CANMUN

Canada Model United Nations

European Union

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Diplomacy for Democracy | Diplomatie pour la Démocratie

Table of Contents

CANMUN Code of Conduct

Introduction

The conduct of attending delegates at the 2024 Canadian Model United Nations (hereby referred to as "CANMUN 2024" or "the conference") reflects on their institution and the conference. To ensure a safe, professional and fun conference for all those in attendance, including but not limited to delegates, faculty advisors, conference staff and hotel staff, the following Code of Conduct has been formulated. Please ensure that you thoroughly read through this document, as all attendees are expected to abide by these policies during the duration of the conference (including but not limited to committee sessions, conference socials, committee breaks, and the opening and closing ceremonies) and, by extension, during any events or activities organized in the context of the conference. All delegates have indicated their acceptance of, and agreement to abide by, the terms of the Code of Conduct in their completion of registration at CANMUN 2024.

Harassment and Discrimination

1. All conference participants are expected to be respectful of each other. Harassment of any form will not be tolerated, which includes, but is not limited to, discrimination based on ethnicity, national origin, race, colour, religion, age, mental and physical disability, socio-economic status, gender identity, gender expression, sex and sexual orientation.
2. Harassment and Discrimination through any medium must be refrained from by participants, which includes but is not limited to:
    a. In-person harassment, such as speech, gestures, sounds, phrases, touching etc.,
    b. Digital mediums such as social media, text messages, email, phone calls, etc.,
    c. Written mediums such as notes, written speeches, directives, etc.,
3. The secretariat of CANMUN 2024 reserves the right to determine what constitutes bullying and other inappropriate behaviour towards any individual and/or group.
4. The engagement of behaviour that constitutes physical violence and/or the threat of violence against any individual and/or group, including sexual violence and harassment is strictly forbidden, and may include, but is not limited to, the following:
    a. Indecent and/or unwelcome suggestive comments about one's appearance,
    b. Nonconsensual sexual contact and/or behaviour among individuals or a group of individuals,
    c. The sexual contact or behaviour between delegates and staff is strictly forbidden;
5. Cultural appropriation is prohibited. This includes, but is not limited to, attire, accents, etc. that belong to a certain cultural, religious, or ethnic community.
6. Reported actions of harassment will thoroughly be investigated and the Secretariat reserves the right to take action (if deemed necessary).

Responsibilities and Liabilities

1. The valuables and possessions of delegates, and the safeguarding thereof, falls under the responsibility of the delegates. Neither Sheraton Centre Toronto Hotel nor CANMUN 2024 and its staff shall be held liable for losses arising due to theft or negligence.
2. Delegates are responsible for the damages they cause to Sheraton Centre Toronto Hotel or its property, the possessions of other delegates, staff, faculty advisors, or other hotel guests.
3. CANMUN 2024, Sheraton Centre Toronto Hotel, and their respective staffs, shall not be liable towards any injury to persons, or damages or losses to property that may occur during the conference or due to a failure to comply to the rules governing said conference, including but not limited to, this Code of Conduct, Hotel rules and applicable laws, statutes and regulations.
4. Delegates are expected to present Conference identification upon request to Hotel and Conference staff.
5. Delegates must abide by Hotel rules while on Hotel premises. In particular, delegates are to refrain from the harassment of Hotel staff and other guests.

Abiding to the Laws of the City of Toronto, Province of Ontario, and Canada

1. Delegates, staff and other participants are required to abide by Ontario and Canadian laws, as well as Toronto by-laws at all times. Of particular note are laws referring to:
    a. Theft;
    b. Sexual Violence;
    c. Possession of firearms and other weapons;
    d. Trafficking and use of illegal drugs;
    e. Public disturbances or nuisance alarms, ex. The triggering of an alarm when an emergency does not exist;
2. The legal drinking age in Ontario is 19 years of age. All participants found engaging in illegal activities may be expelled from the Conference and held criminally liable, regardless of legal drinking age of the delegate's residence.
3. All conference venues are non-smoking facilities (including cigarettes, e-cigarettes, and vapes).

Dress Code

1. All participants of CANMUN 2024 are expected to wear western business attire. Delegates, staff and other participants not maintaining an appropriate standard of dress will be asked to change their clothing to fit the dress code. If you need any exceptions to be made, or have questions about the dress code, please contact the Equity team via email, equity@canmun.com.

Illness Policy

1. In light of the recent pandemic, we ask that delegates displaying symptoms of COVID-19, RSV, the Flu, or any other infectious illness to stay home, as to maintain the wellbeing and health of delegates, staff and guests.
2. In the event that you have recently (within one week of the first day of the conference) been in close contact with a positive case of COVID-19 and are not displaying COVID-19 symptoms, please use a rapid test and self-monitor for symptoms before and during the conference.
3. If at any time during the conference you begin to experience symptoms of any illness or feel unwell, **please inform your faculty advisor or a staff member, utilise personal protective gear (such as wearing a mask), and use a rapid test where possible.**
4. If you feel that your wellbeing is threatened/if you are concerned or uncomfortable, please inform a staff member or contact the Equity team via email, equity@canmun.com.
5. CANMUN 2024 nor its agents accept responsibility for the effects of any illness contracted during the conference. Ultimately, it is the responsibility of the individual to monitor the health and wellbeing of themselves, despite the measures put in place.

