



ECOFIN

Economic and Financial Committee

Background Guide



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VIMUNC X



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Esteemed delegates and sponsors of VIMUNC X,

Welcome to the tenth annual Virginia Invitational Model United Nations Conference. As the MUN year winds down, we hope to provide the best experience yet, with paramount service and attention to detail that creates the greatest conference. From broad UN organizations to regional bodies, from corporations to criminal organizations, VIMUNC has committees that truly serve every interest. With experienced chairs, czars and staff, we will ensure that every delegate truly has a positive experience, and we simply hope that you can enjoy your experience with us.

VIMUNC's 18 committees and over 700 delegates is one of the largest editions of our conference ever, and we look forward to expanding our outreach across Virginia to continue to provide a wonderful experience for all delegates. With a large MUN team that has years of experience, we hope that every single minute of the committee is filled with substantive debate that will create learning experiences that last for years to come.

So much hard work has been put into every single crisis update, background guide and dossier, and we sincerely hope that the work and care placed in every single aspect of this conference is displayed in its quality. If at any time you feel something about the conference is unsatisfactory, please don't hesitate to talk to your chairs, a staffer, or a member of the Secretariat.

Thank you so much for your commitment to VIMUNC X, and best of luck in your committee, future conferences, and ambitions.

Sincerely,

Kalyna Vickers

Secretary-General, VIMUNC X

ECOFIN

(Economic and Financial Committee)

TOPIC A: *COVID-19 Supply Chain Disruption*

TOPIC B: *Security Risks with Cryptocurrency*

INTRODUCTION

to the Economic and Financial Committee

The United Nations Economic and Financial Affairs Council, or ECOFIN, is one of the six main organs of the United Nations, established by the UN Charter in 1945. The council is responsible for promoting international economic and social cooperation and development. ECOFIN serves as a forum for member states to discuss a wide range of issues related to the global economy, including poverty reduction, sustainable development, and the promotion of international trade. The council also provides a platform for civil society organizations, including non-governmental organizations, or NGOs, to engage in discussions and provide input on these issues. ECOFIN, the United Nations General Assembly Second Committee, holds an annual session in October, during which member states, NGOs, and other stakeholders come together to discuss key issues and assess progress on the implementation of the Sustainable Development

Goals (SDGs). The council also provides oversight to a number of UN specialized agencies, such as the International Labor Organization, or ILO, the United Nations Development Programme, or UNDP), and the United Nations Children's Fund, or UNICEF, among others.

The main objectives of ECOFIN are to promote coordination and cooperation among UN member states on economic and financial matters, to ensure the proper functioning of the UN's internal market and to promote stability and growth in the UN and beyond. The council discusses a wide range of economic and financial issues, such as monetary policy, fiscal policy, taxation, and financial regulation. It also provides a platform for member states to exchange views on these issues and coordinate their positions on UN initiatives. Additionally, ECOFIN plays a key role in the design and implementation of the UN's economic governance framework including the Stability and growth pact, which sets rules for fiscal discipline among UN member states. Overall, ECOFIN is an important forum for UN member states to work together to promote economic stability, growth, and financial stability in the UN and beyond.

