdf/N1448792.pdf?OpenElement>

Topic 2: External Debt Sustainability and Development

Introduction

High stocks of external debt have become a major obstacle for the development and recovering and many societies and economies. This is particularly true of developing countries, which usually have little or no foreign currency reserve and relatively low GDP. In fact, many countries, in order to develop or even just not to bankrupt, have to keep borrowing money to repay their previous debts which creates a vicious circle. Moreover, the change in debt structure and rising number of micro-debt crises have proposed more challenges to us. The goal of this topic is to produce resolutions suggesting possible plans, strategies, international frameworks, institutions and arrangements that can help ameliorate and solve this issue. Delegates are supposed to review past laws, institutions (organizations, funds and bi/multilateral frameworks) on this issue in terms of their efficacy in practice, and propose suggestions to establish new ones or revise old frameworks in response to new challenges.

External Debt: Causes and Effects

External debt is the debt of a sovereign country that is borrowed from all foreign lenders, including foreign commercial banks, foreign governments, and international financial institutions (such as regional development banks, the World Bank, and IMF)¹⁸. The IMF tracks and monitors the amount external debt each country owes. Both developing and developed countries borrow external debt for governmental expenditure; currently the U.S. holds the largest amount of external debt in the world. But the government needs to pay the interest and debt on time; if a country is not able to repay the debt on time or pay the interest, that could lead to a sovereign debt crisis, which might eventually lead to governmental bankruptcy.

There are many reasons why external debt itself exists. For one thing, in a UN working paper, external debt of third world countries have been identified as a legacy of colonialism, as \$59 billion of external debt were imposed on them when they gained independence¹⁹. Another major reason is that many countries, and particularly developing countries, tried to borrow large amounts of money to spend on governmental investment and projects so that the country can be set on a path of economic development. This strategy of borrowing money to stimulate economic growth was also used by the US after the 2008 financial crisis. Sometimes a high amount of external debt could also be the result of the accumulation of long-term governmental deficit. For example, in Europe the large amount of welfare expenditure results in continuous deficit, which finally leads to a large amount of external debt.

Many researchers have shown that high level of external debt has a negative impact on a country's economic growth and development. For example, Karagol found that Turkey's economic growth is negatively affected when it needs to repay high amounts of debt, and that in turn makes the country even more unable to repay its debt, thus having to borrow more to repay

¹⁸ <http://www.investopedia.com/terms/e/external-debt.asp>

¹⁹ <http://repository.un.org/handle/11176/362291>

the older debt²⁰. Ajayi and Oke found that external debt negatively affects Nigeria's income and income per person. It also lead to currency depreciation and a poorer educational system.²¹ That does not mean all external debt is bad and harmful. A certain amount of debt, measured at around 35%-40% of a country's GDP, is healthy, sustainable, and has a positive impact on a country's economy²². But overly excessive debt is harmful. Simply put, countries must spare a large amount of their annual income to pay their debts and other debts' whose interests, and as a result this money cannot be used for welfare or investment. This picture is further complicated by the fact that usually debt must be repaid in its original currency which is usually foreign currencies, like the US Dollar, for developing countries. As a result, countries have to use their limited amount of foreign currency to pay the interest and principal of the debt, and sometimes they have to export raw materials and commodities in order to gain enough foreign currencies, which distort their domestic economic structures even more. And in the worst case scenario, high amount of debt leads to a debt crisis.

External Debt Crisis

When a country defaults, that is when it is unable to repay some of the external debt it owes by the set deadline, we say an external debt crisis emerges. There are many roots and immediate causes for debt crisis: the former includes irresponsible lending, failure to use borrowed money to stimulate the economy, corruption, unfair global trade system, uneven domestic economic structure, debt fraud and masking, etc. The latter includes global economic recession, rising interest rates, rise and fall of certain critical commodities' prices, etc. We will look at two famous cases to show some of the causes, effects and measures to resolve an external debt crisis. Lessons should be learned from these cases as we are making plans to establish debt sustainability and to avoid such crises from happening again.