2SLGBTQIA+ Protection Policy

1. Any homophobia and/or transphobia will not be tolerated. This includes purposeful misgendering, discrimination, outing and/or use of transphobic /homophobic hate speech. All delegates are expected to treat other delegates with respect and refer to them with their preferred pronouns. If you personally feel uncomfortable as a result of the listed events above or due to similar events, please let us know in the form below.

How to Report

If you have a violation of the Code of Conduct to report, here are the following resources/procedures you can use to get in contact with a committee staff/secretariat member.

1. Communicate with a staff member responsible for you/your delegate's committee. They can be contacted via email.
2. Email the equity team at equity@canmun.com. The equity team will get back to delegates in 1-3 business days for concerns before the event takes place, and will respond to delegates on the day of receipt during the conference.

Additionally, if you have any questions about the code of conduct before or during the conference, please email equity@canmun.com. The Secretariat reserves the right to discipline attendees for not adhering to/violating any of the above stipulations. Disciplinary measures include, but are not limited to, suspension or expulsion from committee, removal from the conference/conference venue, disqualification from awards and/or disqualification from future events.

Director's Letter

Dear Delegates,

My name is Aaira Kamal, and I am honoured to serve as the Director of the European Union committee for the upcoming Canada Model United Nations (CANMUN) conference. As a student in grade 12 and the President of Richmond Green Secondary School MUN, I understand the excitement and anticipation that comes with participating in Model United Nations conferences. It is a pleasure to welcome each and every one of you to this esteemed committee.

Model UN is not only an opportunity for intellectual growth and debate but also a platform for forging new friendships and experiencing the joy of collaborative problem-solving. I am confident that our time together in the EU committee will be both engaging and exciting as we delve into complex issues and work together to find innovative solutions. I cannot wait to witness the depth of debate and the exchange of ideas that will undoubtedly characterise our committee sessions. Your passion, dedication, and enthusiasm are what make Model UN such a rewarding experience, and I am eager to see how each of you contributes to the discussions.

Once again, welcome to the European Union committee at CANMUN. Let us embrace this opportunity to learn, grow, and make lasting memories together.

Warm regards,

Aaira Kamal
Director, European Union Committee
Canada Model United Nations

Introduction

First coming into force in 1993, the European Union is an economic union of 27 member countries in the European peninsula. The goal of the European Union lies in its internal single market based on standardised frameworks across all countries, where the movement of people, goods and services are free. Countries in the customs union have common policies on trade, agriculture and many other essential services needed for consumers. In doing so, the European Union lies as an important asset for each European country (European Union).

The creation of the European Union spanned an entire century, specifically post World War II, where the Organization for European Economic Cooperation was formed in 1948 to incentivize those living in eastern Europe, controlled by the Soviet Union, to be motivated to migrate to the Western portion of Europe, where economic prosperity was at an all time high. The foundational step was taken in 1951 by the European Coal and Steel Community (ECSC) in the signing of the Treaty of Paris by France, Belgium, Netherlands, Luxembourg, West Germany and Italy. The belief was that coal and steel were two industries essential for warfare, and that through such organization, a future war became less likely (European Union).

The same countries, later in 1957, signed the Treaty of Rome, creating the European Economic Community (EEC), which was the first customs union. The EEC allowed for the easy transport of goods in a common market, where there is an elimination of most trade barriers such as tariffs or quotas, while also having a common external policy against other countries. In doing so, many of the countries who signed onto the agreement, experienced significant economic growth, greater employment in their domestic sectors and higher specialization of their respective goods (European Union).

In 1973, the EEC was enlarged to include other countries such as Denmark, Ireland, and the United Kingdom, followed by Portugal, Spain in 1986 and the former East Germany in 1990 after the fall of the Eastern bloc (European Union).

The entirety of the European Union was later established through the Maastricht Treaty, through further enlargement of former communist states including Romania, Poland, Latvia, etc. Inevitably, the European Union allows greater living standards, ensuring stability for many countries, due to the lack of protectionist measures in the trade of goods. This allows countries to have access to cheaper goods, which inevitably leads to cheaper imports, therefore the trade balance will inevitably be in a surplus, thereby increasing the gross domestic product of a nation (European Union).

While the European Union holds as one of the most powerful and influential economic superpowers in the world, prominent events have questioned the legitimacy of the union and whether the union truly benefits all respective parties. Specifically, the European debt crisis of 2009, where numerous countries were unable to pay out their government debt without the assistance of third parties. As wealthier countries, such as Germany and France are not investing into the poorer nations during this country such as Greece, poorer countries in the customs union are put at an extreme risk. A devaluation of a currency leads to attractive exports, greater investments, which can, in the long-run foster economic growth. Since countries have no ability to devalue the Euro as many countries are involved in the adoption of the Euro, an inequality is perpetuated across the European continent (European Union).

The European Union's expected increase in economic growth by 1.7% by 2025 presents both opportunities and challenges for sustainability. On one hand, economic growth can provide resources and opportunities for investing in sustainable technologies, practices, and infrastructure. It can also generate revenue that can be allocated towards environmental conservation, social welfare programs, and other sustainable initiatives ("Winter 2024 Economic Forecast: A Delayed Rebound in Growth amid Faster Easing of Inflation - European Commission").

