ECONOMICAL AND FINANCIAL AFFAIRS COUNCIL

Topic A: Addressing the economic impacts of the Russo-Ukrainian conflict
Topic B: Nation millionaires and billionaires

Introduction to Committee

The Economic and Financial Affairs Council (ECOFIN) is one of the most important configurations of the Council of the European Union. It holds responsibility for shaping EU policy in three central areas: economic policy, taxation issues, and the regulation of financial services. ECOFIN plays a crucial role in ensuring the stability and integration of the Union's economic framework, while also managing fiscal and financial matters across member states.

Composition and Functioning

ECOFIN is composed of the economic and finance ministers from all EU member states. In addition, relevant European Commissioners participate in its meetings. When discussions concern the EU's annual budget, the Council convenes with the national budget ministers and the European Commissioner for financial programming and budget. These specialized sessions are essential for preparing and negotiating the Union's financial planning. ECOFIN meetings are held once a month, making it one of the most active Council formations.

Scope of Responsibilities

The Council's scope of responsibilities is broad. ECOFIN deals with economic policy coordination, taxation matters, and the regulation of financial markets and capital movements. It also manages the EU's economic relations with countries outside the Union. In addition, ECOFIN is responsible for preparing the EU's annual budget and overseeing the legal and practical aspects of the euro, the Union's single currency.

Key Roles in Economic Governance

Through its work, ECOFIN coordinates the economic policies of member states, promotes the convergence of economic performance, and monitors national budgetary policies. Its influence also extends beyond Europe: ECOFIN coordinates the EU's common position in major international forums such as the G20, the International Monetary Fund (IMF), and the World Bank. Finally, ECOFIN takes the lead on the financial aspects of international negotiations, including measures to tackle climate change, underlining its central role in both EU and global economic governance.

Introduction to Chairs

Dear ECOFIN Delegates,

My name is Arturo Rodríguez and I am very pleased to have the opportunity to represent the role of chair in the committee ECOFIN in the third edition of the KCMUN in October. Model United Nations are something I really enjoy; I have participated in nine conferences as a delegate and once as a chair. I find MUN conferences amazing in many ways; it not only gives you the opportunity to enhance and improve your public speaking skills and to lose this fear of speaking in front of people, it not only makes you a critical thinker and open minded person that can advocate for someone else's position - something that requires a lot of empathy and open-mindedness, but it also brings you close to excellent people that, like you, are building the pillars of their future by working hard and joining this conference.

Whether it is going to be your first or one of many other MUN conferences, I would like to reinforce that you should not be afraid or nervous about the debate, as it is purely an experience where you learn and practice, but above all, have fun,

This is the first time the KCMUN has ECOFIN as a committee, for this reason I have also added an introduction to this committee. Below you will find a complete introduction to this topic, which I find very interesting and very relevant to the global scope and to what is taking place. If you find any issue when preparing for this conference, if you have anything you want to ask, if you need any help my email is arturo.rod.car@kcpupils.org for King's College Students and for other schools, my personal email is arodriguezcarrera84@gmail.com. Feel completely free to ask whatever you need in order to prepare for this debate and in order to come completely confident without any issue,

I am looking forward to the debate, the position papers, the points of view and overall the great delegates that will come to ECOFIN and try to bring peace and harmony to the world,

Kind Regards,
Chair Arturo.

Introduction to me:
I am Nichita, an IB Year 13 student. I am Romanian and have lived in many different countries, from Romania (my home country) to the Middle East, and now Spain. I have had a passion for debate for a while and have participated in 4 MUNs so far.This is my first time chairing a MUN however I will do my best to be of help to all of you. My advice to all delegates is to not be afraid to go up and speak, the best way to become a major part of the debate is to be the one that speaks the most even if you don't have a lot to say on this specific topic. Once I went up to the stand 5 times in a row and spoke for 10 minutes straight, even though everyone did hate me by the end, it was still a great way for me to get all of my points across and get control of the debate leading to an award by the end of the event.

Topic A : Key Terms

→ **Monetary Policy** - Monetary policy is the set of decisions by a monetary authority to influence the cost and availability of money in order to - for example - vary the inflation of a country, using tools like interest rates.
→ **Current Account** - The balance of payments (Amount of Exports - Amount of Imports). A positive value is a surplus and a negative value is a deficit.
→ **Group of 7 (G7)** - The "Group of Seven" (G7) refers to an intergovernmental political and economic forum consisting of seven of the world's advanced economies: Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States.
→ **Embargo** - A government-imposed restriction on trade with a specific country or countries, typically used as a form of economic sanction.
→ **Gross Domestic Product (GDP)** - The total value of goods and services produced within a country, used to measure economic growth or contraction.
→ **Inflation** - A sustained increase in the general price level.
→ **Oil Price Cap** - A G7/EU mechanism limiting the price at which Russian oil can be sold using Western shipping and insurance, aimed at cutting Moscow’s revenues while keeping markets supplied.
→ **Energy Security** - The ability of a country to ensure reliable and affordable energy access, severely tested in Europe after reducing dependence on Russian gas.
→ **Food Security** - Consistent access to safe, nutritious, and affordable food; undermined globally by disruptions to Ukraine’s grain exports.
→ **War Economy** - An economy reshaped to prioritize military production and defense spending, often at the expense of civilian sectors.
→ **Human Capital** - The skills, education, and health of a workforce; weakened by displacement, brain drain, and disrupted schooling in both Ukraine and Russia.

Topic A : Context and Current Issues

Context of the Conflict

The Russo-Ukrainian conflict traces its roots back to 2014, a time of political instability that led to the ousting of Former Ukrainian President Viktor Yanukovych after large scale protests known as the Revolution of Dignity. In the aftermath, Russian President Vladimir Putin gave orders to annex the Crimean Peninsula, an order starkly condemned by the international community. Armed Hostilities broke out in the eastern regions of Donetsk and Luhansk between Ukrainian forces and Pro-Russian Separatists. Despite ceasefire and peace attempts via the Minsk Agreements (2014-2015) a prolonged “frozen conflict” was created throughout the years.

On the 24th of February 2022 Russia launched a large-scale attack on Ukraine from north, northeast and east, marking the largest military action in Europe since the Second World War. The escalation of the conflict led to unprecedented Western sanctions towards Russia, an upswing on the global commodity prices, and a sudden disruption of the trade, energy and agricultural markets; Ukraine experienced extensive infrastructural losses, mass displacement of civilians and a significant contraction of the economy.

