

Forum: UNGA 2 - Economic and Financial Committee

Agenda: Addressing global economic policy going forward in regards to the impact of COVID-19, with special emphasis on sustainable growth.

Chairperson: Arnav Ghatiwala

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Background Guide | General Assembly Second Committee

Letter from the Executive Board

Dear delegates,

It is with great pride that we welcome you to the Economic and Financial Committee of the General Assembly.

The issue at hand is a pressing one: the coronavirus pandemic has, as of this writing, affected millions and killed thousands. And unfortunately, the mounting death toll and subsequent health emergency aren't the only problems that the global community has to contend with; they are in fact precursors to the unprecedented economic crisis that will almost certainly follow the end of this wave of the virus.

The task before you, then, is monumental and complex. You must navigate the daily setbacks of this disease whilst planning for what comes after it. You must protect your citizens' lives, but also their source of sustenance.

It is tempting, in such testing times, for countries to resort to isolationist measures. But the United Nations wasn't built to propagate a beggar-thy-neighbour approach; it was built to counter it. And therefore, as member nations, we expect you to come with viable solutions in order to combat the ongoing- and incoming- crises, establish a plan of action for their recurrence, and build a better world order, *together*.

Of course, it is one of the consequences of this pandemic that this conference will be conducted virtually, and we understand the challenges that this entails. Please rest assured that we are doing everything we can to make your eMUN experience a

memorable one; in the meantime, if you have any concerns, reservations or queries, please do not hesitate to reach out to either one of us.

See you on the 18th!

Warm regards,

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Introduction

UNGA 2

The United Nations General Assembly Second Committee, also known as the Economic and Financial Committee, GA2, ECOFIN, or C2, is one of the six main committees of the United Nations General Assembly. It deals with global finance and economic matters, like the prospective economic recession brought forth by the COVID-19 pandemic.

The work of the Committee falls under ten thematic clusters:

1. Macroeconomic policies
2. Operational activities for development
3. Financing for development
4. Groups of countries in special situations
5. Globalization and interdependence
6. Eradication of poverty
7. Sustainable development
8. Information and communication technologies for development
9. Agriculture development, food security and nutrition
10. Human settlements and sustainable urban development

The General Assembly doesn't have the power to compel nations to take action. Rather, it can make suggestions and recommendations to the nations through its resolutions. The Economic and Financial committee at the eJPISMUN will follow a similar course of action, forming recommendations for members to address global economic policy following the impact of COVID-19 while keeping in mind the 10gdp thematic clusters for the committee.

An overview of the crisis

As is common knowledge in today's times, the Coronavirus disease (COVID-19) is an infectious disease caused by a novel virus. Since the outbreak of this disease was first diagnosed and the World Health Organisation declared the disease to be a world health emergency, it has spread to over 150 countries worldwide and affected more than 1.5 million people. Declared a 'pandemic' by WHO, the disease has caused more than 80 countries to close their borders to arrivals from countries with infections, order businesses to close, and instruct their populations to self-quarantine. It has wreaked havoc on even superpowers like the United States of America, China, and Germany.

It has become clear that the outbreak is negatively impacting the global economy. The global pandemic is affecting a broad swath of international economic and trade activities, from tourism, medical supplies and other global value chains, consumer electronics, and financial markets to energy, food, and a range of social activities, to name a few. The effects to minimise social interaction to contain the spread of the virus is disrupting the lives of people globally, adding to economic costs and slowly bringing the economy to a standstill.

With more than $\frac{1}{3}$ of the global population under some kind of a lockdown, the coronavirus disease poses the biggest threat to the global economy in a long time, and could lead to a global recession. The aim of the ECOFIN should be to develop policies to counter this recession.

Background Information

Origin and spread of the virus

The novel coronavirus outbreak began on 31st December, 2019, when Chinese officials reported an unusual pneumonia amongst 41 patients, all linked to the Hunan Wholesale Seafood Market. Soon, Chinese scientists identified this as a novel coronavirus that then spread to other countries, starting with Thailand, and was declared as a global health emergency by WHO. Today, the virus has spread worldwide to over 175 nations, after being labelled a pandemic by WHO. There are currently 1,308,421 cases.