However, rapid economic growth can also put pressure on natural resources, increase pollution and emissions, and exacerbate social inequalities. Therefore, as the European Union works together to create a prosperous future, it needs to consider the effects of policy decisions on the environment as a way to achieve the Sustainable Development Goals (SDGs) by 2030 requires concerted efforts from all stakeholders.

As the EU can stimulate economic growth by increasing market size, trade opportunities, and investment flows. New member states often bring competitive advantages, such as lower labor costs and access to new markets, which can benefit existing EU members. As a result, it is integral for the well being of the European Union to have easier integration of new additional states.

Topic A: Sustainable Business Practices

Historical Overview

The first look into sustainable business practices within the European Union was in 1972 with the Birds Directive, which aimed to protect all wild bird species and restore their natural habitats. For each decade, the European Union designs a new environmental action plan.

First EAP

- Period: 1973-1982.
- Key Objectives: Initiated after the 1972 United Nations Conference on the Environment in Stockholm, the First EAP marked the beginning of EU environmental policies.
- Focus Areas: Emphasized the interdependence of economic development and environmental protection. It aimed at preventing environmental damage, conserving ecological balance, and ensuring the rational use of natural resources.
- Approach: Initially focused on research and defining environmental quality norms.

Second EAP

- Period: 1977-1981.
- Continuation: Followed the objectives and approach of the First EAP, with a broader range of environmental issues to address.
- Nature Protection: Placed special emphasis on nature protection.
- Practical Approach: Advocated for quality values for water and air, with strict objectives for drinking water quality.

Third EAP

- Period: 1982-1986 and 1987-1992.
- Shift in Focus: Became more closely related to completing the internal market, emphasizing the potential risks and benefits of environmental policies.
- Economic Considerations: Highlighted economic benefits and employment effects of environmental policies.
- Policy Changes: Shifted from quality-oriented to emission-oriented approach, focusing on harmonizing standards and introducing new instruments.

Fourth EAP

- Period: 1987-1992.
- Significance: Environmental protection gained its own chapter in the Treaty.
- Integrated Approach: Recognized limitations of previous strategies and proposed a more integrated approach, focusing on reducing energy/material inputs and systematically controlling environmental media.
- Introduction of New Instruments: Discussed new incentive-based instruments like taxes, subsidies, and tradable emission permits.

Fifth EAP

- Period: 1992-1999.
- Philosophical Shift: Embraced sustainable development as a guiding principle.
- Innovative Elements: Introduced sectoral approaches, new instruments like market-oriented incentives, and emphasized consensus-oriented policymaking.
- Challenges: Faced resistance from Member States and industry interests, leading to a partial rollback.

Sixth EAP

- Period: 2001-2010.
- Cautious Approach: Identified persistent environmental problems but was more reluctant to set targets.
- Thematic Strategies: Focused on thematic strategies for key issues like pesticides, resources, and clean air.
- Cooperative Governance: Emphasized cooperative approaches with industry and Member States.

Each EAP was a monumental step for sustainability in the economy. Alongside such actions, the European Union continued to diversify its economy into one that is sustainable. As per the Kyoto and Paris agreements, the European Union has created various policies and unique strategies in the 2010s to address such an issue (Hey).

European Green Deal

Announced in 2019, the European Green Deal is a comprehensive plan to make the EU's economy sustainable by turning climate and environmental challenges into opportunities across all policy areas. It aims to achieve carbon neutrality by 2050 and includes initiatives to reduce greenhouse gas emissions, increase renewable energy use, improve energy efficiency, and protect biodiversity (European Commission).

Renewable Energy Directive

The EU's Renewable Energy Directive sets binding targets for EU countries to increase the share of renewable energy in their energy consumption by 20% by 2020 and by at least 32% by 2030. It aims to promote the use of renewable energy sources such as wind, solar, hydro, and biomass (European Commission, “Renewable Energy Directive”).

Circular Economy Action Plan

The EU has adopted a Circular Economy Action Plan to promote the efficient use of resources, reduce waste, and foster sustainable growth. This includes measures to encourage recycling, reduce landfilling, and promote eco-design and innovation (European Commission, “Circular Economy Action Plan”).

European Climate Law

The European Climate Law, proposed in 2020, aims to enshrine the EU's commitment to achieving climate neutrality by 2050 into law. It sets binding targets for reducing greenhouse gas emissions and establishes a framework for climate action across EU policies (European Commission, “European Climate Law”).

EU Emissions Trading System (EU ETS)

The EU ETS is the world's first and largest carbon market, covering around 45% of the EU's greenhouse gas emissions. It sets a cap on emissions from certain industries and allows companies to buy and sell emission allowances, creating incentives to reduce emissions (European Commission, “EU Emissions Trading System (EU ETS)”).

Farm to Fork Strategy

This is part of the European Green Deal and aims to make food systems more sustainable, from production to consumption. It includes targets to reduce the use of pesticides and fertilizers, promote organic farming, and improve animal welfare standards (European Commission).

Biodiversity Strategy for 2030

Adopted in 2020, the EU's Biodiversity Strategy aims to halt biodiversity loss and restore ecosystems by 2030. It includes targets to protect and restore ecosystems, reduce pollution, and promote sustainable agriculture and fisheries (European Commission, “Biodiversity Strategy for 2030”).