By the year 2025, the conflict is yet unresolved; with an approximate 20% of Ukrainian territory under Russian control and active battling under unsteady and changing border lines; where Zelenskyy has also been given the option to cede Ukrainian territory to Russia - such opportunity was supported by American President Donald Trump and Russian President Vladimir Putin. This peace deal was instantly rejected by Zelenskyy due its deep unpopularity and due to being illegal under their constitution.

This protracted crisis has reached enormous and wide-ranging economic consequences - ranging from global energy volatility and food insecurity; to trade realignment and defense spending, making its economic focus and discussion a core and crucial topic to be debated on.

Topic A : Context and Current Issues

Direct Economic Impacts on Ukraine

Ukraine's economy fell by nearly 30% in the year the war commenced - 2022, as shown by Fig. 1.1, with the fall of real GDP growth of -28.8%. A fall of this magnitude even by itself is of extreme severity, due to the fact that it can lead to an extreme economic period of recession or even depression, massive job losses and an immense fall of the living standards.

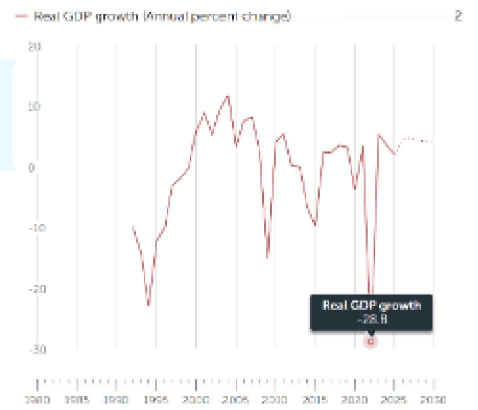

Fig. 1.1 - Fall of Ukraine's Real GDP (2022)

Inflation surged from the yearly 10% rate of inflation in February 2022 to 26.6% by October 2022, driven by war-related supply and production shocks.

GDP growth modestly rebounded back in 2023 and 2024; with positive 5.4% and 3% respectively, mainly supported and financed via foreign aid, wartime production and partial export recovery through alternative corridors. Despite this, inflation rates still remain high at 12.6% in the present year.

However, the economic implications on Ukraine did not simply affect the core macroeconomic section of the nation, it also affected an enormously wide range of sides and scopes; these vary from infrastructural reparation requirements to long-term structural and environmental impacts.

Reconstruction Needs and Infrastructural Damage

On February 25th 2025, an updated joint Rapid Damage and Needs Assessment was released by the Government of Ukraine, the World Bank Group, the European Commission, and the United Nations currently estimates that as of 31 December 2024, the total cost of reconstruction and recovery in Ukraine is 524 billion USD (€506 billion) over the next decade, which is approximately 2.8 times the estimated nominal GDP of Ukraine for 2024.

In addition, 13% of the total housing stock has been damaged or destroyed, affecting more than 2.5 million households. In regards to the energy sector, there has been a 70% increase in damaged or destroyed assets since the previous RDNA (Rapid Damage and Needs Assessment), including power generation, transmission and distribution infrastructure, and district heating. Across all sectors, the regions closest to the frontline sustain about 72% of the total damage.

In 2025, the Ukrainian government, with the support of donors, allocated USD 7.37 billion (€7.12 billion) to priority areas such as housing, education, health, social protection, energy, transport, water supply, mine clearance, and civil protection. For 2025, there remains a total funding gap of USD 9.96 billion (€9.62 billion) for reconstruction and rehabilitation measures. Mobilizing the private sector remains critical to the successful reconstruction of Ukraine.

The country continues to heavily rely on external funding to meet its budgetary needs. According to estimates from the Kyiv School of Economics, the scale of the problem was quantified as if the war continues, the nation will require an approximate of a yearly USD 40 billion (about EUR 37.4 billion) donation, in order to meet the budget and infrastructural needs of the country.

Topic A : Context and Current Issues

Furthermore, the private sector has met some of the critical needs, highlighting its critical role in the recovery and reconstruction process. Many firms have started to invest in repairs and resilience, including via distributed energy solutions such as gas power plants, solar panels, and biogas. Based on earlier IFC estimates, the private sector could potentially cover a third of total needs, providing an essential complement to public investment.

Agriculture and Food Insecurity

Ukraine has always had excellent conditions for agriculture. The country is largely flat, apart from the Carpathian Mountains in the west and the Crimean Mountains in the south. It has a temperate continental climate with sufficient rainfall. Thanks to an extensive network of rivers, including the Dnipro, Dniester, Pripyat, Donets, Southern Bug and Desna rivers, as well as more than 3,000 lakes and over 1,100 artificial reservoirs, Ukraine also has an abundant water supply.

Agriculture is the third largest contributor to Ukraine's economy after the service sector and industry. In 2021, agriculture accounted for 10.9% of Ukraine's GDP and employed 2.5 million people, which corresponds to around 14% of total employment. By comparison, in the European Union, the agricultural sector accounts for 1.4% of GDP and 4.2% of employment, although the share varies greatly from one member state to another.

In 2021, the share of agriculture in exports had risen to 41% and a value of USD 27 billion, overtaking metallurgy. In terms of volume and value, Ukraine's main export products in 2021 were sunflower oil (5 million tonnes, US$ 6.4 billion), corn (23 million tonnes, US$ 5.9 billion), wheat (19 million tonnes, US$ 5.1 billion), rapeseed (2.7 million tonnes, US$ 1.7 billion) and barley (5.8 million tonnes, US$ 1.3 billion). The EU remained the most important target market for Ukrainian products, which mainly imported grain, vegetable oils and poultry meat worth US$ 7.7 billion. The largest EU buyers of Ukrainian products were the Netherlands, Spain, Italy, Poland and Germany. Despite its size, Ukrainian agriculture is dependent on the export of competitive grain and oilseeds with low added value.

All of this is further conveyed via Fig. 1.2, where the noticeable significance of Ukrainian agricultural exports is shown very clearly.

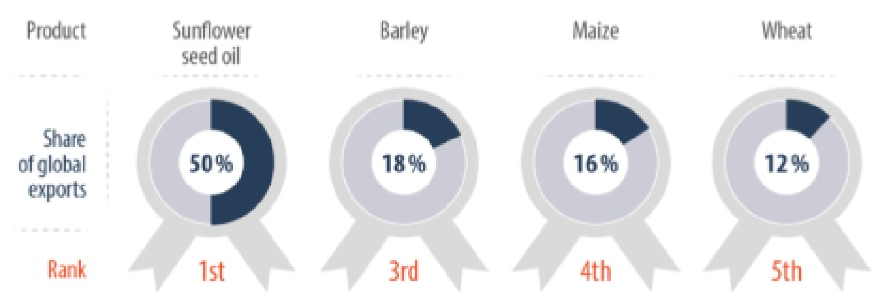

Fig. 1.2 - Ukraine's share of agricultural exports and rank in the world before the Russian invasion.