Case I : the Latin American Debt Crisis

Debt crisis swept Latin America, but particularly Mexico, Brazil and Argentina, in the 1970s and 80s. The oil crisis in mid-1970s pushed up the oil price and consequently prices of other imported goods, and to cover that deficit, Latin American countries borrowed large sum of money²³. Furthermore, these developing countries are also under a lot of domestic pressure from the population for modernization and development, and to stimulate economic growth. To achieve industrialization, the state must borrow money. Much of this money were borrowed with floating interests rate, and mostly from American banks. Sadly, due to irresponsible spending and some corruption, the money did not succeed in boosting economies of these countries to the

²⁰ <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.696.9268&rep=rep1&type=pdf>

²¹ http://www.ijbssnet.com/journals/Vol_3_No_12_Special_Issue_June_2012/29.pdf

²² <https://www.imf.org/external/pubs/ft/wp/2002/wp0269.pdf>

²³ https://www.fdic.gov/bank/historical/history/191_210.pdf

extent that they needed to keep a healthy economy while sustaining these debts. Most of these countries still have a unbalanced economic and trade structure, in which they earn foreign currency by exporting certain goods, usually raw materials such as oil and rubber, and import other produced and processed goods with that money. The process of industrialization was rather slow.

And then came Reagan. The US government tried to reduce inflation due to the oil crisis in the 1970s by raising the interest rate, which makes the debt burden on such countries significantly heavier. Moreover, the price of commodities, whose exportation the developing countries relied on, also drops. Now these countries faces high debt but are left with very little cash to repay them. A crisis broke out.

Immediately after it began, the IMF lent money to the governments of these countries to repay the interest of these debts; much debt has also been rescheduled. But as it became clearer and clearer that these countries could not repay the debt anyway, the United States proposed a plan for permanent debt reduction. About a third of the total debt were forgiven with funds raised from the IMF and World Bank. In return, these states must sign an agreement to agree to policies and strategies to reform and reconstruct their domestic economic structures²⁴.

Case II : The European Debt Crisis

All members of the EU, with a few exceptions like the UK, adopted the Euro as their common currency in 2002. Not all countries are allowed to use the Euro: there are five convergence criteria for a country to met in order to join the Economic and Monetary Union and use the Euro. One of the five criteria is to control the government debt-to-GDP ratio to be under 60%. Those countries that met (or appear to meet) these criteria can join the Eurozone and enjoy all the benefit of it, including large amount of credits. These credits can be used to boost the economy, and that did happen. The economies of Eurozone countries, especially those of the peripheral countries, did enjoy a boom at the beginning of the Eurozone era while still meeting the requirement of the convergence criteria.

But that, in fact, is a lie. Greece, for example, have been running on deficits for years but managed to hide up its number of deficit and debt with some complicated financial measures. Much money was also lost due to tax evasion, financial mismanagement, and corruption²⁵. It relies heavily on Eurozone credits to cover up these deficits and fuel domestic economic growth. And as the financial crisis came, the once easily accessible credits are no longer available, the old pattern of debt-based development also became unavailable, and the Greek government was forced to reveal the true statistics and confess that they were no longer able to repay the debt on time unless the EU bailed them out.

Although this crisis first revealed itself in Greece, this trajectory of development also applies to many other European countries. Five countries have required a bailout from the EU and IMF so far, including Greece, Ireland, Spain, Portugal, and Cyprus. In addition, one of the

²⁴ <http://www.federalreservehistory.org/Events/DetailView/46>

²⁵ <http://journals.gmu.edu/newvoices/article/view/4/4>

largest economies in Europe, Italy, is also deeply troubled by its \$2.6 trillion public debt, though this number makes a bailout completely impossible²⁶.

Very luckily, the core of the EU, particularly Germany, still has a fairly healthy economy. This, combined with a strong central bank and a fairly hard currency, makes an internal bailout (though with help and funding from the IMF) possible. These bailouts saved many European countries: Spain, Portugal, and Ireland have finished the bailout process and have resumed economic growth again. Greece and Cyprus are still in that process and Italy is still trying to reform itself. Either way, this crisis teaches us that a debt crisis could also happen to a large, developed economy, and a prolonged deficit is not a sustainable way of development.

