

Council for Economic Advancement

Background for Scenario 1: Oil Consumption

Oil is a precious yet diminishing resource that fuels the growth and movement of our modern world. With over two-hundred nations consuming oil, it has become a driving force of the world economy. As time goes by and more states develop, the dependence on this resource has been increasing at an alarming rate. Oil's consumption has been fueled by the perfect storm of developing economies having rapid population growth. The gravity and relevance of this issue has sparked debate around the world.

There are two key views from an international standpoint on oil consumption. The first common train of thought is that oil consumption will correct itself. This is based on the belief that as the supply of oil disappears, prices will go up, forcing nations to adopt alternative means of energy. Many studies, however, disagree with this thinking. Their research argues that these poorer nations will lack future funds to invest in alternative energy, implying they will either have to go bankrupt or stop growing. Neither of these is an attractive option.

Another core group of experts also doesn't think that the oil issue "correcting itself" is a viable solution. They contend that this economic view ignores the external effects of oil consumption, such as potential environmental damage and heavy CO₂ emissions. They claim that diplomatic intervention is the only means by which to protect developing nations and the global environment. These two groups of opinions mentioned above are often at odds, but nevertheless share a common goal of sustainable energy. Yet many lose sight of this goal, increasing the likelihood of conflict.

On top of this, oil reserves give power to many of the OPEC nations, posing a significant caveat to the current balance of international power. As the problem evolves, issues such as fair distribution of oil resources as well as the pursuit of alternative means of energy are hotly debated. Oil-rich nations may leverage this resource to progress their own political agendas in the global community.

A powerful historical example of such power-hedging is seen in the 1973 embargo placed on the United States and Western Europe by Arab OPEC member nations. This embargo was in response to western backing of Israel during the Yom Kippur War. This event highlights the prospect of using oil resources as a bargaining tool over diplomacy. Since 1973, the dependence on oil has only increased, meaning that the OPEC nations would wield even more bargaining power in the modern economic climate.

Clearly, oil is a deciding factor that needs to be addressed – not only from an economic perspective, but from a diplomatic one as well. There is great potential for conflict over oil to erupt at any time, whether it is a trade war, a price increase, or diplomatic leveraging. When it does strike, the international community must be ready to act.

Questions:

- Should the UN worry about oil consumption, or must member nations take action to curb threats? Should external factors such as the environment play a defining role?
- How should the issue of energy security be dealt with in response to oil? Should the international economy become less reliant on oil, and if so, using what strategies?
- Where are there potential zones of conflict over oil resources? How can such conflict be avoided in general? What strategies does your nation back?

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Background for Scenario 2: Sustainable Natural Disaster Relief and Preparedness

The 2004 Indonesian tsunami. The 2005 Kashmir earthquake. The 2010 Haitian earthquake. The 2010 Icelandic volcanic eruptions. The world has been plagued with these natural disasters, haunting recent memory with their devastating consequences. Some took lives, others paralyzed regions, but the one unifying overall theme was that all of the natural disasters had deeply rooted economic impacts. Clearly, the international community is susceptible and vulnerable to negative financial repercussions that result from hydrometeorological and geophysical events of great significance, such as hurricanes, cyclones, and earthquakes. As has been seen, many of these events become high-profile occurrences. From fundraisers littered with Western celebrities to outpourings of monetary aid, there is a clear effort in the international community to mitigate the effects of these disasters. These efforts, though, are often not the best courses of action from an economic standpoint. They are short-run solutions that offer no means of long-term growth and infrastructure development.

For example, in the wake of the Indonesian tsunami, the UNESCO branch located in Thailand noticed that, “the implementation of many [relief] activities was undertaken only with short-term needs in mind while problems of longer-term social, environmental and economic unsustainability were already becoming evident.” Though dollars may go a long way in initial relief efforts, the problems faced in rebuilding nations after disasters are very much the same as those faced by developing nations. Long-term economic solutions that provide growth and future security are just as vital as the short-term fixes. For when the aid runs dry, ultimately the people of the nations need to fend for themselves.

In addition, many times the economic impacts of natural disasters are magnified by a lack of education about such disasters in the regions. Each region is susceptible to different disasters, and thus each group of nations needs adapted plans for action. The best way to evade impacts of disasters, including economic ones, is through preemptive action.

On a different note, the Icelandic volcanic eruptions in April, 2010 highlight a completely new angle to natural disasters: the impact on private firms. Airline companies suffered immensely from the inability to operate, and given the current linking of the international economy as a whole, a ripple effect occurred. People were left stranded in foreign nations, and once again a lack of education and preparedness ensued. There was no backup plan to avoid the negative consequences of the eruption that included crippling a large section of the world transportation and delivery industry. The international community was torn, and the fine line between governmental intervention and free-market forces was tested.