The losses include stolen, destroyed or damaged assets totalling USD 10.3 billion, with agricultural machinery accounting for 56.7% of the value. An estimated 181,000 pieces of agricultural equipment were damaged or destroyed, and 2.8 million tonnes of grain, 1.2 million tonnes of oilseeds, 124,000 tonnes of fertiliser and 11.6 million litres of fuel are considered lost or stolen. Storage facilities are also repeatedly the target of Russian attacks.

Topic A : Context and Current Issues

The total loss of revenue is estimated at 69.8 billion US dollars. These are income losses due to lower crop and livestock production, lower domestic prices and higher production and re-cultivation costs for Ukrainian producers. In the year following the Russian invasion, Ukrainian grain and oilseed production fell by 30% and farm-gate prices for maize and wheat fell by 45%, even though global prices rose.

Additionally, the deliberate destruction of the Kakhovka Dam by Russia on 6 June 2023 led to the catastrophic flooding of 620 km of land and caused significant humanitarian, environmental and economic losses. The joint Ukraine-UN post-disaster needs assessment report estimates the damage and losses in agriculture at USD 406.6 million as a direct result of the destruction of the dam, mainly due to the interruption of irrigation. Before its destruction, the Kakhovka Dam fed an irrigation network of up to 800,000 hectares in one of the most fertile and sunniest regions of Ukraine, of which over 300,000 hectares now depend on unsafe rainwater irrigation, leading to productivity losses of up to 70%.

The Kyiv School of Economics (KSE) estimates that rebuilding Ukrainian agriculture will cost US$56.1 billion in reconstruction and recovery needs.These measures encompass financial support to small producers, strengthening public agricultural institutions, and promoting more sustainable and resilient agriculture, with higher added value.

Energy Infrastructure Crisis

As a result of the ongoing Russian attacks and the capture of important Ukrainian facilities, around half of all high-voltage substations and large parts of the distribution network were damaged.

The district heating network suffered severe damage; eighteen large combined heat and power plants and over 800 heating plants were put out of operation. The financial losses were colossal; damage to the electricity sector alone amounted to over USD 11.4 billion by mid-2024. Experts estimated the cost of reconstruction at almost USD 30 billion.

Ukraine's energy sector has undergone a radical transformation, with a focus on strategic energy security and redundancy to bypass affected parts of the energy grid. This included a shift to decentralised power generation, with nearly 1,500 megawatts of consumer-installed solar energy expected to be operational by early 2024. The authorities took various protective measures, including installing emergency power systems for critical facilities, developing emergency protocols and introducing rolling blackouts to manage supply shortages.

Several Ukrainian cities introduced various emergency measures to maintain essential services during possible power outages. Large metropolitan areas such as Kyiv, Kharkiv, Odesa, and Zhytomyr developed emergency power systems for critical infrastructure, with a focus on maintaining water supply, heating, and sewage disposal. Healthcare facilities installed solar power systems and power generators in their electrical systems to ensure redundancy in the event of power outages.

Topic A : Context and Current Issues

At the international level, Ukraine's allies provided approximately $2 billion in technical assistance to the Ukrainian energy sector during the conflict, with Ukrenergo receiving more than $1.5 billion of these funds. However, governance issues hampered the efficient and ultimately correct usage of this aid, which resulted in a significant loss of the provided funding.

Labour Market and Human Capital

By 2025, over 6 million refugees remain abroad; and approximately 4 million people are internally displaced within Ukraine. This represents one of the largest population mobilisations in Europe since the Second World War, removing a significant portion of the working-age population from the domestic labor market. While some refugees have integrated into host labor markets, their absence reduces Ukraine's labor supply and tax base.

This conflict has raised the frequency of contraction in employment. Studies estimate that the risk of unemployment has increased by 6-9 percentage points in the regions directly affected by the dispute, with women and workers with a lower level of education being disproportionately affected.

Traditional sectors (mainly scopes of the primary and secondary sectors) such as manufacturing, agriculture and even services (encompassing the tertiary sector too) in occupied and frontline areas have been devastated, whilst demand has risen in logistics, defense production, and emergency services; this can also be the root of structural unemployment in Ukraine which can become an even more harsh damage on the nation's economy.

Ukraine has experienced an estimated loss of 20% (675,000) of the self-employed workers and a 14% (71,000) of Small-Medium Enterprises (SMEs) compared to the pre-war situation. The destruction of infrastructure, unstable energy supply and a high reduction of consumer demand have made business survival complicated, contributing to long-term risks and possible deindustrialisation of regions.

As expressed by UNICEF, as of 2023, over 5.7 million children had their education disrupted due to closure, damage to facilities, and displacement. This could spark long-term issues due a potential loss of skills and abilities, deteriorating their human capital (quality of labour).

Due to the significant loss of population due to emigration, an immense amount of brain drain has taken place caused by the evacuation and displacement of skilled professionals to countries such as Poland and Germany.

Direct Economic Impacts on the Russian Federation

Monetary Policy and Inflationary Pressures

On 25 July 2025, the Bank of Russia Board of Directors decided to cut the key rate by 0.2% (200 basis points) to 18.00% per annum. Current inflationary pressures, including underlying ones, are declining faster than previously foreseen. Domestic demand growth is slowing, causing the economy to continue to return to a balanced growth path.

In order to bring inflation back to the target in 2026, the Bank of Russia will keep monetary conditions as tight as required. According to the baseline scenario, this indicates that monetary policy will stay tight for a considerable amount of time and that the average key rate will be between 18.8 and 19.6% annually in 2025 and 12.0 and 13.0% annually in 2026. The longevity of the inflation downturn and the dynamics of inflation expectations will determine future important rate decisions. Given the monetary policy stance, the Bank of Russia predicts that annual inflation would drop to 6.0–7.0% in 2025, rise back to 4.0% in 2026, and remain at the goal going forward.

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Topic A : Context and Current Issues

As inflationary pressures decline, it is becoming more and more evident how tight monetary circumstances affect demand. The low growth in prices of non-food items is a more obvious result of tight monetary policy, which includes the strengthening of the ruble. Decreased inflationary pressures in the food goods and service industries are also gradually demonstrating these consequences. The disparity between the components of the consumer basket has somewhat decreased, although price dynamics are still erratic.

