Study Guide

United Nations Economic and Social Council

Topic 1: Addressing income inequality and promoting economic growth through sustainable development

Topic 2: Addressing the long-term consequences of changed trade routes due to the economic crisis of 22/23

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United Nations Economic and Social Council – Study Guide

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INTRODUCTIONS

Personal introductions

Mr. Žiga Groff

Dear delegates,

Welcome to GimBMUN VI and welcome to the Economic and Social Council. My name is Žiga Groff and I am thrilled to be your chair this year alongside Ana Pšeničnik. I used to be a student at Gimnazija Bežigrad where I first started doing MUN, before moving on to study mechanical engineering in Ljubljana. Outside of school, I do mountain biking, skiing and like to work on cars.

I wish you the best of luck at the conference and look forward to meeting you,

Žiga Groff

Ms. Julija Korošin

Dear delegates,

I feel delighted to welcome you to GimBMUN24 and to be one of your chairs. I am currently in my first year of Gimnazija Bežigrad and have just started participating in MUN conferences this year. I have already met a lot of wonderful people and look forward to meeting more. In my spare time, I love to read, listen to music just relax in any way possible. I look forward to the conference and wish you the best of luck!

Julija Korošin

Introduction to the United Nations Economic Council

The Economic and Social Council (ECOSOC) was established by the UN Charter in 1945, as one of the six leading organs of the United Nations. The primary aim of ECOSOC has always remained promoting sustainable development, providing guidance, and ensuring strong cooperation and coordination between member states. Placing an emphasis on encouraging agreement and consensus on policies and actions to be taken, ECOSOC is able to address any and all economic, social and environmental concerns and ensure the implementation of the 2030 Agenda for Sustainable Development.

TOPIC 1: Addressing income inequality and promoting economic growth through sustainable development

Introduction of the topic

Income inequality, a persistent and complex issue, presents a significant challenge confronting societies around the world. Many countries continue to struggle with personal and economic growth, the absence of which causes income levels and living standards to plummet, while even developed nations, whose economic growth has brought them unprecedented prosperity fail to distribute the evenly.

This has led to a situation where a small number of the individuals control the majority of the wealth, while the rest of the population is faced with a lower standard of living, financial instability and is unable to attain even the basic health and educational services.

Income inequality, measured using indicators such as the Gini coefficient, reflects the unequal distribution of income among individuals or households within a society. Its consequences extend far beyond economic disparities, it impacts social cohesion, political stability, and the overall development of society. Understanding the causes, consequences, and potential remedies for income inequality is vital for fostering a more equitable and inclusive society. This is the role that the Economic and Social Council plays; to propose and implement guided and meaningful solutions. By addressing this complex issue together, nations can strive towards economic growth realizing the sustainable development goals ECOSOC has always strived for.

History of the topic

Income inequality, in some form or another, has been present in but all societies throughout human history. In ancient civilizations, wealth was controlled by the rulers and the elites, while the vast majority lived in poverty. The Industrial Revolution in the 18th and 19th centuries brought significant economic growth but also widened income gaps, as industrialists amassed fortunes while workers faced harsh conditions and low wages. The early 20th century saw efforts to address inequality through social reforms such as progressive taxation and labour rights movements.