UN and External Debt

The United Nations has always been concerned with problems of external debt. Among the targets specified under the Millennium Development Goals, Target 15 under Goal 8 is to “Deal Comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term”.²⁷ This goal is reaffirmed in the newest Sustainable Development Goals: the fourth target of Goal 17 is to “assist developing countries in attaining long-term debt sustainability through coordinated policies aimed at fostering debt financing, debt relief and debt restructuring, as appropriate, and address the external debt of highly indebted poor countries to reduce debt distress”.²⁸ The Economic and Financial Committee is the main institution with the the UN and UNGA that oversees issues related to external debt. Each year ECOFIN receives a report from the Secretary General regarding progress and challenges about external debt sustainability. Special attention is given to the debt of the Least Developed Countries, debt relief activities, and credit rating agencies and their roles in debt sustainability building.²⁹

Debt Relief: Current Framework and Measures

Debt relief aims at preventing a debt crisis, which could likely lead to a full-scale international financial and economic crisis. Currently the international framework for debt relief has three main parts: a multilateral part, mainly fulfilled by the IMF and World Bank, while also assisted by other international and regional organizations, including the UN; a bilateral part, through negotiation with the Paris Club countries; and a commercial part, through negotiation with London Club banks. The IMF and the World Bank are the main providers of funds for multilateral debt relief. Such funds are provided through two programs: the Heavily Indebted

²⁶ <http://www.cfr.org/eu/eurozone-crisis/p22055>

²⁷ <http://www.unmillenniumproject.org/goals/gti.htm#goal8>

²⁸ <https://sustainabledevelopment.un.org/sdg17>

²⁹ <https://documents-dds-ny.un.org/doc/UNDOC/GEN/N14/478/19/PDF/N1447819.pdf?OpenElement>

Poor Countries (HIPC)³⁰ Initiative and the Multilateral Debt Relief Initiative (MDRI)³¹. To be considered for HIPC funding, the country must currently face unsustainable debt while agreeing with a series of reforms, poverty reduction policies, and programs suggested by the IMF and the WB. Upon the completion of the HIPC program, or if they already meet these standards, eligible countries can participate in the MDRI in which their debt to the IMF, World Bank, and African Development Fund would be forgiven entirely. So far 36 countries have completed the HIPC program and their debt service have been reduced substantially. In addition, the IMF has provided \$380 billion of debt relief through the MDRI.

The other two methods involve direct negotiations between the creditors and the debtors. For public debt, the debtors need to engage in bilateral negotiation with the Paris Club, a group of 20 creditors, to arrange debt deferral, rescheduling, or cancellation. The Paris Club has different terms for countries in different situations, and offers different treatment packages for their debt. It offers up to 90% cancellation for certain highly indebted poor countries³². For private and commercial banks, debtors must negotiate with the informal London club, which is a group of private lenders (commercial banks) that is similar in structure to the Paris Club. The London Club is responsible for commercial debt treatment and cancellation. In addition, the World Bank also has the Debt Relief Facility (DRF) that funds and helps the indebted countries to cut and repay their commercial debt.³³

Future and Further Challenges

Though much has been done to establish debt sustainability and provide debt relief to certain underdeveloped countries, more challenges still remain. The biggest challenge is the currently low global economy. Eight years after the financial crisis, the world has still not yet recovered completely. The entire world has been unable to sustain economic recovery and growth recently, and it is not obvious that there will be such growth any time soon. This poses a big challenge to external debt situations: many countries, even when previous debts are forgiven, are still unable to develop on their own and have to borrow more money to fuel social development. The current low prices for commodities exacerbate the situation. Such situations also produce the worry that some of the accomplishments achieved by past programs such as the HIPC may not last, as countries begin to borrow large sums of money again. Making external debt sustainable in the long-term is a big challenge. Climate change and related natural disasters may destroy past achievements and force countries to borrow unsustainably again as well.³⁴

³⁰<http://www.imf.org/en/About/Factsheets/Sheets/2016/08/01/16/11/Debt-Relief-Under-the-Heavily-Indebted-Poor-Countries-Initiative>

