Background Guide

ECOFIN

Duke

Letter from the Chair

Dear Delegates,

Welcome to the Economic and Financial Committee (ECOFIN) at DUMUNC! I'm excited to have you join us for what promises to be an engaging debate on two of the most pressing economic challenges facing the world today.

Our topics (oil market volatility and sovereign debt crises) might sound like they belong in a finance textbook, but they affect real people in real ways. When oil prices spike, families pay more at the pump. When a country can't pay its debts, schools close and hospitals go without supplies. These aren't abstract problems.

I encourage you to think creatively. The best resolutions won't just rehash old ideas; they'll propose fresh approaches that balance the interests of producers and consumers, creditors and debtors. Don't be afraid to challenge conventional wisdom!

I can't wait to see what you bring to committee.

Best regards,

Cameron

Chair, ECOFIN

History of the Committee

The Economic and Financial Committee (known as ECOFIN or the Second Committee) is one of six main committees of the United Nations General Assembly. Every UN member state can participate, making it one of the most inclusive forums for global economic governance.

The committee was established alongside the UN itself in 1945, at a time when the world was still recovering from the Great Depression and World War II. Its founders understood that lasting peace required economic stability, and that economic problems crossing borders needed international solutions.

Today, ECOFIN tackles a broad range of issues: macroeconomic policy, international trade, financing for development, sustainable development, poverty eradication, and global financial stability. The committee meets each fall and works through consensus where possible, producing resolutions that guide international economic cooperation. While these resolutions aren't legally binding, they set global norms and signal where the international community stands on critical economic questions.[1]

Topic A: Addressing Volatility in Global Oil Markets by Managing Supply in Oil-Producing Countries

Statement of the Problem

Oil remains the lifeblood of the global economy. Despite the rise of renewable energy, petroleum still accounts for about 31% of the world's energy consumption and powers the transportation, manufacturing, and agricultural sectors that keep society running. When oil prices swing wildly, the effects ripple through every corner of the global economy.[2]

The problem isn't high or low prices per se; it's unpredictability. Oil price volatility makes it nearly impossible for businesses to plan investments, for governments to budget, and for consumers to manage household finances. In 2024 alone, Brent crude prices ranged from under $70 to over $90 per barrel, a swing that translated into billions of dollars of uncertainty for the global economy.[3]

For oil-importing developing countries, volatility is especially devastating. When prices spike, these nations face a brutal choice: spend scarce foreign currency reserves on fuel, or let their economies grind to a halt. Many lack the emergency stockpiles that wealthy nations use to weather price shocks. A sudden price jump can trigger inflation, currency depreciation, and social unrest. Meanwhile, when prices crash, oil-exporting developing countries (many of which depend on petroleum for over half their government revenue) face budget shortfalls that force cuts to education, healthcare, and infrastructure.[4]

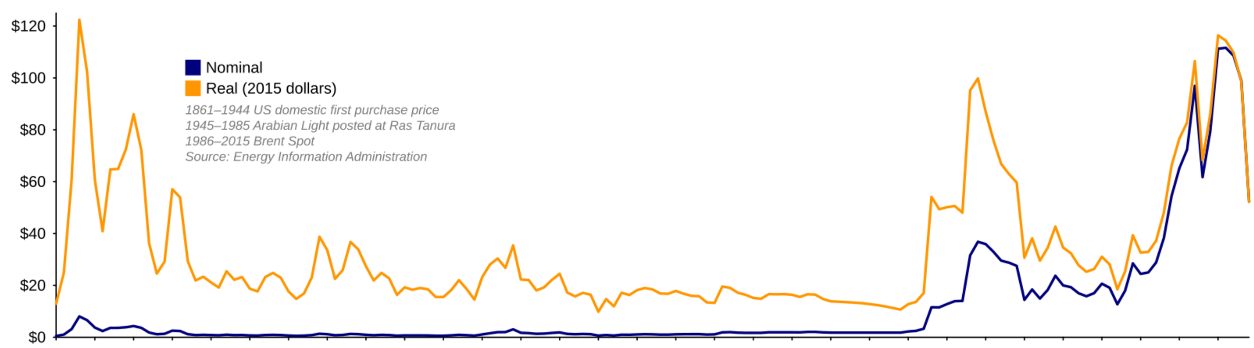
Why is oil so volatile? Supply and demand are both "inelastic," meaning they don't respond quickly to price changes. Oil wells can't be turned on and off like faucets, and consumers can't easily switch to alternatives when prices rise. Even small disruptions cause massive price swings. Add geopolitical tensions, speculative trading, and uncertainty about the energy transition, and you have a recipe for chronic instability.[5]

The challenge is clear: how can we reduce oil price volatility while respecting producing nations' sovereignty and meeting the energy needs of all countries?