Topic A: COVID-19 Supply Chain Disruption

Background Information

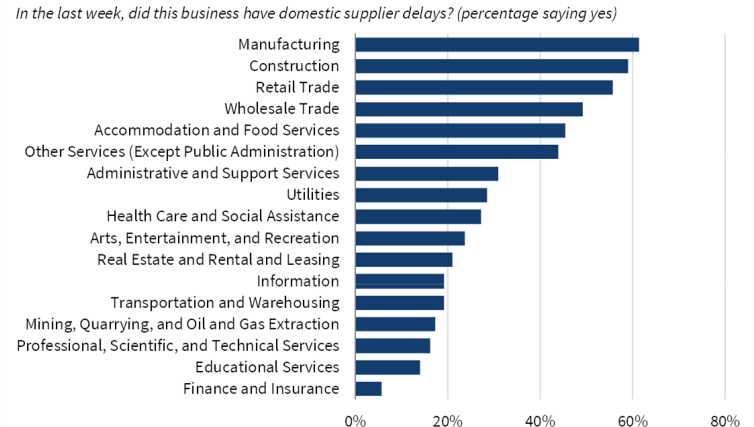
The COVID-19 pandemic has had a widespread impact on countries across the globe from health effects to economic effects, every aspect of society has changed. While health and social effects are typically focused on, COVID-19 also significantly influenced global economies. The COVID-19 pandemic has caused significant disruptions to global supply chains. The sudden and widespread nature of the pandemic has caused shutdowns of businesses and production facilities, leading to shortages of goods and raw materials. Transportation and logistics have also been severely impacted, with border closures, flight cancellations, and reduced capacity leading to delays and increased costs for the movement of goods. In addition, the pandemic has shifted consumer behavior, with a surge in home goods and health products, while demand for other products such as travel and tourism, has declined dramatically. The disruptions have also exposed weaknesses in supply chain resilience and diversity, with many companies relying heavily on just a few suppliers or locations for critical components. Overall, the COVID-19 pandemic has underscored the importance of building resilient and diverse supply chains, as well as the need for companies to be more agile and able to respond to unexpected events.

Figure 2 illustrates the percentages of each business sector that experienced domestic supplier delays in spring 2021.

Supply chain disruption takes a toll on businesses and consumers worldwide. For example, shortages of goods and raw materials have led to delays in production and the delivery of products. Businesses

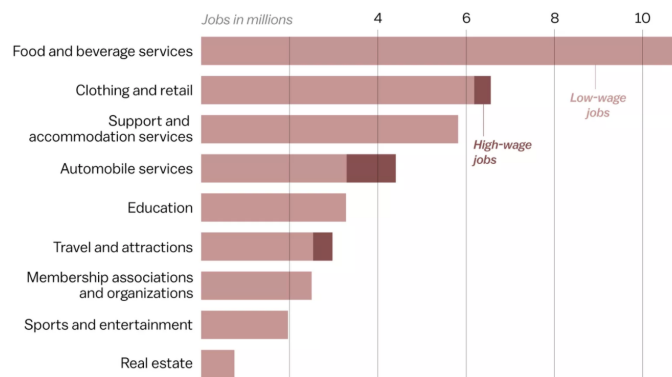
across a wide range of industries face the ramifications of this, from manufacturing to retail. Disruptions have also led to increased costs for businesses, including higher transportation costs, and in some cases, the need to source materials from more expensive suppliers. Thus, this has resulted in higher prices for consumers. A degree of uncertainty and volatility in the market has also been formed due to disruptions in the supply chain, decreasing consumer confidence and

Figure 2. Supply-Chain Disruptions By Sector



Sources: U.S. Census Bureau; CEA Calculations.

Jobs vulnerable to layoffs during the Covid-19 pandemic in the US by industry



Note: "Low income" jobs are defined as making a weekly income of less than \$801.47. Values are rounded.
Source: US Private Sector Job Quality Index

Vox

spending. Additionally, as a result of pandemic border closures, flight cancellations, and reduced capacity for the movement of goods, global trade disruptions occurred, impacting businesses that rely on exports. Employment has also faced declines due to the pandemic. Businesses across

a range of industries have experienced layoffs and closures, ultimately resulting in job losses and lower employment rates. Finally, changes in consumer behavior have been shown from shifts in demand for certain products. Demand for products such as home goods and healthcare have increased while demand for products like tourism and travel have decreased dramatically. Due to the major obstacles that COVID-19 presented to the economic state of the world, further action is needed in order to recover from economic disruptions.