³¹ <https://www.imf.org/external/np/exr/facts/mdri.htm>

³² <http://www.clubdeparis.org/en/communications/page/rescheduling-and-cancellation>

³³ <http://www.worldbank.org/en/topic/debt/brief/debt-relief>

³⁴* http://www.un.org/ga/search/view_doc.asp?symbol=A/70/278

Another worrying trend is the increase in the amount of private debt, especially debt on nonfinancial private corporations in developing countries. This debt may pose a big risk to further development and economic growth of the developing countries, especially to the amount of private investment. It has also been witnessed that the amount of micro debt crises has skyrocketed as well in developing countries. The over-competitiveness and lack of demand makes micro-sectors particularly fragile to debt. Such debt is not only harmful to a country's economic growth, but also a big risk for individual household's basic subsistence, as many families have to sacrifice quality of living to deal with the debt. These new trends must be noticed and addressed³⁵.

Questions for Consideration

1. Which programs can be implemented to ensure responsible lending?
2. Can productive and efficient use of credits be enforced? If so, how?
3. What kind of international financial system can be set up to avoid sovereign debt crises?

³⁵ http://www.un.org/ga/search/view_doc.asp?symbol=A/71/276

Topic 3: Protection of Global Climate for Present and Future Generations of Humankind

Introduction

Most scientists agree that climate change really exists, as there is clear evidence supporting its presence. It has become one of the largest and most worrying challenges to the international community today. Climate change is an environmental and ecological problem: it means that the world is getting warmer, that glaciers are melting, that the sea level is rising, and that natural disasters are increasing. But it is also more than just an environmental problem: it is also an economic, political, and social one. All these environmental impacts also have many implications for human beings' development and well-being. Natural disasters destroy lives and properties. Rising sea levels mean some of our cities and islands will sink underwater and a warmer climate means certain areas are no longer inhabitable during the summer. These effects may not occur to us, but it has long-term effects that could affect the next generation and the world they are going to live in. We cannot wait until then to act; we must act now to stop this man made threat. And even with the signing of the monumental Paris Agreement, there is still concern over whether the goal is set is enough to save our planet, and whether these promises can be effectively achieved and whether the plans can be actually implemented. Since this issue is a global one, the UN must spearhead efforts to address and remedy climate change.

Climate Change: Definition and Causes

The climate of a place refers to its average or typical weather trends, and thus global climate change means that the average or typical weather of the globe has changed³⁶. Of course the earth's climate is always changing; historically, there were warmer eras and colder eras. Such movement within a reasonable range is natural and by no means a problem. It becomes a problem when the change of the average temperature of the globe moves beyond the range of reasonableness at a high rate, and that is exactly what we are witnessing now. Currently, the global temperature has been and is still rising at an unprecedented rate. The Intergovernmental Panel on Climate Change (IPCC) reports that global atmospheric temperature has risen by 0.85 degree celsius over the last 130 years in a linear manner³⁷, and it has been forecasted that in the next one hundred years the global temperature will rise by 3.5 to 7.4 degree celsius³⁸. As the IPCC said, "scientific evidence for global warming is unequivocal"³⁹.

The current trend of global warming is not a naturally occurred incident. Rather, this process is largely due to human activities. Most scientists believe that current global warming is largely a result of the so called "greenhouse effect", meaning that radiation and heat from the sun

³⁶ <https://www.nasa.gov/audience/forstudents/5-8/features/nasa-knows/what-is-climate-change-58.html>

³⁷ https://www.ipcc.ch/pdf/assessment-report/ar5/syr/SYR_AR5_FINAL_full_wcover.pdf

³⁸ <http://www.cfr.org/climate-change/global-climate-change-regime/p21831>

³⁹ <http://climate.nasa.gov/evidence/>

are trapped within the atmosphere, which causes the globe to warm up. The trapping of heat is due to the increase of certain kinds of gas, usually called the “greenhouse gases”, which include Carbon Dioxide, Nitrous Oxides, and Methane. Human activities over the last century have increased the amount of these gas significantly. Specifically, the burning of fossil fuels, such as coal, oil, and natural gas increased the amount of carbon dioxide significantly.⁴⁰

