

Dealing with the economic crisis in the globalized world

General Assembly



Introduction

Welcome to the 2023 Anáhuac Querétaro Model of the United Nations. The General Assembly is one of the principal organs of the United Nations. Although it is composed of six Main Committees, the second one, the General Assembly Economic and Financial Committee, is recognized for its work in leading discussions that are related to global issues such as international trade, debt sustainability, development finance, macroeconomic policy, globalization, interdependence, and all problems connected to the implementation of the 2030 Agenda for Sustainable Development.

To begin with, we are pleased to introduce you to our committee in which we will be talking about the following topic:

“Dealing with the economic crisis in the globalized world.”

It will be focused on its causes, the problems the world faces, and possible solutions.

This Background Guide serves as an introduction to the topic. However, it is not intended to replace individual research. Instead, we encourage you to explore various sources to build your criteria regarding the issue and the position that your country has towards it.

We look forward to listening to your statements to find the best proposal or solution to the issue mentioned.

Historical information

The United Nations and the General Assembly were simultaneously created in 1945 to promote peace and conflict resolution through diplomacy. The second committee of the General Assembly must let us know its progress and methods to improve the discussions in future debates. The more information we acquire, the better discussions and solutions we can develop and carry out.

In April 2020, the United Nations published an economic and social plan to help countries worldwide deal with the Covid-19 effects on the economies that have declined significantly. It encourages the entire world to develop the actions below:

- Ensure that essential health services remain available and protect health systems.
- Help people cope with adversity through social protection and essential services.
- Protect jobs and support small and medium-sized businesses and workers in the informal sector through economic response and recovery programs.
- Guide the necessary increase in fiscal and financial stimuli so that macroeconomic policies work in favor of the most vulnerable and strengthen multilateral and regional responses.
- Promote social cohesion and invest in community-driven resilience and response systems.

However, a new problem threatens the sustainability of the world's economies and their ability to recover from it. The outbreak of war between Russia and Ukraine has caused prices to rise at a speed never seen before.

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Topic A:

Dealing with the economic crisis in the globalized world

Introduction

Living in a globalized world cannot be ignored. It is a reminder of why contemporary economies are connected so we can infer the adverse effects that could occur when one or more are suffering from economic drawbacks. This explains why an economy can be affected when another falls, such as Mexico's economy when the United States has financial problems.

An economic crisis could be described as a problem that is caused by a fiscal crisis. Market Business News (2022) states that it "is a situation in which a country's economy deteriorates significantly. During the crisis, Gross Domestic Product (GDP) typically declines, liquidity dries up, and property and stock market prices plummet".

First, overcoming Covid-19 has been a challenging task. All countries have pushed their limits to revive their economies and ensure future development. Nevertheless, post-covid outcomes will be much worse. According to the United Nations (2022), the economy is expected to grow only 3,2% in 2023, whereas it will grow 4,1% in 2022. Moreover, it will be complicated for emerging economies to achieve significant growth due to high inflation and unemployment rates.

Second, beyond the humanitarian crisis from Russia's invasion of Ukraine, the economy around the world has felt the effects of faster inflation and slower growth. The higher the inflation, the more problems will be in stopping it. Considering Russia as the principal intermediary for allocating natural gas throughout Europe, this region mainly deals with the issues that fuel inflation has caused. Even though the economic crisis is deeply related to gas distribution, it is also essential to emphasize the number of refugees that European countries may accommodate. The International Monetary Fund (IMF, How War in Ukraine Is Reverberating Across World's Regions, 2022) has declared that Europe "has absorbed most of the 3 million people who recently fled Ukraine". Citizens from all parts of the globe have started asking what the best solution is to solve these economic problems.

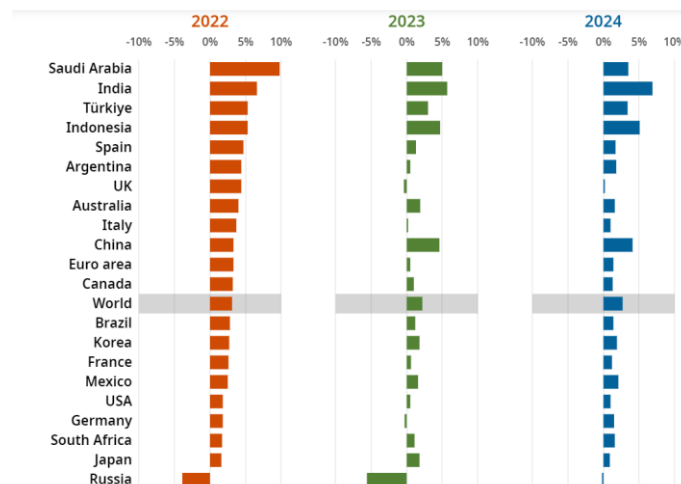
Consequences of Covid-19 on the global economy

First, during the pandemic, the job became an essential tool for families in many countries. It was and is still the source of income that allows them to have a quality life. In fact, The World Bank (2022) agreed that more than 50% of emerging and advanced economies households could only sustain actual

consumption with a job. Moreover, some of these households in emerging economies already had high, unaffordable debts.

Second, it is well-known that there was a negative impact on different sectors that required attention to overcome the problems accompanying Covid. For example, unemployment rates have increased due to affected sectors such as construction, tourism, travel companies, and healthcare service. Furthermore, Barnhill (2021) sustains that some businesses need help hiring new applicants because they are less qualified than they are for the job. This makes it more complicated for companies and enterprises when dealing with elevated unemployment rates.