Monetary policies can be critical in order to decrease inflationary pressures and bring the economy back to a steady level and state. However, high interest rates discourage private investment and consumer credit (consumer borrowing of money); this could become an extremely significant issue in the long-term scope, stalling economic growth for the Russian Federation.

Defense Spending

Russia’s total planned military expenditure in 2025 can be estimated at 15.5 trillion roubles, a real-terms increase of 3.4 per cent over 2024 and equivalent to 7.2 per cent of gross domestic product. This level of spending should be manageable, but budgetary pressures could mount.
Rapid yearly increases are fueling growth in the arms industry, jobs, and wages which are creating what can be referred to as a “war economy”. Due to this, funds are diverted from healthcare, education and infrastructure, raising social and inequality risks. As budgetary pressures mount, the government may encounter the obligement to reduce or freeze funding for healthcare, pensions, education and infrastructure in order to prioritise defense; this heightens the risk of a fall in living standards and growing public discontent, causing long-term erosion of human capital (quality of labour) and worsening inequality.

This also raises serious fiscal and social vulnerabilities - something crucial to discuss in the committee when discussing sanctions, reconstruction and global stability.

As shown in Fig. 1.3, the current account surplus of the Russian Federation has fallen from USD 77.3 thousand million in the second quarter of the fiscal year (Q2) in 2022 to USD 7.3 thousand million in the second quarter of the fiscal year (Q2) in 2025.

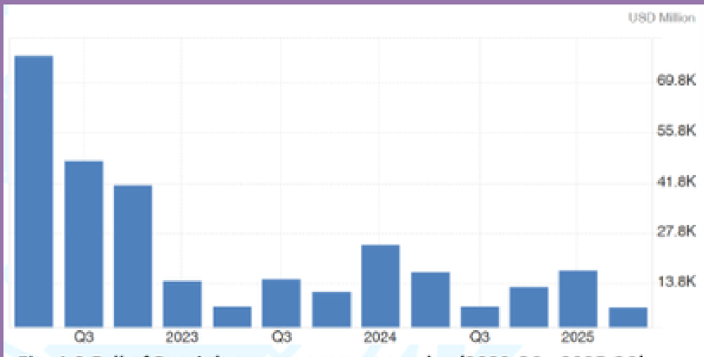

Fig. 1.3 Fall of Russia’s current account surplus (2022 Q2 - 2025 Q2)

Because it reduces foreign exchange profits, a declining current account surplus weakens Russia's economy. Russia's capacity to maintain government spending, pay import expenses, and stabilise the ruble are all impacted by this decline. Due to its smaller budget, Russia is more vulnerable to fluctuations in the price of energy globally and is dependent on fewer trading partners, such as China and India, which reduces its economic autonomy. In other words, a declining surplus gradually weakens Russia's economy and raises the risks associated with its "war economy."

Topic A : Context and Current Issues

Oil Price Cap

In December 2022, the G7, EU, and their allies agreed to cap the price of Russian crude oil at $60 per barrel. Later on, they extended this to more sophisticated goods. The idea was to make it harder for Moscow to finance its war while preserving the flow of oil to international markets. Limits on Western shipping, insurance, and financial services were part of this scheme. Russia's oil revenue has decreased by roughly 25% as a result of the cap. Stricter regulations, according to experts, might have cut profits by up to 40%, or €150 billion. To improve enforcement, the EU implemented a floating cap in 2025 that remains 15% below the six-month average price of urals (USD 62.25 per Barrel). Oil exporting has become more expensive and complex as a result of these regulations and sanctions on over 440 tankers connected to Russia's "shadow fleet." Approximately 1,200 to 1,600 tankers are still used by Russia to circumvent these limitations.

Russia has been forced to discount its oil, but mainly because of embargoes rather than price caps. Embargoes by the European Union and other countries left Russia with fewer, second-tier customers who are unaccustomed and not well configured to refining large quantities of Russian oil. The main importers of its crude oil have been India and China, who now have more leverage in transactions and have forced Russia to cut prices. This process - in the Chinese point of view - is known as Yuanisatio, where the Yuan is becoming the new main currency used in international trade in Russia, increasing its economic sovereignty, due to the increase in dependence on a small number of buyers and China's currency policy.

The price cap was meant to keep Russian oil flowing to prevent a spike in global oil prices which would have followed a halt or severe drop in Russian exports. President Donald Trump has, however, signalled a change in policy in recent weeks by threatening to impose secondary sanctions on India and China for buying Russian oil to put pressure on Putin to agree to a ceasefire in Ukraine.

Regardless of Russian capabilities of partially evading the embargoes and the effects of the price cap set, its structural vulnerabilities are deepening as Russia's budget is increasingly tied to volatile oil prices, reliant on opaque transport networks, and subject to tightening Western enforcement.

Financial Sanctions and Frozen Reserves

An approximate of USD 300 Billion of Russian central banks were immobilised in G7/European Union jurisdictions. The European Union estimates that USD 221.5 billion of the roughly USD 300 billion worth of frozen Russian assets are held in the EU, mainly in the form of government bonds that Russia's central bank had stored as reserves.

Last year, the Group of Seven (G7) decided to give Ukraine USD 50 billion in bilateral loans, which Kyiv could repay with the windfall earnings from the Russian assets that were blocked. The majority of those bonds are kept at Euroclear, a securities repository in Belgium, which set aside 4 billion euros in 2023 for interest earnings to be invested in a specifically established Ukraine fund. Last July, the fund received its initial payment of 1.55 billion euros for the first half of 2024.

Those payments ought to continue for many years.

Topic A : Context and Current Issues

Although declining interest rates in the euro zone will eventually reduce the sums, the EU has stated that it anticipates the assets to generate roughly 15-20 billion euros ($16-$22 billion) in interest by 2027, according to Euroclear; the United States agreed to contribute $20 billion of the $50 billion in support loans from the G7. However, it is now uncertain if Washington will follow through on the plan after Trump decided to halt his nation's military assistance to Ukraine.

Labour Market and Human Capital

Russia's unemployment rate held steady at a historic low of 2.2% in June, unchanged from May, according to the state statistics agency Rosstat, this is partially due to mobilisation and war demand. Despite low unemployment, Russia faces labour shortages in civilian sectors, including: IT, healthcare, and education struggling to recruit. Since 2022, studies estimate that more than 1 million Russians have emigrated, many from high skilled industries. Hundreds of thousands more have been mobilised for military service. This has resulted in brain drain, which in the long-term can cause quite significant issues for the Russian Federation's economy.

Direct Impacts on the Global Scope

In terms of the global economy, the war's effects on food and fuel shortages are making post-pandemic inflation worse, which in most parts of the world was already at unprecedented levels.

