



2024

Economic & Financial Committee



Chair Letter

Hello!

My name is Andrew Cormack and I'm so excited to be an RMUN chair this year. I was a MUN kid in high school, and am one of the club co-founders. Outside of MUN, I love economics, finance, and History. I interned at Goldman Sachs this summer, and I am an active member of the Rice Undergraduate Investment Fund. Some of my hobbies include reading, biking, and writing for our student newspaper! I can't believe my last RMUN is coming up, let's make it a blast!

Regards,
Andrew Cormack

I. ECOFIN Mission

The United Nations Economic and Financial Committee (ECOFIN) is one of the six main committees of the United Nations General Assembly. ECOFIN was one of the original committees established in the 1945 United Nations Charter to have a focus on economic and financial issues. ECOFIN follows a hierarchical structure typical of UN committees with leadership consisting of a Chair, Vice-Chair, and Rapporteur. All 193 United Nations member states participate in ECOFIN's deliberations. Each member state has one vote, and decisions are made through a simple majority. ECOFIN often establishes working groups or sub-committees to focus on specific issues or tasks. These working groups can have varying structures and durations depending on the mandate provided by ECOFIN.

The primary mission of ECOFIN is to foster international economic cooperation and sustainable development. Its core objectives include:

- **Promoting Economic Growth:** ECOFIN works to stimulate global economic growth and stability by addressing macroeconomic issues, trade policies, and financial regulations.
- **Development and Poverty Reduction:** ECOFIN is deeply committed to achieving the Sustainable Development Goals (SDGs), particularly those related to poverty reduction, healthcare, education, and environmental sustainability.
- **Financial Stability:** Ensuring the stability of the international financial system is a core mission. ECOFIN monitors financial markets and develops policies to mitigate crises.
- **Trade and Investment:** ECOFIN facilitates discussions on trade liberalization and investment to enhance economic prosperity among member states.
- **Special Economic Issues:** The Second Committee has recently paid significant attention to climate change issues, inequality, technology and special situations.

ECOFIN has a wide range of responsibilities. The body drafts resolutions guiding member states' actions in areas like economic development, trade, and finance. It also monitors the global economic situation, assesses its impact on member states, and proposes necessary actions. ECOFIN supports capacity-building efforts in developing countries, helping them strengthen their economic and financial institutions.

ECOFIN's structure and mission limit the committee to coordinator and facilitator roles as opposed to being a highly involved agent. For example, the committee has achieved its most notable achievements by coordinating the Millennium Development Goals document (MGDs), directing climate finance aid, developing the framework for financial regulations in the wake of the 2008 financial crisis, and advocating trade liberalization.

II. Introduction and Background

In today's interconnected world, access to financial services is crucial for economic development and poverty reduction. However, a significant portion of the global population remains excluded from traditional banking systems. This exclusion is often due to factors such as distance from physical bank branches, lack of identification documents, or low income levels. This committee will debate how digital currencies and innovations in global banking systems can be leveraged to enhance financial inclusion worldwide. Given ECOFIN's focus on sustainable economic growth, the committee will discuss solutions that responsibly regulate and deploy financial tools to promote growth.

The committee will primarily focus on the insertion between three key areas: financial inclusion, digital currencies, and global banking systems. Financial inclusion refers to the availability and accessibility of financial services, including savings, credit, insurance, and payment systems, to all segments of the population. It is a key driver of economic growth and poverty reduction.

Financial inclusion is particularly debate-worthy given recent geopolitical developments. For example, member states of SWIFT (Society for Worldwide Interbank Financial Telecommunication) retaliated against the Russian Federation's actions in Ukraine by denying seven of its major banks access to the universal SWIFT financial processing system. Similarly, in response to unilateral sanctions, Venezuela's Petro cryptocurrency was created as a circumventing mechanism.

Furthermore, international financial institutions including the IMF, the G20, and the World Bank have been criticized by some UN member states for advancing biased financial interests. Argentina has witnessed widespread opposition to austerity and conditionality measures attached to IMF financial assistance. Other important considerations include sovereign debt burdens, equitable access to international financial assistance, and trade policy.