These policies and initiatives demonstrate the EU's commitment to environmental sustainability and combating climate change through a holistic approach that integrates environmental concerns into various aspects of policy making.

Current Issues

However, while the existing policies that the European Union has developed have been substantial, they are still substantially lacking in terms of reaching the 2030 SDGs. This is due to several reasons.

nequality of Renewable Energy

The Renewable Energy Directive (RED) set by the European Union (EU) aims to increase the share of renewable energy in member states' energy consumption. However, some countries within the EU, particularly those on the developing side, may face challenges in meeting these targets due to financial constraints.

Developing countries within the EU may have limited government funds available for investment in renewable energy infrastructure. These countries may prioritize other pressing needs, such as healthcare, education, or infrastructure development, over renewable energy investments. Without sufficient government support or incentives, firms in these countries may lack the resources or capability to transition to more efficient and clean energy sources. Renewable energy technologies often require significant upfront investment, and without financial support, firms may struggle to make the transition.

With the implementation of the EU Emissions Trading System (EU ETS) , if firms cannot afford to invest in cleaner technologies or purchase emission allowances, they may face penalties or taxation, potentially leading to financial strain or even bankruptcy. Firms that are already well-established and financially capable of investing in renewable energy may benefit from the EU ETS by gaining greater profits through trading emission allowances or by reducing emissions through clean technologies. This can widen the gap between developed and developing firms, exacerbating existing inequalities within the EU. To make matters worse, firms within these developing nations may potentially relocate to other developed nations to the European Union, which greatly increases the gap. The inability of developing countries and firms to fully participate in the renewable energy transition due to financial constraints can reinforce economic disparities within the EU. This can perpetuate a cycle where wealthier countries and firms continue to benefit from clean energy investments, while poorer countries and firms lag behind, further widening the economic divide.

Addressing these challenges requires a concerted effort from both EU institutions and member states to provide adequate financial support, incentives, and assistance to developing countries and firms to facilitate their transition to renewable energy. This may include targeted funding programs, capacity-building initiatives, and policy measures to ensure a more equitable distribution of the benefits of renewable energy within the EU.

The Carbon Leakage

The EU Emissions Trading System (EU ETS) is designed to cap greenhouse gas emissions from certain industries within the European Union (EU) by issuing a limited number of emission allowances. While this system aims to incentivize emissions reduction and encourage the adoption of cleaner technologies, it also poses the risk of carbon leakage.

Carbon leakage occurs when companies relocate their production or operations to countries with less stringent environmental regulations to avoid the costs associated with emissions trading. By moving their activities to regions outside the EU where emissions regulations are less strict or non-existent, these companies can effectively circumvent their obligations under the EU ETS, potentially offsetting the emissions reductions achieved within the EU.

One of the key factors driving carbon leakage is the lack of comparable emissions trading systems or carbon pricing mechanisms in other parts of the world. Because many countries outside the EU do not have similar regulations in place, firms may find it economically advantageous to relocate their operations to these regions to avoid the costs of compliance with the EU ETS.

Carbon leakage can undermine the competitiveness of industries subject to the EU ETS, particularly energy-intensive sectors such as manufacturing and steel production. Faced with higher production costs due to emissions allowances, companies may choose to relocate their operations to countries with lower regulatory burdens, leading to job losses and economic downturns in affected regions.

The Circular Economy

In a circular economy, resources are continuously reused and recycled to minimize waste and maximize efficiency. Products are designed for longevity, and materials are repurposed, reducing the need for extraction and disposal. Conversely, a linear economy relies on a one-time use of resources, resulting in depletion and environmental harm.

The circular economy model, championed by the European Union (EU), aims to address pressing environmental challenges by reducing waste, promoting resource efficiency, and fostering sustainable growth. However, its implementation is fraught with challenges and criticisms. Firstly, implementing a circular economy framework requires significant changes across various sectors, including production, consumption, and waste management. This complexity can pose challenges for businesses and policymakers alike. In order for this circular economy model to work, immense regulation is needed which costs money. Secondly, achieving a fully circular economy hinges on the efficient use and recycling of resources, including rare and valuable materials, which can be difficult to recycle or substitute in certain industries. Thirdly, transitioning to a circular economy often requires new technologies and infrastructure for recycling, remanufacturing, and waste processing, necessitating substantial investment in research and development. Additionally, linear economic models may present economic advantages over circular approaches due to factors such as low resource prices and limited market demand for recycled materials. Furthermore, achieving a circular economy requires changes in consumer behavior and cultural norms surrounding consumption and waste, which may necessitate education, awareness-raising campaigns, and incentives. Moreover, the circular economy model may face challenges in the context of globalized supply chains and trade networks, particularly in regions with differing environmental policies and priorities. Finally, the transition to a circular economy may have social and equity implications, particularly for workers in industries affected by changes in production and consumption patterns, underscoring the importance of ensuring a just transition that supports affected communities and workers.