Third, in agreement with the Organization for Economic Co-operation and Development (OECD, 2022), the Gross Domestic Product would grow less than it used to do in the last years. The same source published a bar graph to visualize the possible growth some countries could face in the following years while recovering from the effects of the pandemic and war:



Source: OECD Economic Outlook (Edition 2022/2).

Covid-19 has been a reflector of how weak the worldwide economies could be when problems threaten their stability.

China's case

One of the big problems in dealing with a pandemic is that you do not know when its effects will hit a country's economy again. For example, although China is one of the world's strongest economies, it is still grappling with problems that threaten its economic stability and prosperity at home and abroad. The Zero Covid Policy initially forced many citizens to close their businesses temporarily. However, after

several months of waiting, some of them had to close or put their businesses up for sale. Now that the government has decided to remove the policies to contain Covid, many entrepreneurs face a new problem: new infections and a lack of staff to keep their businesses open. (Bradsher, 2023).

Measures to overcome the effects of Covid-19

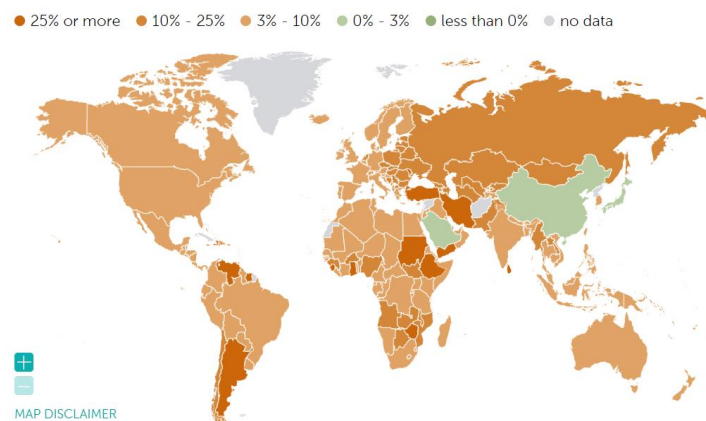
Apart from the actions that the United Nations have recommended (the ones mentioned in the introduction), Shannon and Carlson (2022) agree on implementing the following proposals:

- Increasing investment.
- Increasing revenue by giving people low-interest rates.
- Reducing costs by reducing taxes on businesses
- Encouraging innovation that catches the attention of foreign investors.
- Supporting workforce readiness by providing them with online platforms where they can get more expertise.

Economic problems arising from the Russo-Ukrainian war

The war is the principal barrier to stopping the process of recovering from Covid-19 effects on emerging and developing economies around the globe. Energy prices have plumped rapidly, with an emphasis on fuel prices which leaves humanity with nothing but a race to find a supplement that will stop the price hike in the global market.

The IMF brought out 2023, an international map showing the inflation rates in distinct countries. So, some have been dealing with that issue before, and it has become a much more severe problem, as can be seen on the picture next page:



Source: International Monetary Fund. (Edition 2023).

The central banks of most of the world have bet on raising interest rates to increase savings and reduce consumption. However, it is a problem that becomes much more worrisome every time prices rise, so citizens are in trouble when buying goods sold in the domestic or international market.

The situation in some parts of the globe

On the other hand, the IMF (How War in Ukraine Is Reverberating Across World's Regions, 2022) also gave its point of view regarding possible disadvantages caused by the war in different parts of the world. Starting with Central Asia, the region will suffer from a lack of trade, tourism, and investment. In the Middle East and North Africa, food and energy prices will rise drastically, as will its debt due to a lack of investment and tourism. Sub-Saharan Africa will have to deal with higher energy and food prices, potential difficulty accessing the international capital market, and reduced tourism. The Western Hemisphere will have to deal with high gasoline and food prices, discouraging the growth process of the less developed countries in the Americas and the Caribbean. Finally, Asia and the Pacific will be affected by energy-derived inflation.

United States' case

In response to the economic crisis caused partly by the lack of fuel, the United States has found it necessary to negotiate with Venezuela again to reduce market costs and, thus, inflation. However, in the words of Tarasenko (2022), deputy head of the Kommersant newspaper's foreign policy department, Maduro will continue to create a story for Russia about his hatred of the West while allowing US companies such as Chevron to turn Venezuelan oil into gas. This is to profit economically at the same time. The writer also claims that after a visit by a US delegation, Washington has allowed Italy's Eni and Spain's Repsol to resume shipments of Venezuelan oil to Europe.

South Arabia's case

It is known worldwide that Saudi Arabia is one of the major oil-producing countries. But, on the other hand, its high prices mean that foreign countries have to look for alternatives to buy oil, especially with the energy and economic crisis. For example, Nadig (2022) mentions that in September 2022, the government increased the oil price for Europe and Asia. Meanwhile, U.S. buyers will have to pay \$0.50 more for crude oil. This caused the relationship between the United States and Saudi Arabia to fragment. The Arab country decided to reduce oil production when the Organization of Petroleum-Exporting Countries voted for this measure, which the United States has called an act in favor of Russia since Moscow is a member of this organization.

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Guiding questions

1. What is the position of your country in this situation?
2. What is your country doing to overcome the problems that Covid-19 caused to its economy?
3. Should the international community pressure Venezuela to cooperate to solve the energy crisis by increasing its oil exports?
4. Should larger economies support smaller ones?
5. Could Saudi Arabia help reverse the economic crisis by increasing its oil production and distributing it worldwide?
6. Is China an example of what a country should do to face the covid issues that threaten industries, enterprises, and households?
7. What should the international community do to overcome either Covid-19 or Russo-Ukrainian impact on the global economy?