Global Inflation and Monetary Policy Tightening

Although the abrupt spike in demand is largely accountable for the strain on supply, supply chain interruptions have also been a significant contributor to inflation. Even before tensions, more than half of major economies - including the US and the euro area - had inflation rates of more than 5%, meaning that the war exacerbated an already challenging position. A percent of the world's wheat exports before the conflict came from Russia and Ukraine together, and Russia is a significant provider of fossil fuels, particularly to Europe. Prices are rising as a result of disruptions in the supply of key commodities, such as the ones previously mentioned.

The conflict between Russia and Ukraine continues to impact trade, grain exports, and energy imports in the Eurozone. Experts estimate that inflation will reach 2.3% in 2025 after cooling. However, interest rates are maintained between 2.00% and 2.40% by the European Central Bank (ECB). The goal of this action is to prevent further price shocks linked to fragile supply chains. The ECB's cautious approach reflects continued concerns about global events, taxes, and the high cost of raw materials, all of which have an impact on price stability. Although inflation is decreasing, Europe's economy isn't expanding much, according to the OECD. Slow growth is the result of costly loans and weak trade. This puts policymakers in a difficult position as they attempt to strike a balance between maintaining the recovery and stable prices.

Another example to take into profound consideration, regarding the significant implications of the rise of rates of interest in order to reduce demand is the case of the United Kingdom; due to war-related increases in the price of food and energy worldwide, the United Kingdom is also experiencing significant inflation. 30-year gilt yields reached their highest level since 1998 in September 2025, at 5.72%, indicating that borrowing costs for businesses and the government would be higher. Despite the financial and social pressure this creates, experts predict that inflation will remain above 2% in 2025, forcing the Bank of England to maintain high interest rates. High rates combined with persistent inflation tighten the government's budget, increase the cost of debt, and further burden families already burdened by high energy and food prices.

Topic A : Context and Current Issues

Interest rates - also known as rates of interest or rates, as briefly portrayed in the definitions section is the cost of borrowing money or the rewards of saving money in banks. This interest rate is used by central banks in order to shift aggregate demand and therefore shift the price level. In the case present with rising inflation due to supply chain disruptions caused by changes in trade partners, the oil cap prices and the destruction and disturbance of the Ukrainian agricultural sector. Aggregate demand is shifted to the left (decreases) when interest rates are increased as this means that the cost of borrowing money from banks is higher and the reward for borrowing money in banks is higher. This incentivises individuals and firms to stop borrowing and start saving, hence, reducing their general expenditure on, for example, investments or other goods and services, which reduces the aggregate demand of the whole economy. However, as demand falls also the Gross Domestic Product (GDP) falls. This means that the rate of economic growth falls, which can become another issue to be debated on ECOFIN by the nations, represented by the delegates that will be present in the committee shortly.

Energy Crisis and Market Realignment

One of the most significant disruptions to the energy supply in recent history was caused by the Russo-Ukrainian war. Prior to the attack, Russia supplied the European Union with 27% of its crude oil and more than 40% of its pipeline gas. By 2024, approximately 11% of EU imports were Russian pipeline gas; when LNG is included, the percentage falls to less than 19%. Russian gas should drop to about 13% of supply by 2025, down from nearly 45% prior to the war, and the EU intends to cease using Russian oil by 2028. From September 2021 to January 2024, EU governments invested €651 billion in relief efforts to help families and businesses cope with the exorbitant prices; aid reached a peak of €397 billion in 2022.

Simultaneously, Russia moved its crude sales eastward, overtaking OPEC members to become China's largest oil supplier in 2024 (roughly 2.1 mb/d) and India's top supplier for the third consecutive year. This shift has significant long-term ramifications: Europe reduced its risk but at a great cost, and Russia gained access to Asian markets, complicating sanctions and altering global energy flows. The primary concern for ECOFIN is how to maintain long-term financial stability while spending on energy security, as well as how to cooperate on sanctions that prevent further East-West fragmentation.

Food Insecurity and Agricultural Disruptions

Ukraine was crucial to feeding the world prior to the invasion. It provided 15% of the world's maize, 10% of its wheat, and half of its sunflower oil. This was interrupted by the war. Significant difficulties were caused by the June 2023 Black Sea blockades, which damaged infrastructure such as the Kakhovka Dam, and increased shipping risks. Premiums for war-risk insurance skyrocketed, occasionally surpassing 1% of a ship's worth. Even though new insurance plans and humanitarian routes enabled exports to continue, overall costs increased. As severe weather exacerbated hunger issues, North Africa, the Middle East, and Sub-Saharan Africa—regions that rely on Black Sea grain—were particularly hard hit.While local prices remained high in poorer countries, global grain prices decreased in 2024–2025.

Millions were at risk of political unrest and starvation as a result. In order to address this, ECOFIN must decide whether wealthier nations should take action to stabilise the world's food supplies by providing aid, subsidies, or shared shipping insurance in order to avert crises in other areas.

Topic A : Context and Current Issues

Global Trade and Government Deceleration

Disruptions brought on by war have hampered economic growth and damaged international trade. According to World Bank estimates, the conflict reduced global GDP by roughly 0.7% and decreased global trade by an estimated 1%. The effects were more noticeable in poorer nations that depended on imports. Due to higher insurance rates and the rerouting of cargo routes, shipping in the Black Sea remained risky and expensive. In its 2025 Global Trade Outlook, the World Trade Organisation said that although the merchandise trade was recovering, political unrest, tariffs, and disrupted supply chains were keeping it vulnerable. The World Bank's Global Economic Prospects report from January 2025 emphasised how the war's indirect effects and tight financial markets continued to impede economic growth.

The conflict has increased division in international markets and impeded trade integration. In order to solve the problem, ECOFIN must strike a balance between preserving international trade cooperation, which is still essential to economic stability, and protecting national supply chains.

Fiscal Strains/Deficits and Government Spending

In recent years, the conflict has placed a significant financial burden on European countries. Between 2021 and 2023, EU nations spent over €750 billion to assist businesses and families in adjusting to rising energy costs. The total amount of national aid by early 2024 was €651 billion. Richer countries, who were already struggling with high debt levels, were forced to pay for this expenditure. With sharp rises in the price of food and energy, the situation was more difficult in developing countries. To cope, many of these nations took out large loans. In 2024, developing nations paid $921 billion in net interest, according to a UNCTAD report, with 61 or more countries allocating at least 10% of their total government revenue to interest payments alone.