Case Study: Greece

In terms of inequality in renewable energy, Greece faces financial constraints that hinder its ability to invest in renewable energy infrastructure. The country has experienced economic difficulties in recent years, resulting in limited government funds for renewable energy projects. This lack of financial support has made it challenging for Greece to meet the renewable energy targets set by the EU, exacerbating existing economic disparities within the country. The Greek economy's dependence on imports makes it especially vulnerable to instabilities in the global energy market. Additionally, Greece's economic crisis, which began in 2008 and deepened in subsequent years, has further constrained its ability to invest in green technologies and meet emissions reduction goals (Vlachou and Pantelias).

The neoliberal restructuring of climate and energy policies, including privatizations and deregulation, has exacerbated Greece's economic inequalities and environmental challenges. While some EU countries, like Germany, have been able to capitalize on the transition to a low-carbon economy, Greece has struggled to keep pace due to its economic constraints.Greece faced significant cost implications in the electricity sector due to the EU ETS (Vlachou and Pantelias).

With the elimination of free allocation of allowances to power production, the Greek government incorporated the cost of EU ETS into electricity prices, leading to increased costs for consumers. PPC, a major player in the Greek electricity sector, incurred significant costs for compliance with the EU ETS. The corporation purchased allowances at a total cost of €896.7 million for the period 2013 to 2016. The incorporation of EU ETS costs into electricity prices had negative implications for the competitiveness of Greek firms and the real income of households. This cost transfer exacerbated differences in competitiveness between Greek firms and those in more advanced EU countries (Vlachou and Pantelias).

Increased electricity prices, partly due to EU ETS compliance costs, contributed to energy poverty among households, particularly during the economic crisis and austerity programs. The burden of ETS costs was disproportionately borne by working people in Greece, further exacerbating social inequalities. The burden of EU ETS costs contributed to social grievances and political discontent in Greece, with some segments of the population withdrawing from public engagement while others engaged in protests against austerity measures and energy policies (Vlachou and Pantelias).

Overall, Greece serves as a case study highlighting the interconnected challenges of inequality in renewable energy. Addressing these challenges will require concerted efforts from both Greek authorities and EU institutions to provide financial support, incentives, and assistance to facilitate the country's transition to sustainable and equitable economic practices (Vlachou and Pantelias).

Case Study: Netherlands

VANG

The Dutch government's "From Waste to Resource Program" (VANG) embodies the principles of Circular Economy, aiming to transition towards a waste-free, circular economy in the Netherlands. VANG adopts a comprehensive approach to address waste-related issues, focusing on various themes such as behavioral incentives for consumers, information sharing between municipalities, and market incentives for producers. The government plays a pivotal role as a facilitator, responsible for shaping a legal framework, eliminating barriers, and providing financial support for research and educational programs (SEVBCSD Greece).

Key objectives and impacts of VANG include:

- **Resource Reduction**: Targeting to halve resources leaving the economy via landfill or incineration within 10 years.
- **Improved Waste Separation**: Aiming for 75% household waste separation by 2020, enhancing recycling efforts.
- **Circular Hotspot**: Aspires for the Netherlands to become a "circular hotspot" by 2020, promoting circularity and resource efficiency.

Ex'tax

Ex'tax advocates for a fundamental tax shift from labor to natural resource use to foster a circular, inclusive economy. This proposal aims to make circular business models more viable, boost employment, and encourage efficient resource use. By increasing taxes on resources and decreasing taxes on labor, the initiative intends to reduce demand for unsustainable products while promoting labor-intensive business models (SEVBCSD Greece).

Key objectives and impacts of Ex'tax include:

- **Tax Shift**: Proposes shifting tax revenues from labor to natural resource use, potentially amounting to billions of euros.
- **Employment Boost**: Anticipates increased employment rates through incentivizing labor-intensive industries.
- **Environmental Impact Reduction**: Expects decreased environmental impact by discouraging resource-intensive activities.

EcoProFabrics

EcoProFabrics is a collaborative project among six companies aiming to reduce the environmental impact of the textile and garment sector. By utilizing innovative polyester fiber that can be fully reused, the project seeks to close the loop in textile production. Sponsored by the EU Eco-Innovation Initiative, the project focuses on fabric development, take-back chain establishment, and Circular Content Management System (CCMS) development (SEVBCSD Greece).

Key objectives and impacts of EcoProFabrics include:

- **Resource Efficiency**: Utilizes Trevira fiber, requiring significantly less water and land compared to traditional cotton production.
- **Closed Loop System**: Aims to establish a closed loop chain for garment production, minimizing waste and maximizing reuse.
- **Market Upscale**: Targets to supply 30,000 garments to workwear users across five countries within three years.

Urban Sharing Program for Electric Vehicles

Amsterdam's urban sharing program for electric vehicles involves issuing city-wide permits to encourage electric car sharing. Car2go, a subsidiary of Daimler, is a prominent participant in this initiative. By promoting car sharing and facilitating the availability of electric vehicles, the program aims to reduce individual car ownership and increase car utilization rates (SEVBCSD Greece).

Key objectives and impacts of the program include:

- **Increased Car Sharing**: Over 25,000 members rent 350 electric cars approximately 10,000 times weekly, reducing the need for private car ownership.
- **Mobility Solutions**: Provides an alternative to traditional car ownership, contributing to reduced congestion and emissions.
- **Infrastructure Development**: In addition to permits, the local government invests in charging infrastructure to support electric vehicle usage.