Clearly, natural disasters are an ever-present problem that cannot be expected. When they do strike, however, the world community must take both short-term and long-term action. What these courses of action are, however, must be determined. Furthermore, emphasis on disaster preparation to lessen economic effects must be created. For at any moment, and second, an earthquake could strike or a volcano could erupt, wreaking economic havoc on the international community.

Questions:

- What types of strategies can the international community employ to promote sustainable rebuilding in the wake of disasters?
- Does it make a difference if disasters affect nations or private business firms? When should the international community become involved in each and in what form?
- How can nations be better equipped to lessen the economic effects of disasters? What preemptive actions can the international community as a whole take?

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Background for Scenario 3: Energy Security and Trade - The Arctic Circle

The Arctic Circle has often been the world's forgotten destination – almost a mythical, frozen treasure trove on the periphery of modern times. However, this has all started to change. The North Pole has come under increased focus in recent months as a result of the disappearance of the polar ice cap of the region. Global warming is causing the recession of the ice cap, and this decrease in ice is opening up the northernmost reaches of the globe to the world with the promise of not only natural resources but also new, efficient trade routes that would forever reshape global trade and business. The focus of discussion often overlooks an even more deeply-seated issue of potential trade routes in the region. Being able to transport goods from China to the United States via the Arctic Sea would completely rewrite the entire balance of world trade. With every piece of ice that vanishes, this pressing international issue intensifies and gets pushed into the global media spotlight. The bottom line is currently, nations of the world are seeking energy security, or both reliable and cost-effective energy resources. The Arctic Circle provides this potential for security to countless nations, but at the same time, it will be a blow to southern nations that benefit from current shipping lanes.

With estimates of about twenty-five percent of the world's undiscovered natural gas and oil reserves being located in this region, every nation that has an Arctic border is keen on claiming the bounty. On a governmental level, Russia, Canada, and Denmark have been particularly aggressive in their claims to the northern sections of the planet. Russia, for instance, has planted an underwater flag via nuclear submarine to lay claim to the resource-rich shelf of the north. Canada has recently founded new military installations along the Arctic to emphasize its power in the region, and has even become intensely engaged in negotiations with Denmark over Hans Island, a key landmass off the coast of Greenland that many experts see as a potentially beneficial port. The United States has also been vocal in its claims of the region due to the presence of Alaska in the region, opening the door for American resource giants like Conoco-Philips and Exxon-Mobil to play a part in the future of the north, further complicating a delicate situation. In addition, Russia is especially keen on claiming these resources due to its economic class stratification and instability due to governmental shifts over the past two decades. The bottom line is that the vast resources that lie untapped in the north provide the next great frontier of energy gains.

The other aspect of the North Pole disappearance is the shift in global trade routes that would forever alter the global structure of trade. Currently, companies are forced to use less economical routes of transport, such as the Suez Canal that has become threatened by increased piracy off the Somali Coast over the past year, causing an estimated tripling of shipping prices. This reality of danger was highlighted by the seizure of a Ukrainian military shipment in October 2008, showing the need for a viable shipping alternative. In addition, the Panama Canal, the connection between the Atlantic and the Pacific, would be radically changed due to this new link between Europe, North America, and Asia in the north. The decrease in ice would allow for easier shipment via the Northern passages of the globe, changing the economic focus of the world and trade to the north rather than the past southern region of the Panama Canal. This would devastate southern economies and create a potential international crisis in terms of collapsing economies, posing a huge threat to entities like the International Monetary Fund that has given loans to many

nations dependent on the flow of trade in the south. In addition, it could prove to be a logistical nightmare for the World Trade Organization, faced with countless new trade relations and a complete overhaul of the trading networks around which all of its policies are based.

The North Pole melting would redefine how all international companies would transport their goods to their consumers around the world, embodying the global shift in business to the north that would cause business reduction in the southern hemisphere. This would redistribute global economic power and wealth while changing the costs of transport of countless goods, affecting all people who use any imported goods in the world and altering the business landscape of the world.

Questions:

- How should the resources in the North Pole be divided? What international laws may be relevant, what bodies should intervene, etc.?
- How can nations that will suffer from the loss of trade routes cope with the melting polar ice caps? How can the global community brace for these changes?
- How can nations pursue energy security peacefully and fairly? How do you balance the gains of some nations with the losses of others?
- What role would the WTO and the IMF play in this situation? How can the potential issues that face these and other international entities be dealt with? What about NGO's?

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