The second key part of this debate, Digital Currencies, are decentralized digital assets that have gained prominence with the advent of Bitcoin and other cryptocurrencies. Alternatively, central bank digital currencies (CBDCs) are government-issued digital currencies that aim to complement or replace physical cash.

For example, in September 2021 El Salvador became the first country to recognize Bitcoin as legal tender. This move sparked debate about the use of cryptocurrencies in daily transactions and its impact on financial inclusion. In other jurisdictions, regulators like the United States's Securities and Exchange Commission (SEC) have implemented regulatory frameworks to strengthen anti-money laundering and financial crimes controls on digital transactions.

The global banking system comprises a complex network of financial institutions, including central banks, commercial banks, investment banks, and non-bank financial institutions. It plays a vital role in facilitating economic transactions and financial stability.

III. Current Situation

The global community's relationship to digital finance isn't stagnant, and delegates are expected to consider how different communities interact with these technologies on both the broad and specific scales. Here are some developing issues to consider:

Cryptocurrencies

Cryptocurrencies are intangible digital currencies. Realistically, they are numbers attached to an account in a decentralized network. Whether they use Proof of Work (POW) or Proof of Stake (POS), the members of these networks are incentivized to verify each other's transactions. This poses a huge challenge to global policy makers, who must consider the safety of using these cryptocurrencies. Putting global financial resources in the cryptocurrency apparatus can increase the possibility of a catastrophic loss of financial stability. However, it also can place currencies outside of the hands of corrupt financial institutions. Typical cryptocurrencies are often anonymized, meaning that criminals may use them to facilitate black market purchases. However, many cryptocurrencies can be traced by finding the bank account which eventually claims the fiat currency from sale of the criminal's crypto to a cash market (In our world, this is often necessary to use the currency easily). There are many possibilities for decentralized finance, including ledgers with verification of identity, those pegged to various currencies, or digital representations of physical assets. Delegates are expected to consider how governments

can use these resources to foster financial inclusion, but also the risks associated with these technologies.

Digital Banking

Many banks around the world use digital currencies, and it is generally a standard and safe practice which improves financial accessibility. However, many countries lack the infrastructure to take advantage of these resources (internet access, electronic devices, and technological literacy). Further, safe storage of the data of digital currencies is crucial, as it minimizes the risk of fraud and financial instability. Delegates are expected to consider how we can build up access to financial resources online, as well as the dangers of unsecured storage of financial data.

SWIFT and sanctions

In the global age, creating effective sanctions can be very difficult. The digitization of finance can provide an insight into global transactions, as more records may exist than cash transactions. However, these records must be handled carefully, with respect to the privacy of the international community and according to the privacy laws of any nation. Thus, delegates are expected to explore the balance between invasive records of digital transactions, the rights of governments to review those transactions, as well as the possible upsides of effective sanctions by controlling mediums of digital currency. In particular, the use of the SWIFT system against Russia has caused many countries to consider their own relation to digital financial systems and their political ramifications.

Global Trade

Digital currencies facilitate global trade, making transactions cheaper and quicker. This is a fantastic upside of digital integration of international financial institutions. However, this has also muddied our understanding of the flow of goods and services around the world, particularly those multinational corporations with very multifaceted supply chains. Delegates should consider how their countries might push digital transactions to be more efficient while maintaining an understanding of those transactions.

III. Key Issues

The Role of Digital Currencies: Delegates should consider the potential benefits and challenges of using digital currencies to expand financial inclusion. How can digital currencies provide access to financial services for the unbanked and underbanked populations?

Central Bank Digital Currencies (CBDCs): Delve into the concept of CBDCs. How can these government-backed digital currencies be utilized to promote financial inclusion while addressing concerns about privacy, security, and monetary policy?

Regulation and Security: Explore the regulatory framework required for digital currencies and global banking systems. How can governments ensure consumer protection, prevent illicit activities, and maintain financial stability in the digital currency era?

Technology and Infrastructure: Discuss the technological infrastructure necessary for the widespread adoption of digital currencies. How can nations with limited access to technology bridge the digital divide?

Cross-Border Transactions: Analyze the potential impact of digital currencies on cross-border transactions and international trade. How can digital currencies facilitate remittances and reduce transaction costs for global transactions?

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