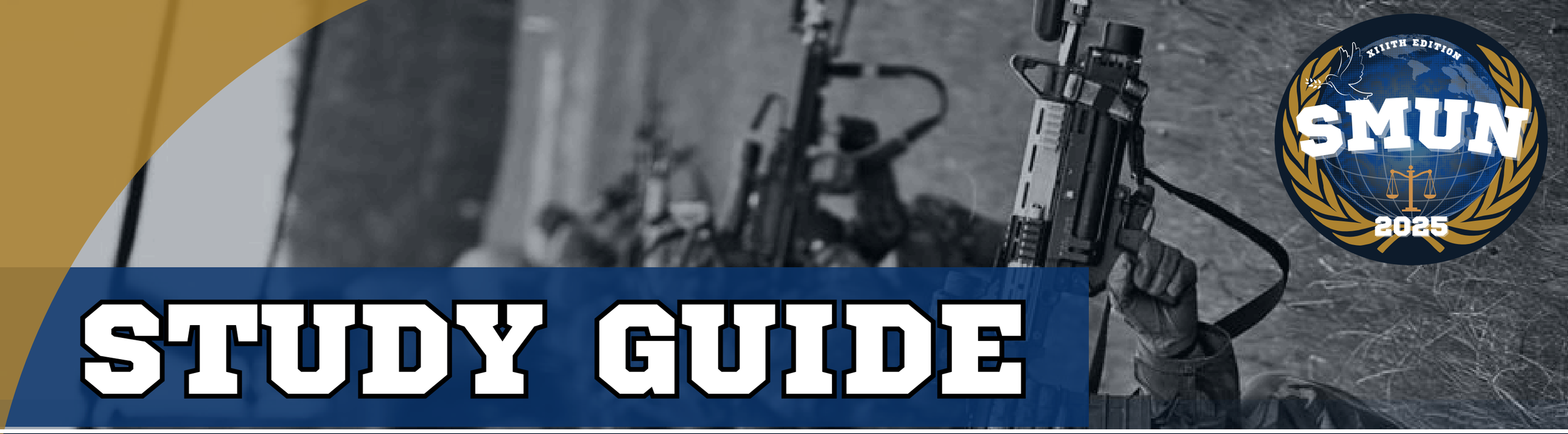

STUDY GUIDE

ECOFIN

ECONOMIC AND FINANCIAL AFFAIRS COUNCIL CONFIGURATION



SMUN 2025

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INTRODUCTION TO THE COMMITTEE AND ITS AGENDA

The Economic and Financial committee, or ECOFIN, is the second committee of the UN General Assembly. It focuses on global financial and economic concerns, including financing, sustainable development, economic growth, and poverty reduction.

Its main duty is to address a wide range of global economic and financial issues, including poverty alleviation, sustainable development, development funding, and economic growth and development.

Additionally emphasized are globalization and interdependence, operational actions for development, and information and communications technology for development.

It comprises all 193 member states of the United Nations, each holding a single vote. Its working methods typically involve meetings from early October to the end of November annually. During this period, the committee engages in a general debate, which often features a keynote address by an invited speaker, followed by negotiations on draft resolutions and proposals pertinent to its agenda items.

INTRODUCTION TO THE COMMITTEE AND ITS AGENDA

A continuous objective of the ECOFIN Committee is to refine its working methods and streamline its agenda, thereby enhancing the quality and impact of its deliberations and decisions.

Furthermore, the ECOFIN Committee maintains close collaboration with other United Nations bodies, including the Economic and Social Council (ECOSOC), and receives reports from various programs and conventions such as the United Nations Environment Programme (UNEP) and the Convention on Biological Diversity (CBD).

Donald Trump's imposition of tariffs stemmed from a multi-faceted "America First" agenda, primarily aimed at promoting domestic manufacturing and bringing jobs back to the United States by making foreign goods less competitive.

A key driver was also to reduce trade deficits, which he viewed as evidence of other nations taking advantage of the U.S. He frequently justified these tariffs as a necessary response to unfair trade practices by countries like China, citing issues such as intellectual property theft and currency manipulation.