The Consequences and Impact of Climate Change

Climate change has many effects. The most direct ones are its impact on the environment and nature. Climate change itself means that the global atmosphere, land, and oceans are heating up. This would mean that ice caps in the Arctic and the Antarctic will melt, contributing more water to the ocean, which leads to sea level rise. Similarly, glaciers around the world will also decrease in size and may ultimately vanish. Climate change also changes weather patterns and increases the frequency of extreme weather and natural disasters. For example we are seeing that the precipitation patterns have changed: the amounts of intense wet seasons, droughts, and heat waves have increased. The frequency and intensity of hurricanes and typhoons have also increased.⁴¹

All these are more than just a change in nature; they have direct and indirect, short-term and long-term, impacts on all creatures and particularly human beings. For one thing, climate change alters the environment which certain creatures are used to living in and reduces their habitat. It has contributed to recent extinctions and thus poses great threat to species diversity. As for humans, rising sea levels mean that certain cities and islands that we currently inhabit will no longer be livable in the future. As sea levels continue to rise, some areas may sink under water. Right now many island countries in Oceania, such as Tuvalu and Kiribati, have already experienced sea level rise and its impact. People in these countries fear that their home may one day disappear. The increase of extreme weather and natural disasters is also a big threat to human well-being. For example, increasing droughts and heatwaves have huge impacts on agricultural production. Many crops are influenced by lengthened droughts and yield is reduced or lost. Other natural disasters, such as floods and hurricanes, destroy people’s lives and their properties. It also poses a great threat to sustainable development and may throw certain countries or people into poverty.

Technical Solutions to Climate Change

How do we deal with climate change? From a technical perspective, we can categorize potential solutions into three types: mitigation, adaptation⁴², and reduction. Mitigation means the reduction of greenhouse gas emission so that the amount of such gas in the atmosphere could be stabilized. This category includes measures such as using renewable energy sources like water,

⁴⁰ <http://climate.nasa.gov/causes/>

⁴¹ <http://climate.nasa.gov/effects/>

⁴² <http://climate.nasa.gov/solutions/adaptation-mitigation/>

wind, and nuclear power, replacing existing vehicles and planes with electric ones, replacing certain devices and equipment with low energy cost ones, etc. Adaptation means that we must take measures to adapt ourselves to the amount of greenhouse gas that already exists in the atmosphere as well as the effects and results of that amount. We want to reduce the harmful impact of an already changed climate. That includes measures such as building seawalls to protect cities, managing the risks of natural disasters and extreme weather, establishing a forecast and response system to natural disasters, and building resilience to face such disasters. Finally, a long-term of solution would be to reduce the amount of greenhouse gas to a reasonable level with the help of new scientific and technological advancements and inventions. There has already been discussion of CO₂ capturing and storage⁴³--more measures can be expected in the future.

From a policy perspective, to effectively address the threat of climate change, domestic governments and international community must come up with and implement policies to promote the the technical solutions above. Such domestic policies include funding for technological and scientific research regarding climate change and renewable energy, subsidies for new energy cars, subsidies for building renewable energy sources such as solar panels, fuel efficiency standards, fuel and car taxes, and mandatory pollution control. Specifically regarding CO₂ emissions, two widely used policy strategies are carbon taxes and cap-and-trade. The former refers to a tax on every unit of greenhouse gas emission. The latter sets a maximum amount of emission and distribute it among firms, and allows firms to trade their emission cap for extra revenue or extra emission⁴⁴. But domestic policies and unilateral actions are by no means enough; coordination and consensus must exist on the international level for our battle with global warming to be truly successful.