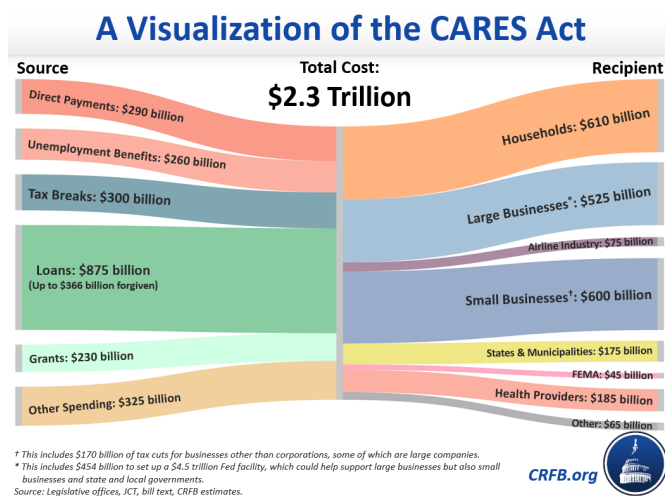
Current Situation

Dating back to January 2020, the first national lockdown in Wuhan, China was put into effect due to the rapid spread of the new disease, and many countries followed the lead.

However, the lockdowns did not mitigate the pandemic well, as cases began to rise quickly.

Legislation efforts to help citizens were put into place as well such as the CARES Act by the

United States of America, but only managed to save impoverished families and unemployed people temporarily. Both international and domestic travel was halted around the world, but the mystery of the drastic case increase remained unsolved. All these failed actions led to a major disruption in the flow of exports and imports.



The majority of the businesses that had a negative response to COVID-19 were inside of the consumer goods sector. From much-needed prescriptions to toilet paper, the producers of these goods were crippled in their efforts to distribute the necessities and gain profit. The other reason why the companies struggled to find success was due to the labor shortages that were felt in full effect when COVID-19 spread to workplaces. Hundreds of thousands of factory employees were infected, therefore restricting them to come in and lend a helping hand. The number of exports and successful trade decreased dramatically in some sectors, while others remained around the same. Although COVID-19 hit consumer goods corporations hard, other specific areas of business remained constant, giving the supply chain picture a highly diverse look in terms of success. Biomedical industries were found to have a major increase in funding, from both private-public partnerships and grants given by governments. However, the research and vaccine distribution was slowed down by supply chain issues, specifically targeting developing regions, making the recovery process for those countries much slower than developed countries. Moving past the pandemic, cybersecurity threats have been constant on supply chain software, further disabling exports and imports. Companies are still feeling the effects of COVID-19 because of its major impact on employment. The issues faced in 2020 have been consistent in the threat to the distribution and inventory of powerful corporations.

Additionally, at the moment, the supply chain disruptions caused by the COVID 19 pandemic have been addressed through a combination of short-term and long-term strategies. In the short term, companies have implemented a number of measures to mitigate the impact of the disruptions, such as diversifying their supplier base, adjusting their production schedules, and

increasing inventory levels to ensure that they can continue to meet customer demand. Also, governments around the world have taken measures to support businesses and stabilize supply chains such as providing financial aid, relaxing regulations, and investing in infrastructure and technology to improve logistics and transportation systems.

In the long term, companies are rethinking their supply chain strategies to build resilience and reduce their dependence on a single source of supply or a single geographic location. This includes diversifying their supplier base, building redundancy into their supply chain, and investing in new technologies, such as automation and digitalization to improve efficiency and flexibility. Governments are also taking steps to enhance supply chain resilience and reduce dependency, such as promoting domestic production, investing in critical infrastructure, and improving cross-border coordination and collaboration.

Possible Solutions

The upcoming crisis in space is something all countries should be wary of. In order for peace to be sustained an agreement/new set of laws must be made in order to prevent a potential war in space. Each delegation should create specific solutions to combat the constant development of ASAT systems and make sure countries are not posing any nuclear threats from space. The delegates are expected to come up with interesting and original types of solutions to combat the issues at hand. A main point of emphasis should be set towards making some sort of international agreement between countries in the UN to not allow nuclear weapons in space. This

should not be an entire solution but instead should be used to guide delegates into creating their own interesting solutions. Another point of emphasis is using persuasive techniques to make countries obey the laws the UN decides to set on ASAT systems in space.