Delegates may want to consider these innovative solutions within the committee.

Questions To Consider

- How can the EU improve the implementation and enforcement of environmental policies across member states?
- What measures can the EU take to address financial constraints faced by developing countries within the EU in investing in renewable energy infrastructure?
- How can the EU ensure a more equitable distribution of the benefits of renewable energy transition, particularly among member states with varying economic capacities?
- What role should EU institutions play in supporting renewable energy investments in countries facing economic challenges?
- What strategies can be implemented to prevent industries from relocating to regions with less stringent environmental regulations to avoid compliance with the EU ETS?
- What are the key challenges and opportunities associated with transitioning to a circular economy within the EU?
- How can the EU encourage innovation and investment in circular business models and technologies?
- What policies and incentives are needed to promote sustainable consumption and production patterns among consumers and businesses?

Topic B: Stability of the Eurozone

Introduction

The Eurozone, formally known as the Euro Area, is a monetary union of 19 European Union (EU) member states that have adopted the euro (€) as their official currency. These countries have relinquished their national currencies and now use the euro as the sole legal tender within their territories. The Eurozone is governed by the rules and regulations established by the European Central Bank (ECB) and the Eurogroup, which consists of the finance ministers of the Eurozone countries ("Eurozone").

In order to understand the economic realm that Topic B puts itself in, please understand and research upon the following information prior to reading the current issues at hand.

1. **Monetary Policy**: The management of a nation's money supply and interest rates by a central bank to achieve specific economic goals, such as controlling inflation, stabilizing currency values, and promoting economic growth.
2. **Exchange Rate Mechanisms**: Systems designed to stabilize the exchange rates between different currencies. For example, the European Exchange Rate Mechanism (ERM) aimed to maintain stable exchange rates between European currencies before the introduction of the euro.
3. **Fiscal Policy**: The use of government spending, taxation, and borrowing to influence the economy. Fiscal policy aims to achieve objectives such as economic growth, price stability, and full employment.
4. **Inflation**: The rate at which the general level of prices for goods and services is rising, resulting in a decrease in the purchasing power of money. Inflation is typically measured using consumer price indices (CPI) or producer price indices (PPI).
5. **Currency Devaluation**: A deliberate downward adjustment in the value of a country's currency relative to other currencies. Devaluation can make a country's exports cheaper and more competitive in international markets but may also lead to higher import costs and inflation.
6. **Budgetary Constraints**: Limitations imposed on government spending and borrowing, typically aimed at maintaining fiscal discipline and ensuring long-term economic stability. The Stability and Growth Pact (SGP) in the Eurozone imposes constraints on government deficits and debts.

7. **Economic Imbalances**: Disparities or asymmetries in key economic indicators such as trade balances, budget deficits, and levels of public debt between different countries or regions within an economic union or currency area.
8. **Lender of Last Resort**: A central bank or other financial institution that provides emergency funding or liquidity support to banks or financial institutions facing financial distress or a liquidity crisis.
9. **Economic Integration:** The process by which separate economies become increasingly interconnected and interdependent through trade, investment, and the flow of goods, services, capital, and labor across borders.
10. **Eurozone Governance**: The system of institutions and rules that govern the economic and monetary policies of the countries that use the euro currency, including the European Central Bank (ECB), the European Commission, and the Eurogroup (comprising finance ministers of eurozone countries) (Blink et al.).

It is also important to understand how the ECB makes its decisions on monetary policies. The European Central Bank (ECB) decides on monetary policies through a structured decision-making process, which involves several key elements:

The Governing Council is the main decision-making body of the ECB. It consists of the six members of the Executive Board of the ECB and the governors of the national central banks of the 19 Eurozone countries. The Governing Council typically meets every six weeks to assess economic conditions and decide on monetary policy measures. The ECB's decision-making process begins with a comprehensive analysis of economic and financial developments within the Eurozone. This analysis includes factors such as inflation trends, GDP growth, employment levels, and financial market conditions. The ECB's staff produces economic forecasts and reports, which serve as the basis for discussions within the Governing Council. After thorough deliberations and analysis, the Governing Council votes on monetary policy decisions. Decisions are typically made by consensus, although voting procedures exist in case consensus cannot be reached. Once a decision is made, it is announced to the public through press releases and press conferences by the ECB President (Bank).

Although certain countries in the committee are not apart of the Eurozone or are currently seeking entrance into the program, we encourage delegates to try to provide solutions to the current issues that motivates their respective country to join the Eurozone.

Historical Overview

In 1992, the United Kingdom's Black Wednesday marked a pivotal moment in European financial history. The crisis forced the UK to withdraw from the European Exchange Rate Mechanism (ERM), designed to stabilize exchange rates among European currencies. This withdrawal, prompted by intense speculation led by figures like George Soros, underscored the challenges of maintaining fixed exchange rates and hinted at the complexities of further European integration (Kenton).

Meanwhile, the Maastricht Treaty of the same year set the stage for the euro convergence plan, mandating EU member states to adopt the euro and adhere to the Stability and Growth Pact (SGP) for fiscal discipline within the Economic and Monetary Union (EMU). However, the SGP has faced criticism over the years. Some argue it's too rigid, imposing strict deficit and debt limits that may stifle economic growth, while others find it too lenient, allowing larger countries to flout rules with impunity. Despite reforms like the Treaty on Stability, Coordination, and Governance (TSCG) and subsequent Sixpack and Twopack initiatives, challenges persist in ensuring consistent enforcement across member states (European Commission, “Stability and Growth Pact”).

