



ECONOMIC AND
FINANCIAL
COMMITTEE
TOPIC BULLETIN

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Dear ECOFIN delegates,

Hello! It's an absolute pleasure to have you guys in committee at this AMUN. My name is Jae Joon Lee, and I am a senior in the business academy at this school. This will be my second time chairing at AMUN, so I am delighted to see you all. This year, we decided to pick topics that are extremely relevant to today's discussion of the economy and its ties to society as a whole, so please, shout your hearts out. Outside of MUN, I enjoy watching tennis (Djokovic fan), playing the magical oboe, and eating tropical fruits. If you have any questions, feel free to reach out.

Jae Joon Lee, Chair, ECOFIN
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Hello Delegates,

My name is Zhaoyuan Jiang, but you can call me Eric. I am a junior in the Academy for Business and Finance and I am delighted to be able to hear you discuss about these important issues at AMUN this year. I have attended MUN conferences since sophomore year and chaired for WHO in JAMUN. Other than MUN, I am a varsity fencer and hopefully moved from second in county to first by the time you see me. I am also the president of the Investment Analysis Group here in the school. I look forward to hearing you debate these two crucial topics which will heavily impact the economic outlook. If you have any inquiries or concerns, please email me.

Zhaoyuan (Eric) Jiang, Chair, ECOFIN
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Topic A: The Economic Future of Green Energy Development

Introduction:

The numerous negative effects of climate change continue to cause tremendous damage to the environment. Fossil fuels formed from natural decay of organic materials take millions of years to convert and is by no means renewable. The gases of these burnt reactants get trapped within the atmosphere and prevent solar rays from escaping the atmosphere, adding onto numerous harmful environmental and health effects. For instance, the contemporary means of utilizing nonrenewable energy sources cause severe air pollution, leading to a wide array of cancer and respiratory issues such as asthma.

Green energy sources are sustainable and a safer alternative with little to none negative impacts. They can be utilized instantly and will not run out. As the supply of nonrenewable energy sources dwindle while



demand consistently increases, this will soon become a necessity to convert factors of production to be fueled by green energy. Many countries have begun to adapt to green energy including but not limited to solar power, hydropower, tidal power, wind power, and nuclear energy.

History of the Topic

Due to the severity of the negative consequences on the environment, the United Nations has established the United Nations Environment Programme (UNEP), whose sole objective is to assist developing nations with environmental programs, issue reports on numerous environmental issues, and to create international conventions and protocols that protect the environment.

In addition, the United Nations Framework Convention on Climate Change (UNFCCC) was introduced in 1992 and came into effect on March 21, 1994, as the majority of member states ratified the

convention. Within the convention, it is clearly stated that it is the responsibility of each nation to protect the shared environment and its resources. However, gas emissions caused by developed nations have not been reduced as expected and continues to hold a majority in air pollution.

Furthermore, the Kyoto Protocol was introduced on December 11, 1997, as an amendment to the UNFCCC. The main purpose of this amendment was to legally bind environmental goals for countries to meet from 2008 to 2012. The tentative plan was to reduce harmful gas emission rates by 5%. Later on, however, the protocol ran into several issues as developing nations grew slower while the United States and China not taking part in the protocol, diminishing the legitimacy and necessity of the protocol to countless nations.

Throughout the past decade, many nongovernmental



organizations were created with missions that focus on renewable energy. The efforts of countless civilians and governments continue to work their ways towards green energy and reducing detrimental impacts on the environment.

Current Situation:

With many countries at work, global capacity for generating solar thermal power has increased by more than 40% yearly from 2008-2012. While developed nations offer incentives for companies to make a switch over to producing green energy, many developing nations struggle to find a balance between stability, poverty, and transition to green energy. This is a topic in need of thorough discussion and analysis as it requires precise coordination from a wide array of countries.

Country Positions:

United States of America

The U.S. has approximately 13% of its energy sources coming from green energy. The power sector has increased by over 8% in recent years. The developments on means of producing green energy have been backed by federal policies and incentives aimed to integrate it into the electric grid. Policies to consider are the Energy Policy Act of 2005, the Energy Independence and Security Act of 2007, the American Recovery and Reinvestment Act of 2009, and the Clean Power Plan added to Clean Air Act Section 111(d).

People's Republic of China

China is currently under the 13th Renewable Energy Development Five Year Plan starting in 2016 and ending in 2020. The National Energy Administration adapted this and has governmental support in implementing objectives. China aims to increase green energy usage in terms of



total primary energy consumption to 15% in 2020. Additionally, China wants to install renewable power capacity to 680 gigawatts and wind capacities to 210 gigawatts.

The National Energy Administration also promotes offshore wind and tidal power development while leading renewable energy technological innovations. A further support on the industry is expected with a decrease in reliance on foreign companies in the sector.

Federative Republic of Brazil

Due to severe negative consequences from the changing climate, Brazil is leading Latin America in terms of green energy. Investments in sectors of wind, solar, and hydropower capacity are growing with 76% of electricity coming from these sources. Solar energy developments are being made currently, creating a new potential in replacing investments in wind power. Large hydropower dams account for 93 gigawatts, biomass and waste-to-energy account for 86 gigawatts, and

installed wind power accounts for 8.99 gigawatts.