History of the Problem

Oil has been causing international headaches for over a century. The modern oil industry began in the late 1800s, and by the early 1900s, petroleum had become essential for military power and economic growth. Control over oil fields became a source of geopolitical competition that continues today.

For decades, Western oil companies (the famous "Seven Sisters," including Exxon and Shell) dominated the industry and kept prices relatively stable and low. But in 1960, five major producing countries founded the Organization of the Petroleum Exporting Countries (OPEC) to gain more control over their resources. Saudi Arabia, Iran, Iraq, Kuwait, and Venezuela were tired of seeing oil companies



set prices and take the lion's share of profits from resources that belonged to their nations.[6]

The true demonstration of OPEC's power came in October 1973. When the United States and other Western nations supported Israel during the Yom Kippur War, Arab oil producers imposed an embargo. They cut production and banned exports to the U.S. and its allies. Oil prices quadrupled almost overnight, from about $3 per barrel to nearly $12, sending shockwaves through the global economy. Gas stations ran dry. Industrial production plummeted. The 1973 oil crisis triggered a worldwide recession and forever changed how nations thought about energy security.[7]

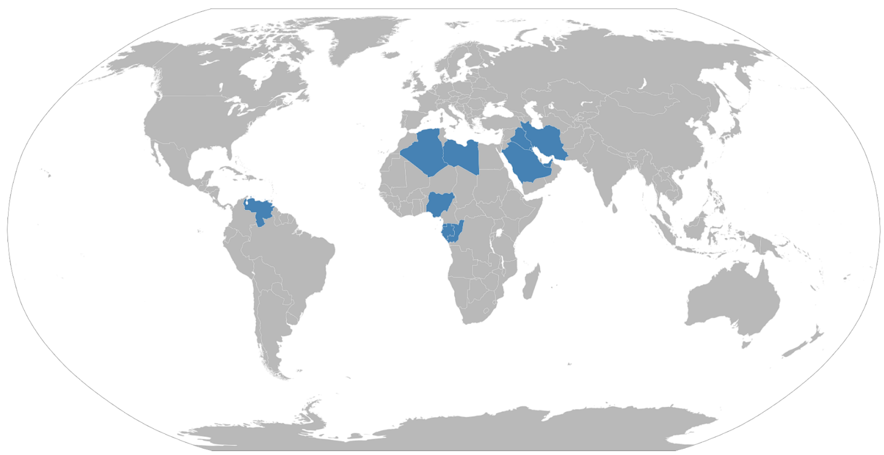
In response, oil-importing countries created the International Energy Agency (IEA) in 1974. IEA members agreed to maintain strategic petroleum reserves equal to at least 90 days of imports, providing emergency stockpiles that could be released during supply disruptions. The United States built its Strategic Petroleum Reserve, which at its peak held over 700 million barrels in underground salt caverns along the Gulf Coast.[8]

The following decades brought more volatility: the Iranian Revolution (1979), the Gulf War (1990), the global financial crisis (2008), and the COVID-19 pandemic (2020). Each crisis demonstrated both the power of coordinated supply management and its limitations. OPEC learned to use production cuts to support prices, while consuming nations relied on stockpile releases and demand reduction to counter supply shocks. In 2016, OPEC expanded its coordination by partnering with Russia and other non-OPEC producers to form "OPEC+," bringing about 40% of global oil production under a loose coordination framework.[9]

Past Actions

The international community has tried multiple approaches to tame oil market volatility. Some have worked better than others.