Current International Framework and the United Nations

The United Nations plays a central role in the current international framework regarding the issue of climate change. As the 13th Sustainable Development Goal, the United Nations has always been concerned about climate change. Multiple UN agencies are involved in programs to battle climate change, including the United Nations Environmental Programme (UNEP) and the World Meteorological Organization (WMO). The IPCC, which is the leading research body and information provider about climate change, was co-founded by these two UN agencies.⁴⁵

But more importantly, the United Nations is important in dealing with climate change because of the pivotal function of the United Nations Framework Convention on Climate Change (UNFCCC). The convention entered into force on March 1994. It was the first to recognize the problem of climate change on an international level. It also set the goal of preventing dangerous human interference with the climate system, appropriated funds to encounter climate change and

⁴³ <https://www.ipcc.ch/report/srccs/>

⁴⁴ <https://www.theguardian.com/environment/2013/jan/31/carbon-tax-cap-and-trade>

⁴⁵ <https://www.ipcc.ch/organization/organization.shtml>

started to think about adaptation⁴⁶. From its entering into force, each year a United Nations Climate Change Conference, also known as the Conference of Parties (COP), takes place. As the main, central, and top decision making body of all major decisions regarding climate change on the international level, it has become the most pivotal part of the international framework on climate change. Various important and monumetary documents and decisions were passed in these conferences, including the Kyoto Protocol in 1997, the Copenhagen Accord in 2009, the Cancun Agreement in 2010, the Durban Platform in 2011, and the Paris Agreement in 2015.

The Kyoto Protocol is the first legally binding document passed under the UNFCCC. It committed to reduce the total amount of global greenhouse gas emission by an overall level of 5% with the base year of 1990, though some variations exist among countries. It entered into force in 2005.⁴⁷ The first commitment period expired in 2012 and was extended to 2020. Ever since its entering into force, the COP has sought to reach a new binding agreement to replace the Kyoto Protocol upon its expiration, as the latter has been criticized as setting an overly low target and giving special advantage to developing countries. Political disagreements have prevented such an agreement from being reached. Various accords, agreements, and platforms are agreed upon and various funds are established to help countries with their programs on climate change. Finally, an agreement was reached in Paris on December 12, 2015. It entered into force 30 days after that and will start functioning in 2020. The new plan was far more ambitious than the old one: it commits to limit the total temperature rise within this century to under 2 degree celsius. A new financing framework, building framework, technology framework and transparency framework are also put in place⁴⁸.

Future and Further Challenges

Even with the Paris Agreement in force, challenges remain. For one thing, there are still many climate change skeptics in the world and their influences must not be underestimated. They could pose significant threat to progress towards the goal reached in Paris. The current appointment to the head of EPA by President-elect Donald Trump is a good example of this. There should be further measures to raise public awareness on climate change, and the UN should put pressure on each party which has already ratified the Paris Agreement to keep its promise and implement it accordingly with domestic laws and policies.

A bigger challenge is the implementation of the Paris Agreement. Currently countries are going through a previously agreed upon working programme⁴⁹ to get prepared for the implementation of the Paris Agreement. Further work needs to be done in this direction, and ECOFIN should be the body that oversees this process. It should also be noted that support for

⁴⁶ http://unfccc.int/essential_background/convention/items/6036.php

⁴⁷ http://unfccc.int/kyoto_protocol/background/items/2879.php

⁴⁸ http://unfccc.int/paris_agreement/items/9485.php

⁴⁹ http://unfccc.int/files/paris_agreement/application/pdf/pa_progress_tracker_281116.pdf; http://unfccc.int/files/bodies/cop/application/pdf/overview_1cp21_tasks_.pdf

developing and least developed countries have not been sufficiently addressed and specified in the agreement. Short and Mid-term support for developing countries are not specified, and some least developed countries which are vulnerable to natural disasters need immediate support to develop a plan of adaptation and preparation⁵⁰. Finally, it should be noted that the Paris Agreement, though legally binding, is non-punitive in nature. This is a potential risk to the agreement as countries may not hold its promise without threat of consequence.

Questions to Consider

1. How can we further public awareness of climate change? How ought we defend against the propaganda of climate change skepticism?
2. What can be done to better implement and enforce the Paris Agreement?
3. How should scientific and technological research and innovation with respect to climate change be further encouraged and stimulated?

⁵⁰ http://cdkn.org/2016/02/opinion-paris-agreement-opportunities-and-challenges/?loclang=en_gb