INTRODUCTION TO THE COMMITTEE AND ITS AGENDA

Furthermore, tariffs were employed on the grounds of national security, particularly for critical materials like steel, aluminum, and copper, to reduce reliance on foreign supply chains.

Beyond economic objectives, Trump also utilized tariffs as a powerful negotiating tool, leveraging them to achieve non-trade concessions, such as immigration cooperation from Mexico, and even in response to perceived political issues in other nations.

While sometimes suggesting tariffs could also generate revenue for the government, these policies have drawn significant criticism from economists who warn of potential negative consequences including higher consumer prices and global trade disruptions.

DISRUPTION AND CHANGE IN GLOBAL SUPPLY

A supply chain consists of a network of firms that are involved in the production of a good or service that is sold to an end consumer. Trade wars hurt manufacturing supply chains by damaging consumer demand and creating market uncertainty.

Tariffs lower consumer confidence and purchasing power, hurting manufacturers and exports. Trade disputes can disrupt all aspects of supply chains – from raw material suppliers to the market demand. In response to trade disputes, manufacturers can have the essential responsibility to re-evaluate supply chains, identify possible sourcing alternatives and adjust their plans. Over time, trade wars can alter the "where" of the global manufacturing base.

Companies may choose to move production facilities to countries that avoid tariffs. The outcome is a modification of the global manufacturing landscape. This shift has economic impacts economically for countries that experience a loss or gain of manufacturing activities.

DISRUPTION AND CHANGE IN GLOBAL SUPPLY

The U.S.-China trade war is a meaningful example because both countries imposed prohibitive tariffs when the other one did, creating difficulties for companies engaged in international trade.

"Friendshoring" is a relatively new idea that has gained popularity recently. This is a strategic strategy to offshoring or outsourcing that focuses on countries that have close diplomatic, commercial, or economic relations to the company's home country. More businesses are expanding, particularly in delicate areas, as trade and political tensions in China worsen.

Therefore, it is unlikely that businesses that are already well-established in China will withdraw entirely from the market. Instead, they are adding countries like Vietnam and Indonesia to their Chinese operations. Diversifying activities and lowering the risks of supply chain interruptions and trade are the goals of this strategy. This production model is known as “China+1.”
The countries poised to benefit are typically those that provide low-cost operations and labor, but also have fairly developed infrastructure and supply chains connected to the larger region and the end market. For companies wanting to maintain operations in Asia, candidates include Malaysia, Vietnam, Indonesia, and India, among others.

TRADE FIGHTS AND COUNTERMEASURES

In recent times, global trade wars have worried global economists, policymakers, and international organizations. Trade wars most often come from protectionism and tariffs potentially changing long-held trading relationships, diminishing economic efficiency, and creating disappointingly high uncertainty in the global marketplace. Manufacturing is particularly disrupted by trade wars due to complicated and globally dependent supply chains.The world's economy works as a significantly interconnected system.

Globalization held a promise of encouraging the seamless movement of goods, services and capital around the world. This promise has been disrupted with the increase of protectionism in relation to an interconnected world economy and the impact of more protectionist-oriented trade practices.

The emergence of trade wars and unilateral tariffs on goods from other countries are an additional strain on interconnectedness while illuminating all of the vulnerabilities in the international trading system.

One example of a situation that can unfold is when the United States imposes tariffs on imports to protect its domestic industry. Affected countries respond with their tariffs on goods coming into their countries from the United States. When other countries do this, it is called retaliatory tariffs. The point of most tariffs is to get the country imposing the tariffs to back off from its restrictions on trade. However, retaliatory tariffs by different countries escalate slowly into trade wars where multiple countries impose higher tariffs on a larger range of products.

TRADE FIGHTS AND COUNTERMEASURES

Disruptions to existing global supply chains is perhaps the most immediate consequence of trade wars. Tariffs and barriers to trade raise the costs of importing goods from certain countries, which lead to the selection of other sources that may not be as competitively priced.