The International Monetary Fund (IMF) estimates that global public debt will climb past 95% of world GDP in 2025 and could reach close to 100% by the decade's end if current trends persist. Growing debt reduces the amount of money that governments can spend on healthcare, education, and climate change initiatives. Delegates of ECOFIN should discuss whether common strategies like coordinated debt relief or joint borrowing modelled after the EU could aid in easing the financial burden brought on by disruptions from war.

Such an immense government spending can lead to a fiscal deficit; this refers to when the government spending is greater than the government revenue. This means that the government has to borrow money from firms and the population in the form of taxes which in turn raises the government's national debt and also decreases the standards of living of the population as the population now has less disposable income (income that remains after paying all necessary costs).

Topic A : Context and Current Issues

IGeopolitical and Financial Realignments

Significant shifts in the global trade and financial systems were accelerated by the conflict. The EU significantly reduced its reliance on Russian hydrocarbons. By mid-2025, imports of Russian coal had ceased by August 2022, and imports of Russian crude oil had fallen from 27% of its supply in 2021 to just 3%. In response, Russia improved its trade and financial ties with Asia. The US dollar and the euro were surpassed by the Chinese yuan as the most traded foreign currency in Russia. In 2024, trade between China and Russia reached a record-breaking ¥1.74 trillion ($237 billion). India solidified its position as a significant purchaser of cheaper Russian crude oil at the same time.

These shifts demonstrate a gradual but significant erosion of Western dominance in international finance. They draw attention to the growing trend in trade and the economy towards a multipolar system. Now that sanctions and the dollar's power may not have the same impact, ECOFIN must reconsider how international financial governance should operate in order to adapt to a multipolar world.

Topic A : Timeline of Key Events

European Union–Ukraine Association Agreement
Date: Signed 2014, fully effective 2017
Description: Created deep economic and trade ties between the EU and Ukraine, laying the groundwork for resilience during the war.
Ukraine–United Kingdom Strategic Partnership Agreement
Date: Signed 2020, entered into force 2021, updated 2023
Description: Ensured continued free trade and political cooperation between Ukraine and the UK post-Brexit.
Black Sea Grain Initiative
Date: July 2022 – July 2023
Description: Brokered by the UN and Turkey, it allowed safe export of Ukrainian grain through the Black Sea, easing global food insecurity.
EU Sanctions Packages against Russia
Date: First adopted February 2022, regularly updated (latest July 2025)
Description: Comprehensive sanctions restricting Russian finance, energy, and trade, including a floating price cap on Russian crude oil.
G7 Plan to Use Frozen Russian Assets
Date: June 2024
Description: G7 agreed to use interest from frozen Russian central bank assets to fund a $50 billion loan for Ukraine's reconstruction.
UN General Assembly Resolution ES-11/7
Date: February 2025
Description: Reaffirmed Ukraine's sovereignty and condemned the war's global economic and humanitarian consequences.
U.S. Sanctioning Russia Act (Proposed)
Date: 2025 (under debate in the United States Senate)
Description: Would impose extremely strict sanctions, including tariffs up to 500% on nations importing Russian energy.
Aid for Struggling Nations
The war has deepened food and energy problems in poorer nations placing several at risk of severe debt issues. Should ECOFIN back joint debt relief efforts or funding plans to assist these nations while keeping sanctions on Russia intact?

Topic A : Key Points to Debate

Financial Balance and Sanctions
Should Russia's income be further reduced by imposing stricter sanctions like shipping restrictions and oil price caps? Or should these policies be changed to avoid interfering with international energy and trade?

Making Use of Russian Frozen Funds
How can funds or interest earned on frozen Russian central bank funds be used by the EU and its allies? Could Ukraine's reconstruction efforts be financed by these resources, and what safeguards ought to be in place to monitor the process?

Ukraine's Economic Recovery
How do we choose the best combination of international loans, grants, and private investments when the cost of reconstruction is expected to exceed $524 billion? What part should ECOFIN play in enlisting companies while maintaining transparency and fairness?

Security and Energy Costs
More than €650 billion was allotted by the EU to shield citizens from rising energy costs. Should governments continue to prioritise subsidies or shift their attention to LNG, renewable energy sources, and long-term energy stability?

Worldwide Food Security
In the past, Ukraine was a major supplier of sunflower oil, maize, and wheat. These supplies were cut off by the war, causing millions of people to go hungry in places like the Middle East and Africa. Should the EU provide funding for secure trade routes and insurance policies to ensure that grain reaches nations that are at risk?

Growth and Interest Rates
In order to control inflation brought on by the war's supply chain disruptions, central banks raised interest rates. Higher rates slow economic growth while maintaining price stability. Should ECOFIN prioritise fiscal measures to support households and investments, or stick to tight monetary controls?

Budgets for Defence versus Social Priorities
Since the beginning of the war, defence spending has increased in many EU countries. Does ECOFIN see the expanding defence budgets as necessary, or should it support restricting these increases to protect funding for healthcare, education, and climate programs?

Employment and Refugees
Throughout Europe, millions of Ukrainians continue to live in displacement. In addition to assisting Ukraine in rebuilding its workforce, should ECOFIN align policies to integrate refugees into labour markets through initiatives like establishing training programs or acknowledging qualifications?

Shifts in Global Trade
Russia has shifted a large portion of its oil trade to India and China using currencies other than the US dollar. Should ECOFIN take steps to diversify the EU’s supply sources and strengthen the euro’s position in international trade to respond to these changes?

Aid for Struggling Nations
The war has deepened food and energy problems in poorer nations placing several at risk of severe debt issues. Should ECOFIN back joint debt relief efforts or funding plans to assist these nations while keeping sanctions on Russia intact?

Topic A : Main Parties

Ukraine

Ukraine has suffered catastrophic economic losses. Its economy shrank an approximate of 30 per cent in 2022, the worst contraction during its post-independence history. By 2025, the destruction of infrastructure, dwellings, and energy facilities has been estimated at more than USD 524 billion, and it will take 10 years or more to recover. Notwithstanding these difficulties, the economy has demonstrated remarkable resilience and returned to growth in 2023-2024, helped by international assistance, IMFacility programs and EU macro-financial assistance. Ukraine will continue to be highly dependent on external financing, with donors financing more than 50% of its budget needs in 2023–24. Agriculture, which had been one of its leading exports, remains upended, with farmland blocked and mined. Ukraine remains macroeconomically stable with the help of a tight monetary policy and foreign aid, as well as the integration with Europe.

