

BRATISLAVA MODEL UNITED NATIONS 2013



# Economic and Social Council

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Actions to increase the economic growth of the  
EU vs. BRICS's defensive actions to last as the  
greatest emerging market

**Study Guide**

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## Message from the Chair

Honorable Delegates,

It is one of my greatest pleasures to welcome you to this year's 13<sup>th</sup> BratMUN Conference. My name is Filip Hatiar and I will be your chairman alongside with Vitaliy Komar and Zsoka Halasz. It will be our joy to help and accompany you the Delegates in the Economic and Social Council.

As many of you, I have also gained some experience from previous MUNs. I always attended the ECOSOC committee as a delegate or a chair. Today my role with my colleagues will be to achieve one goal, to lead you having fruitful discussions and great resolutions. We will spend together three days with one main topic. I am looking forward for cooperation but mainly your preparation. From my own experiences from MUNs, the delegates who did not study enough the committee's topic, were unable to actively discuss, persuade, form solutions and basically be active. I want to have the most interesting discussions from all other committees. It is for our good, so we do not get bored during this event. Therefore, read this guide properly and study the information provided and search for your own needed facts. It is just not enough to know the position of your own country. Carefully analyze other states from the committee, history of the topic and etc. Try to form solutions already before the event and get your arguments on the floor.

As you know, our topic is actions to increase the economic growth of the EU vs. BRIC's defensive actions to last as the greatest emerging market. You are maybe surprised by the word versus. There is a simple explanation. In this year's Economic and Social Council the result will include two different resolutions. One has a role to increase the economic growth of the EU and the second one will include the BRIC's defensive action to stay at its top. This topic is not easy. Therefore preparation is very essential. It depends at your state's position which resolution you will take part in. As a simple example is France, which will do its best to form great resolution improving the EU's economic growth. It depends on your country where you will be putting your solutions and with whom you will cooperate. Some of you can even have a role in both sides. As I said it depends on your position. So please do prepare well. During the event you will have to react on other sides actions to protect your country's

economic positions. At the end I hope we will observe which of the resolutions is better and which side will have a greater potential in future.

Well, dear delegates I hope you understood the basics of the committee you will attend.

With work comes also pleasure and who said we cannot even enjoy our work. I am pretty sure you will also enjoy time after our schedule. I look forward having fun with all of you and I can't wait to hear your interesting discussions and arguments. Good luck!

Sincerely,

**Filip Hatjar**

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## About the EU and its history

In the second half of the 20th century the European countries have started to abandon the idea of an independent economic and political structure and supported the idea of large extent coordination of politics and economy. As a result, today's European Union was formed.

With the desperation for stability, in 1950 the European Coal and Steel community began uniting the western countries and the 'Six' - Belgium, Netherlands, Luxembourg, West Germany, Italy and France - was formed. The need for this integration was especially urgent, considering the losses the world has suffered by the bloodshed that culminated with World War II. For West Germany and France the union meant political rehabilitation and economic recovery. For Netherlands, Belgium, Luxembourg and Italy the integration gave hope for political security and a wider market for goods. The agreement was supported by Treaties of Rome, signed in 1957, that created the European Economic Community (EEC) or the 'Common Market'. This meant common price levels for agricultural crops and no tariffs on certain products. The 1957 Treaties also included promotion of nuclear power sphere (Euratom).

In 1973 three other countries joined, Denmark, Ireland and the United Kingdom, and the EU started a new policy to improve infrastructure in the poor areas of the member countries. The European Parliament increased its influence and by 1979 all citizens of the EU could elect their members directly. This meant that people no longer chose others to make the office elections, but directly voted on who would hold the office, creating a closer and more democratic relationship between the electors and the elected.

This was followed by three other countries joining the EU, Greece, Spain and Portugal, and in 1985 five countries - Belgium, Netherlands, Luxembourg, France and West Germany - signed the Schengen Agreement, which abolished border checks between countries. This agreement was designed to promote trade and integration between different nationalities as well as encourage tourism from emerging markets such as China and India. A year to that the Single European Act was signed, a treaty for a six-year program aimed at sorting out the problems with the free-flow of trade across EU borders, creating the 'Single Market'.