Federal Republic of Germany

Germany began its aggressive environmental policies pushing for green energy sources over two decades ago. Its policies are named Energiewende, meaning energy transition from tradition, nonrenewable sources. Germany's feed-in tariff drafted in 1991 provided payments above the market rate at the time for utilizing renewable energy sources and provided an economic incentive for many to make the switch. These changes have cost the country around \$200 billion with each German citizen paying about \$2,500 to fund these programs over the years. The European Bank expressed concerns as the low-income bracket will be spending much more simply to meet energy needs. The effects of which led to energy poverty- the lower part of the socioeconomic ladder find it more difficult to heat and power their homes and is a topic of



discussion over the rate at which countries should switch over energy sources.

To what extent will this affect those employed by the nonrenewable energy sector?

Questions to Consider:

How can countries, organizations, and individuals be incentivized to promote the use of green energy?

How much will it cost to implement the uses of green energy?

Will the costs be worth the results?

How likely are the plans of action to be implemented and fulfill their purposes?

What is a general timeline for this?

To what extent will this affect the economy?



Topic B: Reviewing Global Bank Policies to Avert Recessions

Introduction:

The extremely relevant 2008 financial crisis had left the world in economic turmoil. The collapse of the housing market in the United States echoed across the world, causing extreme amount of poverty and unemployment throughout. This infamous occurrence prompted the resolution of the United States and other developed countries to form a framework to prevent such crisis happening in the future. This topic will explore the international cooperation for countries to come together and resolve unsafe banking practices for the protection of the economy.

Topic History:

The main financial institution supporting an economy is the bank. Banks provide responsibilities to two groups of the market: investments and consumers. Consumer banks are catered towards the general public's, responsible for handling general



transactions in the economy. However, investment banks, the main players of the 2008 recession provide a different purpose. These banks are financial institutions for large businesses, in dealings such as trade of stocks.

In 2008, banking policies in the United States took an innovative turn with the Community Reinvestment Act. This act allowed high-risk mortgages to be loaned out to the general population. The sentiment behind such investments were simple: the use of high-risk loans would increase value over time, and thus make profit for the government. However, this meant facilitating loans towards high-risk individuals, such as those with high credit risk, for the sake of “helping” their financial situation. Thus, more and more people bought mortgages with the inability to pay them, creating a bigger fiscal hole. In fact, the government promoted the sale of such high-risk mortgages, pairing them with low-risk mortgages to

make them more attractive in the market.

This was all a consequence of flexible banking practices. Without proper vetting and governmental screening of practices, the accumulation of defaults were allowed to happen secretly within a span of forty years. Thus, the ticking time bomb only collapsed in 2008 with the collapse of the housing bubble. Following 2008, the government used dangerous practices, such as bailing out banks to prevent complete defaults of the banks, to save the industry. In addition, the Federal Reserve began issuing record low interest rates, in the hopes of expansionary economic policies, as well as quantitative easing to help the economy.

The consequences were devastating. Countries around the world lost economic prowess, especially developed nations, as the recessionary dependence of the United States affected Western countries. While GDP continued to



drop for these nations, most of these countries began implementing their own monetary policy measures to bring the economy back up. Interestingly, countries such as China began increasing production through the recession, as their impacts were reduced from the United States.

Current Situation:

Today, while most of the outward effects of the 2008 recession have faded. However, works to prevent a future economic crisis like the United States is in debate to be enacted. There are two primary goals for such framework. 1. To assist individual countries to deal with personal financial institutions issues and crises and 2. To mitigate the effects of an individual country's domestic banking failure on the rest of the economic stage. There are hundreds of issues to investigate, such as poor governance, limited central bank control, and dangerous investment practices.

Country Positions:

There are various bloc positions taken by the economies of the world. Mainly, they can be divided into two main groups: developing and developed countries.

United States of America

The United States experienced firsthand the devastation its economic failure instigated in 2008. Rather than have a bailout of banks as done by the federal government, the United States wishes to impose a framework involving international countries, to strictly monitor relationships between trade and currency throughout. Thus, the failure of one economic system cannot disrupt the other countries involved and protects the world economy. Legislation to prevent government intervention, as well as uniform banking practices is very desirable.



China

While China remains a forefront of economic policy in 21st century society, its demand for increased economic industry is a priority. While the effects of the 2008 recession were pronounced in the Chinese economy, the country still continues to pursue a policy of economic growth, with dangerous ramifications. The same high-risk mortgages and financial services offered by China threatens to repeat the same results of the 2008 financial crisis from the United States. However, China refuses to comply with these standards, as it detracts from the overall economic progress.

Myanmar

Myanmar is a developing country focused on expanding their economy. In the 1990's, Myanmar developed serious economic problems after lax banking policies pervaded the country. Although the crisis was mitigated, Myanmar continues to still implement banking policies focused on short term economic

growth, instead of long-term economic security. Flexible banking practices are its goal.

Uruguay

Similar to Myanmar, Uruguay faced economic risks prior to the 2008 recession. Uruguay's dependence on multinational banks, such as those of Argentina, began increasing developments of tourism, construction, and tourism industries in Argentina. Thus, Uruguay began housing multinational investments into the banking system of Uruguay. Ultimately, fears of contractionary output lead to a withdrawal of most of the investments in Uruguay, causing hundreds of banks to fail. Thus, Uruguay faces a similar problem regarding its inability to manage its banking system properly. However, its emphasis on economic growth puts this goal into risk.



Questions to Consider:

What were the underlying causes of the banking crisis in 2008?

Should governments take a lenient or stringent approach in officiating banks?

How do banks implicate the rest of the economy? Specifically with interest rates?

What are some differences in economic goals for developed vs developing countries?

How should government work with each other to alleviate economic crises?

What kind of framework should be implemented?

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