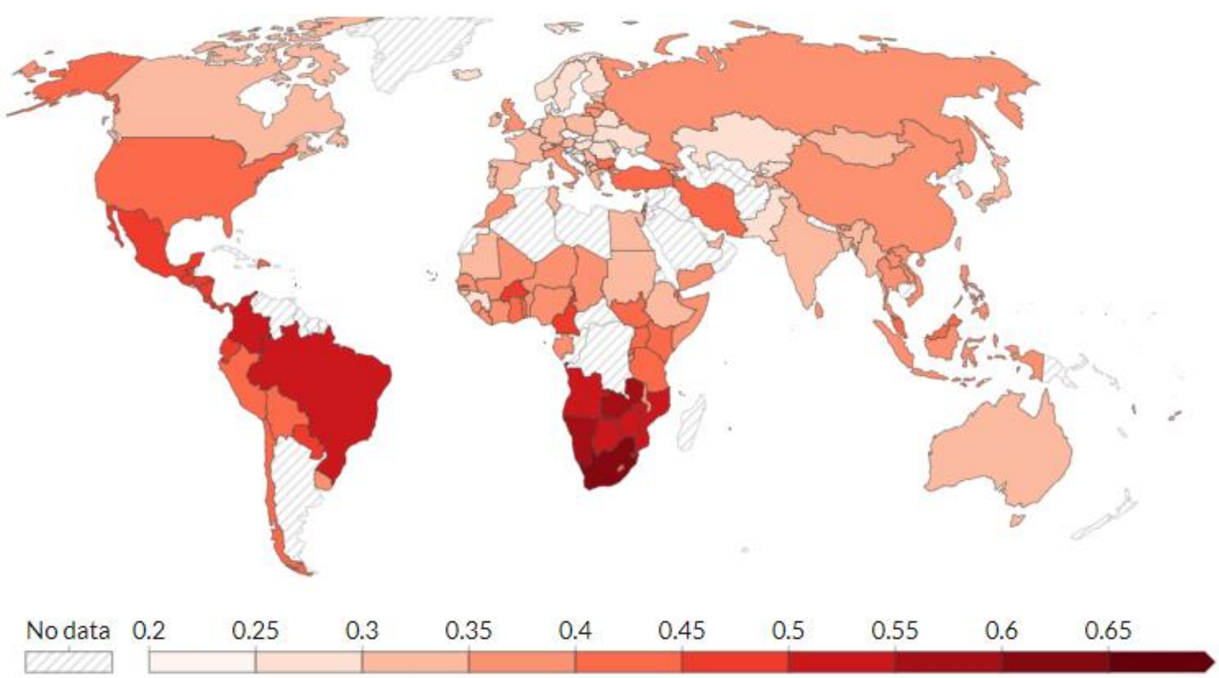
Income disparities, however, rose again in the late 20th century due to globalization, technological advancements, and financialization, leading to the emergence of a global super-rich class. Since then, income inequality has remained a major societal concern, prompting debates and calls for policies aimed at reducing disparities and promoting equal economic opportunities. It is important to remember that such change occurred mainly in developed regions, while developing countries remain in a vicious cycle of poverty, unable to advance their economy enough to achieve a society that could strive towards lower income inequality. The UN, ECOSOC in particular, has been addressing this issue by including it in its Agenda for Sustainable Development Goals 2030, establishing platforms for monitoring the success of the aforementioned agenda. It has also been working on various financial mechanisms aimed at helping nations out of the vicious cycle of poverty.

The present situation

Income inequality remains one of the biggest problems both in the developing and the developed world. Efforts big and small have been made with the aim of promoting a more egalitarian society. The problem is just as much a political issue as it is a socio-economic one. On one side some people consider the welfare state to be the most sustainable and fair form of capitalism while on the other, neo-capitalists will argue that each citizen is fully responsible for their own well-being.

Regardless of that, efforts to reduce income inequality have been made in almost every country in the world. The most popular and by some considered the most effective way of dealing with the problem is implementing some form of progressive taxation where the percentage of income tax rises with the income itself. Another solution implemented by some countries is heavier taxation of real estate though this can have negative consequences when it comes to development.

Attached below is a map depicting income inequality according to the Gini coefficient.



Conclusion

Income inequality is, simply put, the highly diverse spread of income amongst citizens. In the Middle East, for example, 56% of national income accrues to the top 10%, and only 12% goes to the bottom 50% of the population. Income inequality is a consequence of unequal opportunities for everyone to succeed in the labour market due to a lack of education, finance or various forms of discrimination. The issue thus arises when countries with lower GDP or struggling industries or simply being caught in the cycle of poverty for too long, cannot provide their citizens with the proper starting point that would allow so many to rise to higher positions than those currently occupied by the majority of the workers in poverty.

When addressing such an acute and interspersed issue, one can tackle it in one of two ways; outrooting the problem source or addressing the consequences. The lack of functioning education and health systems, as well as a discriminatory society, is constant in many countries and states and is a more difficult problem to approach given its complexity. For countries to adopt the said systems, money, time, sacrifices and cooperation would be needed, which have through many attempts, by organisations such as the UN, proven less than sufficient. Persistence is however crucial; to pull developing countries out of poverty traps, major global authorities must continue aiding them in even the simplest of ways. As mentioned before, another way of lowering income inequality is to tackle the issue with policies and reforms. A few examples of innovative and potential solutions to narrowing the gap between the different income classes are; social welfare programs, minimum wages, reparations, progressive taxation and labour market regulations.

From this conference, we expect delegates to be aware of their countries, and those most important to their situation and the global income inequality situation, policies in order to be able to contribute to an effective resolution. While in the 21st century, income inequality has remained a pressing issue, there has been increased awareness and effort to address it, and therefore much study material can be found.

TOPIC 2: Addressing the long-term consequences of changed trade routes due to the economic crisis of 22/23

Introduction

The economic crisis of 22/23 has shaken the world and left devastating impacts on global supply chains, trade routes and international relations. For many countries this presents a problem as a strain on their supply chains has forced them to alter their imports, resulting in a less efficient economy. For many others, however, the crisis presented an opportunity for their export sector to expand to fill the gaps left in world trade.