The European Union created an emerging western Europe and after the Berlin Wall was pulled down the two worlds of the cold war were slowly trying to create one whole Europe.

West and east became closer neighbors and the Single Market was completed to the 'four freedoms' of movement of goods, services, people and money. Two new treaties were signed in the 90's, the Maastricht Treaty (The Treaty on European Union - TEU) and the Treaty of Amsterdam. The TEU contained new ways for political integration, creating a European Union standing on 3 pillars: the European Communities, Common Foreign and Security Policy (CFSP), and police and judicial cooperation in criminal matters (JHA). The Treaty of Amsterdam reformed some aspects of the three pillars of the EU, increased power of the European Parliament and introduced a common foreign and security policy.

In 1995 Austria, Finland and Sweden also became members and euro became a common currency in many European countries. In 2004, 10 countries joined the EU and 2 years later two more, trying to close the gap between east and west completely. In 2007 the Treaty of Lisbon was signed, designed to tackle global challenges such as climate change, security and sustainable development.

In 2008 a major financial crisis hit the world, greatly influencing the European Union's economy. The crisis led to strong cooperation between countries, which also meant a reorientation of the union by economic, social and political point of view. The collaboration between countries showed the true power of the union and suggested a brighter future of a unified, democratic and social Europe.

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## About BRICS countries and its history

The association of four countries which have major and rapid-growing economies. Its name is, and it BRICS stands for the names of the countries – Brazil, Russia, India, China and South Africa respectively.

Jim O'Neil – a “Goldman and Sachs” global economist which coined the name of the association in his report "Building Better Global Economic BRICs" , stated that by the year 2050 the countries' economies will grow wealthier than the major modern economic powers such as USA and EU.

The concept which lead to this conclusion appears like this: Country's population, its area and resources are among the prime factors that influence economy and its production potential. And BRIC countries make up about a quarter of the world's land area and comprise almost half of the world population. They account for about a quarter of global GDP and they are responsible for roughly 30 percent growth of global economic output. Mr. O'Neil when talking about the association whose name he has created said: “*given that they have such a large number of people, they're likely to become big*” (O'Neil, 2009). Essentially the idea is simple – the larger are and the population the bigger economy.

Several experts however question the homogeneity of the group. Their idea is that Russia together with Brazil possesses great commodities such as oil and metals and energy; whilst India and China are plays on the ability of countries with low labor costs to take make significant market share in services and manufacturing. This difference was probably reinforced after 2010 when South Africa joined the association.

The adding of South Africa to BRIC, from then on – BRICS, can be interpreted as a rather geopolitical move. This can be further demonstrated by the fact that before no African country had a membership in the grouping. Without a doubt South Africa is the strongest economy on the continent; however it still remains number 31 in global GDP economies. Thus we can assume that joining the wealthiest African country was in a certain degree a geopolitical move.

Creation of BRICS can be treated as “one of the most significant geopolitical events at the start of the new century.”(Kremlin, 2012) Though how exactly is it significant and what has it already done in order to become so? - Not many cogent and solid accomplishments. That does not mean that BRICS is only a theoretical association; in very deed the association has already held five summits in different parts of the world. The outcomes of the summits can be fully seen on the website “<http://www.brics.utoronto.ca/docs/>”. At a glance no somehow globally important and far-reaching document has not been brought out yet. There are only general joint statements and declarations with no great economic and political significance. In general the statements enclose agreements in scientific cooperation, overcoming global economic crisis plans etc. One of the most important initiations of the group so far is the establishment of joint development “South South Bank” which would provide the countries with back-up credit and increase between state investments and trade.

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## Basic summary of EU economic situation today

The European Union faces many problems concerning its economic situation in these days. Therefore, strong cooperation within the EU is important. In order to improve their economic GDP they need to take use of all of the possible situations. Increase in quantity and quality of products is one of the factors. Decreasing debt burden, the unemployment rate solving recession of many member states, increasing innovation and overall competitiveness are one of the examples. The EU has a potential to face positive economic future. However, it needs to act and as soon as possible.