Russian Federation

Russia is the driver of the war and an economic casualty. Western sanctions have limited access to finance, technology, and markets: the European Union prohibited most oil imports, and the Group of Seven imposed the $60/bbl (1bbl = 31 gallons) price ceiling on oil. Russia's economy still grew by 3% over 2023 thanks to high military expenses, internal demand and trade with non-Western partners in China and India. But its economy is utterly transformed, and more than 6% of GDP in 2025 will be spent on defense. Farther out, vulnerabilities include Western investment being lost, discount energy exports dependence and lack of labor supplies from mobilization and emigration.

United States of America

The United States has been one of Ukraine's most steadfast economic supporters since the invasion. By mid-2024, the U.S. had provided over $70 billion of support, including $23 billion in economic and budgetary assistance that preserved Ukraine's public services. Washington has led the way in imposing sanctions on Russia's central bank reserves, large commercial banks and oligarch assets, as well as restrictions on high-tech exports. The U.S. is also a leading member of the G7 coalition enforcing the $60 a barrel ceiling on oil prices, aimed at restricting Moscow's takings while keeping global markets stable. Despite intense domestic back and forth over the costs, the United States has emerged as the lynchpin of financial and sanctions coordination in the Western bloc.

The People's Republic of China

Despite its neutrality claims, China has become more close to Russia since 2022. In 2023, their commerce reached a record high of $240 billion. China sells machines, electronics, and daily goods while purchasing inexpensive Russian coal, gas, and oil. Although China is cautious not to be directly penalised, this aids Russia in coping with Western sanctions. In 2023, China offered a "12-point peace plan" in an attempt to appear as a mediator, but Western nations have rejected it. China demonstrates to ECOFIN members how difficult it is to enforce sanctions while major economies continue to trade with Russia.

Topic A : Main Parties

The Federal Republic of Germany

As the largest economy in the EU, Germany has had to cope with some of the most difficult developments. Prior to 2022, more than 55% of its gas came from Russia; however, as Berlin shifted to importing LNG and investing in renewable energy, this percentage dropped to nearly zero by 2023. In addition to providing billions to EU-wide funding programs for Ukraine, the German government set aside €200 billion to shield households and businesses from rising energy costs. Due to energy-related issues, Germany's economy slowed significantly in 2022–2023 and even entered a recession, although it is currently stable. Germany has attempted to strike a political balance between its strong support for sanctions and domestic discussions about the cost of severing ties with Russia.

United Kingdom

Being a significant global financial hub, the UK is in the lead when it comes to enforcing financial sanctions and freezing assets. London has blocked more than £18 billion in Russian assets since 2022, which is one of the biggest sums in Europe. Additionally, it has prevented Russian businesses from raising capital in UK markets. In addition, Ukraine has received £4.6 billion in military assistance, economic assistance, and humanitarian aid from the UK. Due to the dominance of UK marine insurance, trading corporations, shipping insurers, and financial actors based in the UK are heavily involved in implementing the G7 oil price cap.Although domestic inflation has increased due to energy prices, the UK contends that halting Russian aggression is more crucial than the costs.

Japan

Alongside its G7 allies, Japan imposed restrictions on Russian tech exports, energy projects, and banks. Despite its heavy reliance on imported fossil fuels, Japan froze the assets of 80 organisations and over 900 individuals. In addition, it pledged more than $7 billion in economic and humanitarian assistance to Ukraine. It has been difficult for Japan to balance these sanctions with its energy needs. It created exclusions to continue purchasing Russian Liquid Natural Gas (LNG) from the Sakhalin plants, which supply roughly 9% of Japan's LNG imports, even though it agreed to the oil price cap. This demonstrates Japan's attempts to uphold G7 unity while addressing its own energy issues as an import-dependent nation.

The Republic of Poland

One notable political and economic ally of Ukraine is Poland. More than 1.5 million Ukrainian migrants have taken asylum there since 2022. Poland has been under a lot of social and economic strain as a result, but the nation has also benefited from their labour. The Polish government has invested heavily in military support, humanitarian assistance, and energy source transformation. Additionally, Warsaw has developed into a major centre for the delivery of Western aid to Ukraine. In 2022, rising energy and food prices caused economic difficulties and caused inflation to reach over 14%. Nevertheless, Poland, which views the crisis as a serious threat to regional security and peace, has lobbied hard for the EU to impose the harshest penalties against Russia.

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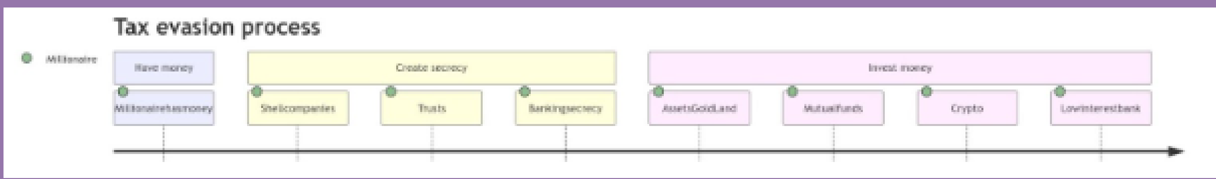
Introduction to Topic B

Taxes are some of the most important systems in our society and are essential for the effective functioning of a society. If these taxes aren't paid or are stolen, it can lead to terrible consequences such as healthcare equipment not being up to date, roads being undeveloped, poor education systems, weak law enforcement, higher corruption, and much more. All of these effects lead to lower economic growth in countries and can even lead to more deaths of citizens, showing the effects that tax evasion has on the world.

Many millionaires, because they would like to keep as much of their money as possible to themselves, use loopholes to keep their money. Some of these loopholes that will be talked about later include: CBI (citizenship by investment), shell companies, banking secrecy, trusts, and more.



Tax Evasion 101:

A rich person doesn't want to pay taxes, here is what they do: First, they will create a shell company in a country such as the Cayman Islands. This shell company is usually something like a consulting agency, and the rich person's business asks for the services of the shell company, making it seem like the money they are evading taxes on is just a cost of their company. Then, the shell company will put the money into a secret bank account, such as in Switzerland (ignore CRS here for now). The bank in Switzerland will then invest that money into places like Luxembourg, into mutual funds or somewhere similar. Finally, if the rich person wants to use that money, they can take out a loan from the Swiss bank and put the money in the bank account as collateral.