Amidst these discussions, the European Exchange Rate Mechanism (ERM II) emerged in 1999 as an effort to link currencies of EU countries outside the eurozone to the euro. This mechanism, with its fixed currency exchange rate margins, aims to provide stability and evaluation criteria for potential eurozone entrants. By participating in ERM II, countries like Denmark and Bulgaria signal their commitment to eventual euro adoption while benefiting from increased currency stability and integration with the broader European economy (“Exchange Rate Mechanism (ERM): Definition, Objective, Examples”).

Moreover, to address concerns and challenges within the eurozone, various reforms have been undertaken. Notably, the Stability and Growth Pact (SGP) underwent significant revisions, particularly after the 2010 European sovereign debt crisis. Reforms introduced in 2005 relaxed some of the pact's rigid rules, aiming to address criticisms of inflexibility and enforcement issues. These changes included the introduction of country-specific Medium-Term Budgetary Objectives (MTOs), minimum annual budgetary efforts, and an early-warning system to identify fiscal imbalances early on. Subsequent reforms, known as the Sixpack and Twopack initiatives, further strengthened the preventive and corrective arms of the SGP. Measures like modifications to the Excessive Deficit Procedure, the introduction of the Macroeconomic Imbalance Procedure, and the establishment of the European Semester for coordination of economic policies aimed to enhance the pact's effectiveness and adaptability to changing economic conditions (“Stability and Growth Pact”).

Additionally, the Treaty on Stability, Coordination, and Governance (TSCG), also known as the European Fiscal Compact, was signed in 2012 by eurozone member states to bolster fiscal discipline further. This treaty introduced stricter debt and deficit limits and required member states to transpose fiscal provisions into their national legislation, thereby promoting greater accountability and transparency in fiscal governance (“Stability and Growth Pact”).

In 2024, further reforms were proposed to strengthen public debt sustainability, promote sustainable growth, increase national ownership of fiscal plans, simplify the legal framework, and ensure more effective enforcement of fiscal rules. These reforms included acceptance of a slower adjustment path toward deficit and debt limits and an extension of the maximum duration of Excessive Deficit Procedures, reflecting ongoing efforts to enhance the stability and resilience of the eurozone economy ("Stability and Growth Pact").

Current Issues

While the Euro has allowed easier transactions and greater mobility within its continent, bringing more countries into the picture has been a struggle for certain countries. Moreover, for existing countries, there exists numerous challenges from the adoption of the Euro. It is up to delegates to create a system that balances the interests of the Euro and the interests of sovereign nations.

Monetary Policy Autonomy

Eurozone nations lack independence in crafting monetary policies, as these are set by the European Central Bank (ECB). In contrast, non-euro countries like the UK have the freedom to tailor policies to their own economic conditions.

Delegates could debate potential reforms to the governance structure of the European Central Bank (ECB) to provide greater flexibility for member states in crafting monetary policies tailored to their specific economic conditions. This might involve revisiting the ECB's decision-making processes or introducing mechanisms for member states to have more input in setting monetary policy.

Handling Country Specific Issues

Each economy faces unique challenges. While countries like Greece are sensitive to interest rate changes, they lack the independence to manage rates due to ECB regulations. Non-euro countries such as the UK can adjust interest rates through their central banks.

Discussions could revolve around the establishment of mechanisms within the Eurozone framework to address country-specific challenges more effectively. This might include creating special funds or programs to support countries facing unique economic difficulties or allowing for more targeted interventions by the ECB in response to specific national economic conditions.

Lender of Last Resort Issues

Non-euro countries have their own central banks, allowing them to act as lenders of last resort during economic crises by buying government bonds. In contrast, the ECB does not buy member-nation-specific bonds, leading to challenges for eurozone countries like Italy.

Delegates could explore ways to enhance the role of the ECB as a lender of last resort for member states facing financial crises. This could involve expanding the ECB's authority to purchase member-nation-specific bonds or establishing emergency funding mechanisms to provide liquidity during times of economic distress.

Inflation Controlling Measures

Non-euro countries can independently raise interest rates to combat inflation. However, in the eurozone, the ECB's unified policy may not suit all member nations, leading to disparities in economic outcomes.

Debate could center on reforms to the ECB's monetary policy framework to better accommodate the diverse inflationary pressures faced by member states. This might involve introducing more flexibility in setting inflation targets or allowing for differential policy responses based on the economic circumstances of individual countries.

Currency Devaluation Mechanisms

Non-euro countries can devalue their currencies to address economic challenges, but the eurozone lacks this option due to the unified euro currency controlled by the ECB.

Moreover, the introduction of the euro, with its initial pegging to the German mark through the European Exchange Rate Mechanism (ERM), is argued to have created a bias in favor of Germany. This bias is controversial but supported by some observations. In the 1990s, Germany pursued a looser monetary policy due to the challenges of reunification, leading to excessive inflation in economies like the UK, which eventually led to the UK's exit from the ERM in 1992. Later, as the German economy prospered, European monetary policy became too tight for weaker economies, exacerbating issues like high debt, interest rates, and unemployment in countries like Portugal, Italy, Ireland, Greece, and Spain. Throughout these periods, the euro is seen as consistently favoring Germany.