If the EU would be considered as a single economy, it would be the largest economy in the world. Its forecasts are being quite positive. The expectations of economists is that the GDP of the EU will again start rising at the second half of year 2013 after the recession phase. There will also be a visible change in the country's deficits which are shrinking mainly in Greece and Portugal. Positive news also includes the inflation which is slowing down. It was calculated that it could fall from 1.8% to 1.5% in 2014. The forecasts say that most likely we will observe higher profitability of the EU exports. This indicates better future for the net export of the European Union. Additionally, the firm's confidence is rising because of the statements above. This could improve the investment of firms which would support the expansion of EU's GDP.

On the other hand there are many issues needed to be solved. First of all, there is high unemployment rate which is confirmed by Spain with 26%. The forecasts say that because of slow functioning of economic activity, the unemployment in the EU will not decrease. We also observe high debts which are rising in some countries, Greece with 175% and Italy with 131%. The EU is concerned with domestic consumption which is influenced by financial crisis. It is predicted to stay as it is. One of the issues is that the leader countries are not being the support as they used to be. France observed 0.2% GDP decline being the EU's second largest economy and Germany rose just by 0.1% GDP being the largest economy. Some people are concerned that Germany is not taking appropriate leadership role. Important will be to stabilize the situation of the Eurozone crisis which has its negative impact on the member states. It also decreases the opportunity of the EU's economic growth.

The European Union has a chance being a growing economy. It faces some positive news which could help in catching up the BRIC countries. However, there are many actions needed to overcome forecasted negatives. Implied solutions will help the EU to increase its growth.

## Basic summary of BRICS economic situation today

The famous era of the BRIC countries is coming to an end. Their huge growth of output helping the world's economy to rise is decreasing. China, Russia, India and Brazil were the countries responsible for the most dramatic economic growth ever observed. However, their boom was already reached and their growth is predicted to fall.

These huge markets with higher numbers of poor people observe slowing growth rates. As evidence is the Chinese and Indian level of ec.growth in 2012. It is the lowest in last 20 years. The struggle to maintain its emerging market is due to many factors. One of them was the crisis in the EU with slow economic growth of the US. Additionally, the investment and export of China is not that strong as it used to be. Also, China's population is getting older which has its consequences and one of them is smaller labor force. It is said that the BRIC's have a serious problem with corruption which influences the investment confidence within their country. Investment with consumption might also be smaller because of India's, Brazil's consumption and sales taxes. They are highest in the world. Additionally, there is a chance that the BRICs will be facing a recession. However, it can be avoided and for sure it would not be that large as in the EU or the United States. The problem of Russia is mainly the falling price of oil. As it is their major export it has quite big influence on their economy. That is mainly caused by dependency of Russia on natural resources. The country also experiences aging population. At last, Brazil observes problems with their infrastructure, high taxes and government intervention which has big influence on consumer and firm confidence.

The added South Africa to BRIC, is also observing economic difficulties. The biggest economy of African continent experienced a growth of only 0.9% GDP. The problem might be country's high unemployment rate and poverty which is influencing the falling output. Additionally, weak domestic spending and the export to Europe currently in recession had a significant influence on the flattering economy. At last, low consumer confidence with 6% deficit is worsening the situation. In fact, the South Africa's government has set its goal to achieve 5% growth of GDP. In order to achieve that, the country needs to act quickly as possible.

From the basic summary we can see that the economies are still growing. However, all five countries experience issues which slow their economic growth. With the influence of the EU

and the US economy it was just a matter of time when the great BRIC era stops. It is impossible for a country to be constantly increasing their output forever. The time has come and now we are waiting upon reactions of you delegates how will you react with your country you represent.

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### **Some basic ideas you could include in discussions and solutions**

- Free trade between the EU and the US
- EU innovation
- EU debt
- EU unemployment rate
- Competition of firms within the EU
- Euro currency
- Germany – country should be more European
- Net exports, trade imbalances
- BRIC and South Africa
- BRICS – aging population, corruption, taxes, firm confidence
- BRICS – trade cooperation
- BRICS – preventing recession
- Domestic issues

## Sources to visit

### **Includes essential information and statistics**

After going through all of these sources you will definitely understand and prepare for discussions. Please study them appropriately. You find here some information about your country you delegate for. Do not forget to do your own research.

#### The Economist

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#### Other

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