Impacts on the global economy

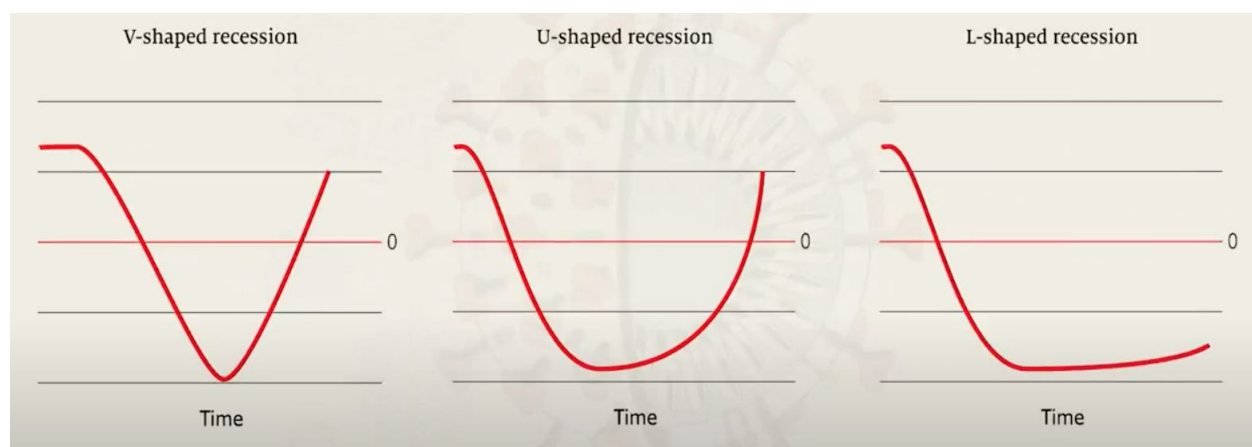
There is widespread conjecture-quickly manifesting itself into credible belief as the impact of COVID-19 widens day by day- that the economic implications of this pandemic will be greater than both of the comparable events of this magnitude- 9/11 and the 2008 financial crisis. This is already evident: the S&P 500 has recorded the largest bear-market decline in its history, contracting by a third in just under a month.

The International Labour Organisation estimates that cutbacks due to this crisis can adversely affect upto 200 million workers. The UN Conference on Trade and Development estimates a downward pressure of upto 40 percent on global foreign direct investment flows.

These numbers, in an earlier time, may have been too grim to be true, but in the current scenario they are indisputable reality. Social distancing measures have brought economic activities to a halt worldwide. The virus' first foothold was China, which is the bedrock of industrial production and the most integral link in global supply chains. Thus, the 13.5% plummet in industrial output there, as a result of a prolonged lockdown, disrupted manufacturing worldwide. There was also the loss in productivity due to the influx of sick workers and those tending to the sick. As the virus spread and an increasing number of countries were forced to quarantine their citizens at home and ban international travel, the retail, entertainment and tourism sectors took a big hit. The

reduction in income and/or job losses and business closures as a result of this step also led to a tumble in demand.

This series of events is a recipe for a long, pronounced slowdown. Governments have recognised this, doling out trillions in stimulus packages so as to provide relief to workers and businesses to help prop up comatose economies. While this deficit spending model has been recognised as necessary by many observers in lieu of the circumstances, there are concerns about the colossally high levels of borrowing it will entail (to put things in perspective, the federal deficit will hit a record 13% in the USA; the previous high was 9.8% in the immediate aftermath of the 2008 crisis) and whether it will be enough to prevent a prolonged recession once the situation returns to normal. Much, ultimately, depends on how the next couple months will play out. If the coronavirus peaks in the coming weeks and subsequently recedes, and/or a vaccine or viable method of treatment is discovered soon, the global economy could be well on the way to a (relatively) quick recovery, leading to the V-shaped recession curve shown below. However, if this pandemic drags out, as some have predicted, over six months or more, it may be difficult for economies to sustain the high levels of debt, even at negligible interest rates. A return to pre-Corona growth levels may be long-drawn (the U-shape) or, in the worst case scenario-as represented by the L-shaped graph-unattainable.



Relevant Definitions

Pandemic

A pandemic is defined as an epidemic occurring worldwide, or over a very wide area, crossing international boundaries and usually affecting a large number of people. It causes a high degree of mortality.

GDP

Gross domestic product (GDP) is a monetary measure of the market value of all the final goods and services produced in an economy in a specific time period. Real GDP is this value of GDP divided by the price level to adjust for inflation, while GDP per capita is GDP divided by total population.

Economic Growth

Economic growth can be defined as the increase in the inflation-adjusted market value of the goods and services produced by an economy over time. It is conventionally measured as the percent rate of increase in real gross domestic product, or real GDP.

Economic Development

Economic development, as a public sector term, is the process by which the economic well-being and quality of life of a nation, region or local community are improved according to targeted goals and objectives.

Recession

A recession is a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales.

Fiscal Policy

Fiscal policy refers to the use of government spending and tax policies to influence economic conditions, including demand for goods and services, employment, inflation, and economic growth.