Questions to Consider

- How can you ensure that the economic action implemented does not infringe on country and international sovereignty?
- How can you develop and promote economic action that is sustainable and long term?
- In what ways can technology be utilized to help address supply chain issues and minimize the effects of economic declines?
- How can member states of the UN, and other countries, work together to establish a resilient international supply chain network?
- How can weaknesses in supply chains be identified and addressed to limit further ramifications?

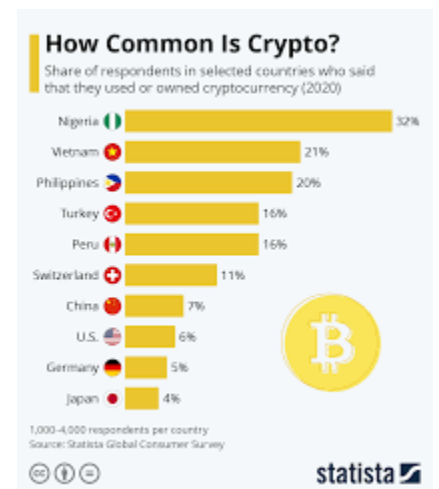
TOPIC B: Security Risks with Cryptocurrency

Background Information

The cryptocurrency market is projected to reach \$2.2 billion dollars by 2026, with a growth rate of 7.1%. Cryptocurrency is a digital or virtual currency that uses cryptography for security and operates independently of a central bank. It was created in 2009 with the release of Bitcoin, the first decentralized cryptocurrency. Since then, the growth of cryptocurrency has been rapid and significant.

The early years of cryptocurrency were marked by limited adoption and skepticism from the traditional financial sector. However, as the technology matured and more people became familiar with the concept, the popularity of cryptocurrency began to grow. The 2017 bull run, which saw the value of Bitcoin rise from less than \$1,000 to nearly \$20,000, sparked widespread interest in the space and led to the launch of numerous other cryptocurrencies.

Today, there are thousands of different cryptocurrencies in circulation, with a combined market capitalization of billions of dollars. Despite some initial resistance, cryptocurrency has been widely recognized as a legitimate form of investment, with major financial institutions and corporations investing in the space. The growth of cryptocurrency has also led to the development of a thriving ecosystem of exchanges, wallets, and other supporting infrastructure.



Despite the impressive growth of cryptocurrency, the sector is still relatively young and has a long way to go before it reaches widespread adoption. However, the continued



development of the technology and the growing interest from both individuals and institutions suggest that the future of cryptocurrency is bright. Unfortunately, this interest isn't just limited to law-abiding citizens looking for a more flexible financial future — it also attracts criminals who are looking for an anonymous outlet for financial crime.

Current Situation

One of the most common forms of cryptocurrency crime is fraud, which can take many forms, including scams, Ponzi schemes, and phishing attacks. In these cases, criminals use various tactics to trick individuals into sending them cryptocurrency, often under false pretenses or with false promises of high returns. These types of crimes can result in significant financial losses for individuals and can be difficult to recover from.

Another form of cryptocurrency crime is hacking, in which criminals gain unauthorized access to cryptocurrency exchanges, wallets, or other online accounts. In these cases, criminals can steal cryptocurrency directly or use sensitive information obtained from these accounts to steal even more. Hacking can result in significant financial losses for individuals and can also compromise their personal and financial information.

Cryptocurrency crime can also harm individuals indirectly, for example, by making the cryptocurrency market less stable and less attractive to investors. This can result in lower prices and reduced demand for cryptocurrencies, which can impact the value of investments and savings held in the form of cryptocurrency.