In many instances, changing suppliers leads to complications that increase costs drastically (in the short term), and delays in service or deliveries.

The global trade patterns can shift significantly as a result of trade wars. The countries that act as major suppliers of products lose stature and competitiveness as their products are rated higher in cost due to increased tariffs or barriers and those unknown countries that were initially not a source for the traded product becomes a source of supply with a major increase in exports.

For instance, as U.S.-China tensions heightened, the global supply chains saw companies utilizing emerging countries such as Vietnam, and Mexico, as alternatives (substitutes) to factor in to changing global commerce.

Effects on Developing Countries

Sweeping tariffs on imports imposed by U.S. President Donald Trump and countermeasures could have a “catastrophic” impact on developing countries, hitting even harder than foreign aid cuts, the United Nations has informed. Tariffs raise prices and limit access, making it harder for exporters, especially in developing countries, to sell their products.

For some countries, the shock will be severe. The affected African exporters will move from zero duties under the African Growth and Opportunity Act (AGOA) to high rates.

Several of these countries depend heavily on access to the US market. Other LDCs will shift from special LDC concessionary levies at or near zero to much higher rates — 37% for Bangladesh and 49% for Cambodia. This big new tax on every Cambodian or Bangladeshi T-shirt crossing the US border will dramatically increase costs and put those industries under strain.

For instance ,Bangladesh, the world’s second-largest apparel exporter, could lose $3.3 billion in annual exports to the U.S. by 2029 if the U.S. tariff of 37% stays after the pause, ITC data found. It may look to European markets as an alternative as they still hold growth potential.

Effects on Developing Countries

Numerous emerging nations experience "tariff escalation," – whereby processed or finished goods are taxed at higher rates than raw materials. As a result, industrial development in developing economies is impeded. This perpetuates dependency on raw material exports, limits value addition, job creation, and economic diversification.

Tariff escalation is prevalent across nearly all sectors impacting developing economies, particularly in areas such as apparel, animal products, tanning, and light manufacturing. Exporters from developing economies continue to face higher tariffs on finished goods relative to raw materials, impeding value-added industrial development and job growth.

However, for the remaining third of trade, tariff levels remain disproportionately high, making it difficult for developing economies to compete effectively in GLOBAL EXPORT markets.

This change represents a major break from the past 20 years, when LDC countries were provided duty-free, quota-free access to most major markets, including the US, as part of an organized international effort to integrate the world's most disadvantaged nations into the global economy.

These efforts met with mixed success, but now, just as these mostly small, poor countries are struggling to recover from the catastrophe of Covid-19 and the supply-chain and inflation crisis, they’re being pushed down even further. Never mind kicking away the ladder; it’s a case of holding their heads under water.

Breakdown of International Trade Rules

The WTO has warned of a “poly-crisis” of the pandemic, the war in Ukraine and inflation is sapping faith in globalization. The result is a growing disregard for global trading rules among WTO members.

This has triggered a surge in the number of “concerns” raised at the WTO. These have targeted export restrictions such as Indian rice and the subsidies the clean tech push has unleashed, such as the U.S. Inflation Reduction Act, with a bias for production in North America or those for
electric cars in China that the EU is investigating.

Under the influence of geopolitics, regulation, and subsidy races, trade fragmentation has rapidly accelerated in a way that overtly undermines and sidelines the WTO's authority. One of the clearest signals was the act of the United States sharply raising tariffs on Chinese imports in early 2025.

The Trump administration imposed a 10% blanket tariff on all Chinese products in January, justified by national security and concerns regarding fentanyl. The tariffs rose to 20% in March, and by April, select sectors already seeing tariffs exceed the WTO's maximum limit of 54%. On April 9, the U.S. announced a dramatic hike to 125% tariffs on Chinese high-tech and green energy products. China responded with reciprocal 125% tariffs on all U.S. imports.