In order to invite new nations to join the Eurozone, all these challenges must be addressed to create a more welcoming environment where all European nations can thrive under the Euro. Moreover, ensuring that all existing nations in the Eurozone are also important discussion matters.

Case Study: Sweden

Sweden's rampant growth as an economic superpower has prevailed over the years, even without the adoption of the Euro. With the 2008 economic crisis that has shaken most of the European countries, the Swedish government has been one of the only nations who were able to recover their economies extremely quickly, as they had a flexible currency, and the ability to adjust their monetary and fiscal policies with extreme ease. Opponents of the Euro highlight the experience of the 2008 financial crisis as a compelling example of why Sweden should maintain its own currency. They point to Sweden's successful navigation of the crisis through the implementation of independent monetary policies, which facilitated economic recovery and stability. This contrast with the challenges faced by some eurozone countries during the same period underscores the potential benefits of retaining control over monetary policy (Irwin).

Opponents of Sweden joining the eurozone also argue that the country's refusal to adopt the euro has provided a degree of economic flexibility and resilience. They contend that maintaining control over its currency allows Sweden to navigate economic challenges more effectively, as it can adjust monetary policy according to its specific circumstances. By retaining independence in monetary policy decisions, Sweden can respond swiftly to changes in its economy and implement measures tailored to its needs (Rolander and Whitelaw).

Moreover, critics suggest that joining the eurozone would limit Sweden's influence over key economic decisions. While Sweden would have a voice in eurozone discussions, its ability to shape monetary policy would be diminished within the collective framework of the eurozone. This loss of autonomy could potentially hinder Sweden's ability to address economic issues in a manner that aligns with its national interests and economic priorities (Rolander and Whitelaw).

However, there is a resurgence of interest in organizing a second euro referendum in Sweden in September 2023 which was fueled by several factors, including an uptick in public support for the idea and the commemoration of the twentieth anniversary of the country's first euro referendum. This renewed attention prompted discussions among political parties about the potential benefits and drawbacks of adopting the euro. Therefore, the committee can consider this case to change its integration policies to increase the power of the Euro across many nations (Rolander and Whitelaw).

Case Study: Ireland

The post-2008 Irish banking crisis was a severe financial upheaval triggered by the insolvency of several Irish financial institutions during the Great Recession. Excessive borrowing by Irish banks, particularly in the real estate sector, contributed to a ballooning of international bond borrowings, reaching over €100 billion by 2007, well over half of Ireland's GDP. Inadequate supervision and lax regulation allowed for this excessive borrowing, leading to a crisis when the global interbank market froze in 2007-2008 (Eichengreen).

Being part of the Eurozone meant Ireland shared the euro currency with other member states. While this brought benefits like price stability and easier trade, it also meant Ireland couldn't independently control its monetary policy. The European Central Bank (ECB) set interest rates and managed the money supply for the entire Eurozone, including Ireland.Ireland's central bank, the Central Bank of Ireland, couldn't freely expand its balance sheet by printing money. This constraint was due to the rules governing the Eurozone, which prohibit member countries from engaging in deficit financing or directly financing government debt through money creation. So, when Irish banks faced collapse, the central bank couldn't simply create money to bail them out.

When the crisis hit, Irish banks were heavily exposed to risky property loans. As the property bubble burst, banks faced massive losses, leading to a liquidity crunch and eventual insolvency for some institutions. The government faced pressure to intervene, but its options were limited by the constraints of the Eurozone framework. In 2010, Ireland negotiated a bailout package with the European Union, the International Monetary Fund, and the ECB to stabilize its banking sector and public finances. However, this came with strict conditions, including severe austerity measures such as spending cuts and tax increases. These measures were necessary to meet deficit reduction targets and restore investor confidence but were deeply unpopular among the Irish population (Eichengreen).

The crisis and subsequent bailout had long-term implications for Ireland's economy and society. The austerity measures implemented to meet bailout conditions led to years of economic hardship, high unemployment, and social discontent. The banking crisis also highlighted the need for regulatory reform and greater oversight of the financial sector to prevent similar crises in the future (Eichengreen).

Ireland was not the only country struggling by the Eurozone, countries such as Portugal, Spain, Greece were simultaneously struggling. Delegates are encouraged to look into the 2007-2008 financial crisis to look into this situation.

Questions to Consider

- How can the Eurozone balance centralized monetary policy with the need for member states to tailor policies to their unique economic circumstances?
- What measures can the Eurozone implement to assist member states facing individual economic difficulties, such as high debt or low growth?
- How can the ECB be strengthened as a lender of last resort to provide effective support during financial crises while ensuring stability within the Eurozone?
- What strategies can the Eurozone adopt to enhance resilience and flexibility?
- How can the Eurozone attract new members while addressing concerns like loss of monetary autonomy and economic disparities among existing members?
- What lessons can the Eurozone draw from previous financial crises, such as the 2007-2008 Irish banking crisis, to improve regulatory frameworks and ensure future stability?

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