Furthermore, crypto market exchanges fuel the rise of ransomware crime because they are an easy, anonymous way for criminals to demand money without getting caught. Illicit use of cryptocurrency skyrocketed to \$20 billion in damage in 2022. The high aggregate volume of ransomware crime illustrates the promise of cryptocurrency as a harbor for ransomware criminals—as anonymous digital wallets, malefactors can take advantage of their decentralized peer-to-peer transaction systems to collect ransoms. The problem is already substantial, but ransomware money can be used for other illicit activities, making it so that crypto market exchanges finance career criminals in virtual obscurity. The current regulatory system lacks uniformity across the world—smart, decisive government monitoring could be implemented to actualize crypto benefits and reduce its harms. Furthermore, criminals are starting to use Killware, a specialized type of ransomware, to enhance their threats, like through the targeting of critical infrastructure like hospitals, water supplies, banks, and police departments. There are no regulations concerning killware and its rise shows the unimaginable human cost of unmitigated ransomware attacks. Criminals are continuing to evolve—playing by the same old playbook against a team that doesn't play by the rules is a surefire way to lose a game, and the same idea applies to government monitoring; the referees must start blowing the whistle when fouls occur. The status quo doesn't protect consumers or unsuspecting citizens from being harmed by

debilitating ransomware attacks and gives criminals entirely too much leeway to commit illegal activities.

There has been very little international action from the United Nations specifically aimed at curbing crypto crimes through resolutions, allowing criminals to slip through the cracks. Indeed, many known crypto criminals are harbored in countries around the world due to a lack of international infrastructure to extradite them and hold them accountable. The United Nations (UN) has not passed any specific resolutions specifically targeting cryptocurrency crime. However, the UN has taken various actions and initiatives aimed at addressing the issue.

For example, the UN Office on Drugs and Crime (UNODC) has been working with governments and international organizations to promote the responsible use of cryptocurrency and to mitigate the risks associated with the technology. This includes providing technical assistance to countries in developing regulations for cryptocurrency, as well as supporting law enforcement agencies in their efforts to investigate and prosecute cryptocurrency-related crimes.

The UN has also been involved in various initiatives aimed at promoting the responsible use of financial technology, including cryptocurrency. For example, the UN has established the Global Action Network on Money Laundering and Illicit Finances, which aims to promote international cooperation and coordination in the fight against financial crime, including those involving cryptocurrency.

However it seems that past international action hasn't been enough, as there continues to be mass amounts of illicit trading of cryptocurrency. That being said, the UN must strike a delicate balance—there are those who are opposed to crypto regulation in whole. One common

criticism of cryptocurrency crime regulation is that it may stifle innovation in the sector.

Proponents of cryptocurrency argue that the technology has the potential to revolutionize finance and provide new opportunities for people who are currently excluded from the traditional financial system. They believe that regulation could slow down the development of the sector and limit its potential for growth and innovation.

Another criticism of cryptocurrency crime regulation is that it may be difficult to enforce, given the decentralized and global nature of the technology. Cryptocurrency operates independently of central authorities and is not limited by geographical borders, making it challenging for governments to regulate the sector. Some argue that this could limit the effectiveness of cryptocurrency crime regulation and make it easier for criminals to evade law enforcement.

Additionally, some individuals and organizations are concerned that cryptocurrency crime regulation could infringe upon personal privacy and freedom. Cryptocurrency transactions can be anonymous, and some worry that regulation could lead to greater surveillance and data collection by governments and other authorities.

Some investors in the cryptocurrency market view regulation as a threat to their freedom and a constraint on the potential of the technology. They believe that the decentralized and anonymous nature of cryptocurrency is what makes it unique and valuable, and that regulation could undermine these features.

Some investors are concerned that regulation could reduce the liquidity and market activity in the cryptocurrency sector, leading to lower prices and reduced demand for

cryptocurrencies. They also worry that regulation could increase the cost of participating in the cryptocurrency market, making it more difficult and less accessible for ordinary people.

Additionally, some investors are concerned that cryptocurrency crime regulation could lead to greater government intervention and control over the sector. They believe that the decentralized and open nature of cryptocurrency is what makes it resistant to government manipulation and that regulation could undermine this feature.

Questions to Consider

- What, if anything, must governments do to address underlying issues with illicit use and abuse of cryptocurrencies?
- How can the UN strike the balance between protecting consumers and not causing backlash that harms the valuation of cryptocurrency?
- Why have past attempts at regulation failed, and what can be improved in the future?
- How can the UN work together multilaterally to create international frameworks that stop criminals from slipping through the cracks?

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