Breakdown of International Trade Rules

This marked one of the most severe trade escalations in recent history. In this chaos, the WTO has been effectively incapacitated. The appellate body has been unable to function as of 2023 due to U.S. blockage of new appointments, as a result it has been incapable of resolving and adjudicating disputes. Other member countries are increasingly abandoning WTO processes altogether.

Regional and bilateral trade agreements like RCEP in Asia, or even new Indo-Pacific economic frameworks led by the U.S. are gaining traction and forming side systems that circumvent the WTO's rule book.

What is clearly emerging is a departure from multilateral free trade and the evolution of a world of strategic economic blocs. Massive subsidy programs like the U.S. Inflation Reduction Act and the EU's Net-Zero Industry Act are fueling green tech investment but are also viewed as protectionist moves by producers in Asia, particularly in China.

Breakdown of International Trade Rules

Export controls on sensitive technologies, especially in the chip industry, further amplify this trend. Global Trade Alert's Q1 2025, shows record levels of trade-restrictive measures around the world—more than 3,000 active policies in the last 12 months that represents almost four times the historical average from the 2010s.

At a time when the WTO is fighting to be relevant, it is no longer setting the rules of the game. The global trading system is becoming a convoluted patchwork of alliances, techno-nationalist agendas, and power considerations. Trade is no longer neutral or universal, but rather, a competitive geopolitical component.

Rise of Regional Trade Groups

How countries are forming or strengthening regional trade groups (like the EU, ASEAN, etc.) to avoid relying too much on the U.S., which could divide the global economy into competing regions.

Regional trade groups/ regional trade agreements (RTAs)/ regional economic blocs) are
partnerships between countries in a specific geographic area to promote economic integration and reduce trade barriers such as tariffs, quotas, and import/export restrictions. These groups aim to increase trade and investment among member countries and can range from simple free trade areas to more complex customs unions and common markets.

A regional trade agreement (RTA) is a treaty between two or more governments that define the rules of trade for all signatories. Examples of regional trade agreements include the North American Free Trade Agreement (NAFTA), Central American-Dominican Republic Free Trade Agreement (CAFTA-DR), the European Union (EU) and Asia-Pacific Economic Cooperation (APEC).
Deep trade agreements are important institutional infrastructure for regional integration.

They reduce trade costs and define many rules in which economies operate. If efficiently designed, they can improve policy cooperation across countries, thereby increasing international trade and investment, economic growth and social welfare.

Currency Issues and Manipulation

Countries can lower their currency values to stay competitive against tariffs through various policy tools, such as adjusting interest rates, engaging in quantitative easing, or directly intervening in foreign exchange markets. These actions can make exports cheaper and imports more expensive, potentially offsetting the impact of tariffs. However, such actions can also trigger currency wars, leading to trade tensions and accusations of manipulation.

- Currency devaluation involves taking measures to strategically lower the purchasing power of a nation's own currency.

- Countries may pursue such a strategy to gain a competitive edge in global trade and reduce sovereign debt burdens.

- Devaluation, however, can have unintended consequences that are self-defeating.

It is worth noting that a strategic currency devaluation does not always work, and moreover may lead to a "currency war" between nations. Competitive devaluation is a specific scenario in which one nation matches an abrupt national currency devaluation with another currency devaluation. In other words, one nation is matched by a currency devaluation of another.

Currency Issues and Manipulation

1. **To Boost Exports**

On a world market, goods from one country must compete with those from all other countries. Car makers in America must compete with car makers in Europe and Japan. If the value of the euro decreases against the dollar, the price of the cars sold by European manufacturers in America, in dollars, will be effectively less expensive than they were before.

On the other hand, a more valuable currency makes exports relatively more expensive for purchase in foreign markets.

In other words, exporters become more competitive in a global market. Exports are encouraged while imports are discouraged.

As the demand for a country's exported goods increases worldwide, the price will begin to rise, normalizing the initial effect of the devaluation. The second is that as other countries see this effect at work, they will be incentivized to devalue their own currencies in kind in a so-called "race to the bottom." This can lead to tit-for-tat currency wars and lead to unchecked inflation.