Trade routes have, in the last year, already changed and immediate responses to the loss of goods and export have taken place, in this conference however, we will be addressing the potential long-term consequences of the changed trade routes and establishing protocols, policies and innovative methods of preventing them, or easing their adaptation. It is important to note that changed trade routes do not suggest only negative consequences, for some countries, this is the moment to 'strike while the iron is hot' so to say, broaden their impact and grow their economy. There are multiple factors one must take into account when discussing such a topic including the economic impact, infrastructure development, geopolitical considerations, environmental and cultural impact and disruption and adaptation.

History

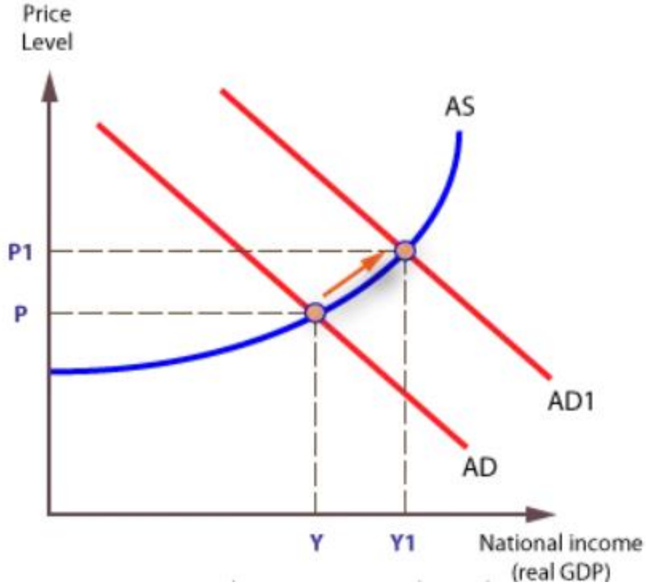
The roots of the economic crisis of 2022/23 can be, like many other current world issues, traced back to the COVID-19 pandemic which, in the years after 2019, racked havoc on global markets, resulting in lower GDP growth and perhaps more importantly set the stage for the global supply chain crisis later on.

In the years before the pandemic world trade was more global than ever with complex supply chains, just-in-time manufacturing and other processes that require precision and are time-sensitive. In a time of uncertainty and sometimes month-long delays in some industries, this system began to collapse as parts from one end of the world didn't get to the other end in time. This caused further delays, which worsened the problem.

The supply chain crunch coincided with another phenomenon often associated with the pandemic – inflation. Faced with a shrinking economy, governments around the world were desperate to turn the trend of poor market performance around. Most turned to fiscal policy to do that – countries were subsidising everyone from businesses to households to students with the aim of stimulating aggregate demand, therefore increasing consumption and promoting GDP growth. This did help and countries managed to prevent a big recession, however, one drawback of the aforementioned expansive fiscal policy is that it relies on boosting the economy through bigger demand and therefore more spending. This has the side effect of inducing inflation – the rise of the cost of goods.

Seeing the inflation rise by the day central banks (mainly the European Central Bank and the Federal Reserve, responsible for the EURO and the Dollar respectively) were forced to adopt a restrictive monetary policy. This meant increasing the key interest rate and thus reducing borrowing and leading to less spending. This had an enormous effect on financial markets as companies were forced to take out loans that were more expensive in order to finance their investments, which led to lower GDP growth.

Pictured below is the correlation between inflation (rise of prices on the Y-axis) and GDP growth (on the X-axis).



This turmoil in domestic markets combined with outside uncertainty has forced many countries to abandon some foreign suppliers in favour of domestic production, as it was viewed as a safer and more predictable option. This has had enormous impacts on some trade routes, notably, trade between the United States and China has shrunken significantly. This trade corridor, however, has already been suffering for a few years at that point as a result of the trade war between the United States and China from 2018 onwards.

Partnerships, agreements and projects on the topic

Over the past 20 years, trade routes in the East have witnessed significant developments and transformations. Here are some key highlights:

Rise of China: China's economic growth and expanding influence have reshaped trade dynamics in the East. The country has emerged as a major trading power and has actively sought to strengthen trade relations with neighbouring countries and regions.

Belt and Road Initiative (BRI): Launched by China in 2013, the BRI aims to enhance connectivity and promote trade across Asia, Europe, Africa, and beyond. It involves the construction of infrastructure projects, such as ports, railways, and roads, along various trade routes, including the ancient Silk Road routes.