Major Countries Involved

China

The People's Republic of China is the world's largest manufacturer of mobile phones, computers, and television amongst thousands of other items. When the novel coronavirus disease outbreak started in this nation in the Hubei province, leading to a lockdown of nearly 3 months, the Chinese economy came to a standstill. The impact of coronavirus has been such that many expect China's GDP to shrink for the first time since 1976. While there has been a 24.5% decrease in the investment in fixed assets in China and the country was the first to be hit by the disease being the origin, it has also become the first to lift lockdowns and start business again, with no further significant growth in the number of cases.

Italy

The first western country to cross China's toll of COVID-19 patients and impose a nationwide lockdown, Italy faces one of the most pressing dilemmas as it has one of the longest lockdowns and the highest death toll. From an economic point of view, the coronavirus disease has severely impacted the northern industrial highlands that produce a third of the country's output. What worries many in Italy is the apparent lack of authoritative planning on how to safely lift measures. While the first fall in the number of patients in intensive care has fueled hopes, there is still a predicted 6% decrease in the euro zone's third largest economy.

The United States of America

The world's largest economy, USA now also hosts the largest number of COVID-19 patients in the world. A unique decision to not enforce a nation-wide lockdown, contrary to the policies adopted by many countries, the superpower has seen a growing spread of the virus. An economy driven by the tertiary sector, this service sector is the one that has taken the biggest hit as a result of the pandemic, with brands and retail being highly impacted. Where the US Federal reserve is out of ammunition, as a decrease in borrowing rates and encouragement to invest are not viable options with people being hesitant on spending, the impending economic recession that will hit the USA could be the worst the country has ever faced.

Republic of Korea

South Korea is an interesting case study in understanding how to effectively battle the novel coronavirus. While both the USA and South Korea got their first coronavirus affected patients at approximately the same time, today the US has more than 50 times the cases in South Korea. The Asian nation had learnt a lesson from the MERS outbreak in 2015, implementing strict diagnostic tests and tracking systems to successfully flatten the curve for COVID-19.

Timeline of Events

Date	Event
January 1	The Hunan Seafood Wholesale Market closes after reports of an unusual pneumonia amongst 41 patients linked to the market.
January 7	The Chinese authorities identify a new type of coronavirus, nCoV
January 11	China record its first death
January 13	First coronavirus case outside of China is reported in Thailand
January 23	Wuhan is placed under quarantine, with Hubei province following soon

January 30	WHO declares a global public health emergency
February 7	First death outside China recorded in Philippines
March 8	Italy places all 60 million residents in lockdown
March 11	WHO declares the outbreak a pandemic
March 13	A US national emergency is declared over the coronavirus outbreak
March 19	China reports no locally spread infections for the first time since the outbreak began
March 31	More than $\frac{1}{3}$ of humanity is under some form of lockdown
April 2	The world passes 1 million COVID infections
April 7	US reports the highest single-day death toll for any country: more than 1,900
April 10	The global death toll surpasses 100,000

Possible solutions

In looking at solutions to the economic impacts brought by the novel coronavirus disease, we must understand that this crisis entails a unique tradeoff: that between saving more lives and saving the economy from going into freefall. Until now, the popular course of action has been to favour the former, but as unemployment continues to rise and debts skyrocket, individual countries might come to the conclusion that it is better to open up the economy rather than dealing with the uncertainty that surrounds the time frame for a definite end to the pandemic. Indeed, this viewpoint is increasingly gaining traction in places such as the United States. It is incumbent upon you then, as delegates, to determine which course of action will be most appropriate, in the long and short term. You must also strive to address the very valid questions that the outbreak has raised about sustainable development, emission control, and equitable usage of resources. Will the post-Corona world merely continue with the dominant capitalist approach or will we see changes in the way economic activities are conducted?

In developing policies to bring economies back to normal, governments must work with leading economists as well as health experts to ensure that the policies they form will work effectively in increasing economic growth back to earlier values. There should also be recovery programs that focus on daily-wage workers and underprivileged communities who are facing the brunt of the crisis.

It is believed that aggressive investment and well-designed policy could bring the economy back more quickly and with less long-term distress for workers and businesses.

Guidelines for Committee

General Guidelines

Committee will feature a General Speaker's List, under which delegates can give their names to convey the stance of their country and its views on the crisis at hand. Furthermore, there will be both moderated and unmoderated caucuses. Points of information to the speaker/chair, points of order, and points of personal privilege will be considered. Working papers and resolutions will be part of the committee, and a comprehensive resolution that effectively tackles the situation at hand is expected. With the conference being held online, delegates are expected to have thorough research and accurate facts as part of their arsenal.

An important note

We hope that this background guide proves a valuable resource and starting point for your research. But it is by no means an exhaustive source of information. More importantly, the nature of our agenda is such that the available information is evolving and changing on a daily, and even hourly, basis. As versatile delegates, we expect you to know the latest chain of events as they are at the start of committee proceedings, i.e. in the morning on the 18th of April, 2020.

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