Currency Issues and Manipulation

2. To Shrink Trade Deficits

Exports will increase and imports will decrease due to exports becoming cheaper and imports more expensive. This favors an improved balance of payments as exports increase and imports decrease, shrinking trade deficits. Persistent deficits are not uncommon today, with the United States and many other nations running persistent imbalances year after year.

3. To Reduce Sovereign Debt Burdens

A government may be incentivised to encourage a weak currency policy if it has a lot of government-issued sovereign debt to service on a regular basis. If debt payments are fixed, a weaker currency makes these payments effectively less expensive over time.

Again, this tactic should be used with caution. As most countries around the globe have some debt outstanding in one form or another, a race-to-the-bottom currency war could be initiated.
This tactic will also fail if the country in question holds a large number of foreign bonds since it will make those interest payments relatively more costly.

Impact on Key Sectors

China's move to subject all American goods to 34% tariffs in retaliation against President Donald Trump's trade policies is set to hurt a broad array of U.S. industries — from plane and semiconductor makers to farmers and agricultural equipment producers.

The U.S. farm industry will be hardest hit by the new tariffs. The largest foreign market for American farm exports is China, and the high tariffs could dramatically lower demand.

In addition to the new responsibilities, China suspended import qualifications for U.S.-based C&D (USA) Inc. due to food safety issues involving sorghum. Imports of poultry meat and bone meal from American Proteins, Mountaire Farms of Delaware, and Darling Ingredients were also suspended.

US tariffs impose a complicated and expansive effect on the tech sector, reaching costs, supply chains, and eventually consumer prices for technology. The effect differs by sector and company, but the general direction is toward higher costs and possible disruptions.

Tariffs directly raise the cost of importing finished goods and components, which encourages tech firms to bear these costs, increase prices, or find alternative (and possibly more costly) sources.

The globalized culture of the tech sector ensures that most firms depend on a network of foreign suppliers. Tariffs can upset such established networks of suppliers, causing delays, escalating logistics expenses, and possible shortages. The electronics and semiconductor sectors are especially at risk because they depend so heavily on worldwide manufacturing and supply chains. Components or finished goods tariffs can have a ripple effect across the entire supply chain, affecting everything from chip production to consumer electronics.

BIG PICTURE: CHANGING GLOBAL ALLIANCE

Global realignments entirely reshape the global economic map with resulting change of power balance, emergence of new strategic alignments and alliances. New economies such as India and Brazil are increasingly gaining economic and political clout, while established powers such as USA and Europe are coping with a multipolar world (a world in which numerous nations exercise power).

The changing pattern of international trade is being dramatically remodeled as it moves away from the unipolar order led by the United States (U.S.) towards a multipolar order with new economic giants, especially China, India, and Brazil.

This shift is more than simply an alteration in economic hegemony; it signals a deep remolding of patterns of trade determined by the formation of strategic partnerships like BRICS+ and the Regional Comprehensive Economic Partnership (RCEP).

As these states assert themselves, the power balance in the global trade system is being reconfigured, leading to a reassessment of existing norms and procedures.

The international economy is seeing the emergence of new alliances and institutions for global cooperation and confronting common challenges. These are efforts such as the BRICS New Development Bank, the Asian Infrastructure Investment Bank, and agreements between institutions such as the World Bank, WTO, and IMF. These institutions seek to promote trade, economic development, and stability in the world that is changing so rapidly.

QUESTIONS A RESOLUTION MUST ANSWER

• What are the global economic impacts of USA-imposed trade tariffs, particularly on developing and export-dependent economies?

• How can multilateral institutions like the WTO be strengthened or reformed to address tariff disputes and prevent trade protectionism?

• What mechanisms can be established to prevent trade wars and promote fair, rules-based international trade practices?

•What strategies can be adopted to support vulnerable economies affected by tariff shocks, including through trade diversification and development assistance?

• How can the international community develop a framework to assess and regulate the use of trade tariffs invoked under national security concerns?

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