Maritime Silk Road: As part of the BRI, the Maritime Silk Road seeks to strengthen maritime trade links between China and Southeast Asia, South Asia, Africa, and the Middle East. Ports in countries like Malaysia, Sri Lanka, and Pakistan have witnessed increased investments and development, boosting trade along these routes.

Trans-Pacific Partnership (TPP): The TPP, a multilateral trade agreement, was negotiated between several countries bordering the Pacific Ocean. Although the United States withdrew from the agreement in 2017, the remaining countries, including Japan, Australia, and several Southeast Asian nations, continued with the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which came into force in 2018. The agreement aims to reduce trade barriers and promote economic integration among member countries.

Regional Comprehensive Economic Partnership (RCEP): Signed in November 2020, the RCEP is a free trade agreement among 15 Asia-Pacific countries, including China, Japan, South Korea, Australia, and the ten ASEAN member states. It covers a wide range of areas, including trade in goods and services, investment, and intellectual property. The RCEP is expected to further boost trade within the region.

The present situation

With inflation slowly easing off and travel restrictions for the most part being a thing of the past, global trade is slowly returning back to normal. However, the period between 2018 and 2023 has seen many companies diversifying their production network, creating new and abolishing old trade routes in the process. It has also seen a significant jump in domestic manufacturing, as countries were eager to be more self-sufficient. This in turn means that companies aren't as dependent as they once were on a single country.

What this means for world trade is that new manufacturing hubs are being built around the world, mainly in Mexico and India, slowly reducing the industry's reliance on Chinese manufacturing. With the future still somewhat uncertain it is important that ECOSOC establishes guidelines and plans on recovering the world's economy, helping foster a better and more resilient world trade.

Conclusion

In recent years, trade routes around the world have undergone significant changes. Traditional routes have been altered, while new ones have emerged, forever changing the global flow of goods and services. These changes have led to the diversification of trading partners, the expansion of regional trade agreements, and the development of alternative transportation networks. We have to keep in mind, however, that these changed trade routes offer both negative and positive consequences, depending on the perspective.

For many countries that were previously not as heavily involved in world trade, the building of infrastructure to support new trade routes and a higher demand for labour could prove the be the cure for the vicious cycle of poverty. On the other hand, the countries that once held an oligopoly on world manufacturing will be forced to reconsider the structure of their economies, shifting slowly from manufacturing of goods to services.

Additionally, changing trade routes may affect cultural influences and impact the exchange of goods, knowledge, and cultural diversity between regions. It is crucial to note that when discussing such a topic we must be aware that the key factor allowing countries to participate in building new global connections that could benefit them, is their geopolitical factor. Where your country is situated can mean the difference between being a key player in the global value chains, or being left to support your economy independently.

The bottom line is that the previously established trade routes did not offer a perfect system, many countries were not as included in global trade as would have been necessary for their development, and was much more practical for some countries than for others. Now, amidst the turmoil that world trade is currently facing, the ECOSOC and WTO have their chance to establish new trade systems and logistics networks that can facilitate a new era of trade routes, that would benefit all parties and offer the most economic prosperity with the least damage to political ties and individual economies. We highly suggest all delegates to look into the relevant policies and positions of countries that either play a major role on the global platform or impact the situation of your country.

Past actions of the United Nations and ECOSOC

The UN establishing the agenda for sustainable development goals 2030: https://sdgs.un.org/2030agenda#:~:text=We%20resolve%2C%20between%20now%20and,protection%20of%20the%20planet%20and.

UN platform for monitoring the success of SDG2030: https://hlpf.un.org/2023.

UN platform for financing SDG2030: https://www.un.org/sustainabledevelopment/financing-for-development/.

UN platform for cooperation to achieve SDG2030: https://www.data4sdgs.org/.

All ECOSOC Resolutions: https://www.un.org/ecosoc/en/documents/resolutions.

Kingdom of Bahrain | Labour Market Regulatory Authority: https://www.lmra.gov.bh/en/home.

The UN resolution establishing the SDG2030: https://www.un.org/en/development/desa/population/migration/generalassembly/docs/globalcompact/A_RES_70_1_E.pdf.

2022 ECOSOC Forum on Financing for Development: https://www.un.org/development/desa/financing/sites/www.un.org.development.desa.financing/files/2022-04/2022%20ECOSOC%20FfD%20Forum%20outcome%20document_1.pdf

UNCTAD – How we can resolve the global supply chain crisis: https://unctad.org/news/blog-heres-how-we-can-resolve-global-supply-chain-crisis

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United Nations Global Compact: Supply chain sustainability: https://unglobalcompact.org/what-is-gc/our-work/supply-chain

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