Topic B : Key Definitions

- Tax evasion
  - Tax evasion is the illegal avoidance of tax liability through underreporting income or falsely claiming expenses to reduce tax responsibilities.
- Shell companies:
  - are fake firms that exist only on paper or in an accounting entry, as a means to hide ownership of entities or move money without detection in laundering and tax avoidance.
- FATCA:
  - the Foreign Account Tax Compliance Act that determines what foreign bank accounts Americans have so that the IRS can know if taxation is due and it seeks to eliminate tax avoidance. This depends on whistleblowers.
- CRS:
  - the Common Reporting Standard, an international standard created to facilitate automatic sharing of bank account information so countries know what accounts their citizens have and it seeks to eliminate tax avoidance.
- Nationless millionaires:
  - people who do not pay taxes in one specific nation because they (legally) abandon citizenship or transfer to a country with looser tax requirements, but they live and operate globally.
- Trusts:
  - vehicles by which people can shelter their assets for the future, often used when estate planning and inheritance are concerned.
- Bank secrecy:
  - the idea that banks do not disclose the identities and assets of their clients, which has led at times to certain nations having hidden wealth with no taxation.
- CBI:
  - Citizenship by Investment where people can buy citizenship in a country or pay a fee for additional revenue generating purposes such as ease of tax liability.

Topic B : Context and Current Situation

Context:
Tax evasion became much more popular after the First World War due to the increase in taxes and people obviously not wanting to pay them. The country that stepped up for this tax evasion was Switzerland, "the grandfather of banking secrecy," and to this day, it is still very prominent in this space. During that time, people would give their money to the banks, and then their information would not be known to anyone. This was done to keep the owners of the money safe, giving examples of the Jewish people, for instance, as people who needed this kind of system during WWII, even though victims of the Holocaust were only 1.5% of the accounts at the time (Zucman, 2015).

Since then, many more countries have implemented banking secrecy, such as Singapore and Hong Kong, with other countries adding more layers to the secrecy of the whole situation: the Cayman Islands, for example, being a big hub for shell companies.
In 2015, the situation with tax evasion was very serious, with around 8% of the global household financial income being held in tax havens, with estimates of the amount of money in tax havens at the time ranging from $7.6 trillion to $21 trillion (Zucman, 2015), leading to the creation of certain systems to stop this from happening.

Current Situation:
The current situation is much better. The amount of offshore money has gone down by 70%, and it has been improving every day. Two of the main causes for the huge decrease in the amount of offshore money in tax havens are the introduction of FATCA (Foreign Account Tax Compliance Act) and CRS (Common Reporting Standard), which both work on a similar framework.
However, there are still many loopholes in the systems of both of these programs and previous systems. One of these is trusts, which in many ways are very similar to banks but are not recognized as financial institutions by the CRS or FATCA programs, leading to them not being required to be reported.
Another way to evade taxes is to become a citizen of a country that is not in CRS through CBI or residency and then use the same system as before CRS was implemented by just putting money in countries like Switzerland or other tax havens.

The final way mentioned here (there are for sure many others I haven't talked about) is through making the shell company buy assets such as gold, land, or crypto, which will appreciate in value but don't actually need to be reported to the CRS at this current moment, leading to these becoming major commodities in our current times. However, using the money from these assets is quite difficult, as you can't spend it directly. It would mostly be used if this money is being saved for a long time.

Many different countries argue that the different rules set in place are unfair as setting your own tax rate for some countries is a matter of sovereignty. Additionally, choosing their own tax rates is often seen as a tool for the countries to help in the development of the country and fuel economic growth in their own countries. Small countries have little ability to gain wealth without these abilities and therefore it would be a huge loss for them due to something that many people would deem fair as it is only what is called tax avoidance not tax evasion making it legal.

Topic B : Context and Current Situation

Many countries would also criticise the system of CRS and its removal of banking secrecy. The amount of information that is given out to the banks often seems quite extreme and the amount of surveillance can put some people in danger in the case their information is shared with another country which is hostile against them.

Leaks:
There are multiple files showing the extent of tax evasion and the fact that there are still loopholes even after CRS was implemented. These can be seen in leaks such as the Pandora Papers (ICIJ, 2021) or the Suisse Secrets (Sampaio, 2022), showing the extent of tax evasion still happening throughout the world due to reasons such as non-compliance from CRS countries like Switzerland.

Topic B : Key Points and Timeline

Past Actions:
The OECD is one of the biggest organizations that has been trying to solve this problem. Their second pillar promotes a worldwide 15% minimum corporate tax rate to limit the amount of tax evasion possible (OECD, 2024).

The CRS, as mentioned before, is one of the biggest programs in place right now to fight against tax evasion.

The EcoFin council has talked about this topic before in this resolution, mainly discussing a worldwide tax similar to the one talked about in the OECD (Nigeria & Group, 2023).

Possible Future solutions:
Some of the future solutions could first include the imbalance between the CRS and FATCA allowing people from CRS countries to commit tax evasion by keeping their money in America.

Other possible debates could be about solving the issue with trusts which currently aren't classified as vehicles of tax evasion therefore if a millionaire would like to not pay inheritance tax or buy himself something without the government knowing that it was tax free trusts are usually used making a system to respond to these could be helpful. However removing them would be a major hit to many different organizations as trusts are usually heavily associated with charities and they have helped many rich families manage their wealth properly showing how there is a need for a better system without removing the system at all.

Another possible solution that could be debated is the raising of international taxes throughout the world as currently the OECD has only put it at 15% which is very low compared to what it should be making many rich people want to move into different countries and start their business there.

Topic B : Main Parties

Switzerland:
Historically, the Swiss banking system has been the hub of banking secrecy and activities such as tax evasion. However, in these last few years, CRS has made it very difficult to continue functioning. Yet, they have been using different methods to keep their business going, such as keeping their previous customers without them having to abide by CRS laws and, when abiding by CRS laws, under-reporting certain aspects. This can all be seen to some extent in the Suisse Secrets leak (Sampaio, 2022).

USA:
The USA has implemented FATCA and is very strict with it, being the first effective anti-tax evasion legislation. However, even though they don't tolerate tax havens outside of the US, they heavily promote their own. Due to them not being obligated to conform with CRS, outside investors are incentivized to invest in American tax havens such as Jersey and Florida. Additionally, CBI has been implemented in the USA lately, which is another way for people to evade some taxes.

Britain and Cayman Islands:
Historically, the British have also been very friendly to millionaires, with many millionaires' homes being in London due to their territories providing easy access to tax havens such as the Cayman Islands and many different advantages being provided to the ultra-rich throughout the years. They have a very attractive country for expats, leading to many people wanting to become residents in the UK. However, lately, there has been an outflow of expats due to their increase in taxes in the last few years.

EU:
The main countries damaged by the actions of the tax havens have been France and Germany, with the main bank account holders in Swiss bank accounts being French and German residents (Zucman, 2015).

Turkey:
They are a CBI country, and even though they are part of CRS, they are one of the countries that are not very compliant with the system. Additionally, they have quite low taxes in the country, making it a decent tax haven.

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