OPEC and OPEC+ Production Coordination: The most direct attempt to manage volatility comes from producing countries themselves. OPEC and OPEC+ regularly meet to set production quotas, attempting to balance supply with demand and stabilize prices. In late 2025, for example, eight OPEC+ countries agreed to pause planned production increases through early 2026 due to seasonal demand weakness. This coordination has had mixed results: it can prevent prices from collapsing, but member countries often cheat on their quotas, and the group struggles to respond quickly to sudden demand changes.[10]



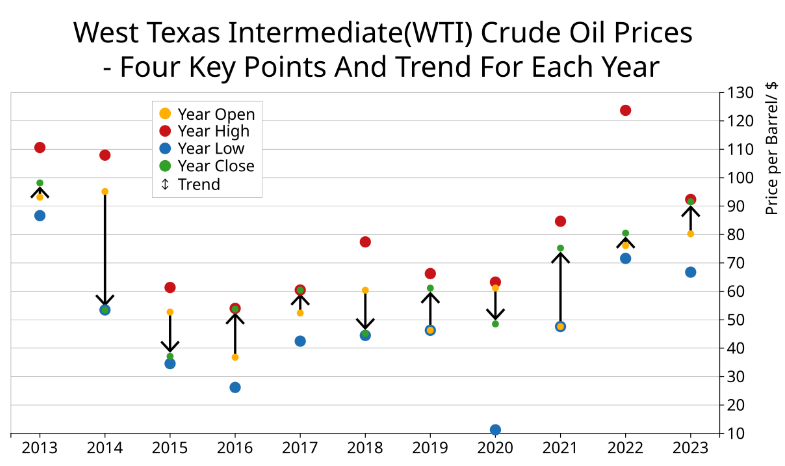
Strategic Petroleum Reserves: IEA member countries maintain combined stockpiles of over 4 billion barrels of oil. These reserves have been released during several crises, most notably when the Biden administration sold 180 million barrels in 2022 to combat price spikes following Russia's invasion of Ukraine. While stockpiles provide a valuable buffer, they're expensive to maintain and unavailable to most developing countries.[11]

Market Transparency Initiatives: International organizations have pushed for greater transparency in oil markets. The Joint Organisations Data Initiative (JODI), launched in 2001, collects and publishes data on oil production, consumption, and stockpiles from over 90 countries. The idea is that better information helps markets function more smoothly. However, data gaps and reporting delays limit the initiative's effectiveness.[12]

UN Resolutions: The General Assembly has repeatedly addressed energy issues through ECOFIN. Multiple resolutions have called for stable energy prices, energy access for developing countries, and cooperation between producers and consumers. While these resolutions lack enforcement mechanisms, they establish international norms and can influence national policies.[13]

Possible Solutions

Regional Stockpile Cooperation: Many developing countries can't afford to build their own strategic reserves because the infrastructure and inventory costs are simply too high. But what if groups of neighboring countries pooled their resources? A regional stockpile shared among ASEAN nations, African Union members, or South American countries could provide a buffer against price shocks at a fraction of the cost of individual reserves. Financing could come from development banks or a small levy on oil transactions. The challenge lies in



governance: who decides when to release the stockpile, and how are costs and benefits shared?

Price Stabilization Mechanisms: Some economists have proposed creating an international price stabilization fund that would buy oil when prices fall below a floor and sell when they exceed a ceiling, essentially acting as a shock absorber for the global market. This would require significant capital and international cooperation, but it could reduce the extreme swings that hurt both producers and consumers. Critics argue that any price band would be difficult to agree on and might distort market signals needed for the energy transition.

Enhanced Producer-Consumer Dialogue: Much of the volatility in oil markets stems from mistrust and poor communication between producing and consuming nations. A more robust institutional framework for ongoing dialogue (perhaps under UN auspices) could help both sides coordinate expectations and respond to crises more effectively. This wouldn't require new enforcement mechanisms, just a commitment to regular, substantive engagement. The IEA and OPEC already hold occasional joint meetings, but these could be expanded to include more developing countries and cover a broader range of scenarios.

Topic B: Protecting Private Credit and Preventing Sovereign Debt Crises in Developing Countries

Statement of the Problem

The developing world is drowning in debt. Global public debt reached a record $102 trillion in 2024, with developing countries owing about $31 trillion of that total. More alarming than the raw numbers is what these countries must pay to service their debts: developing nations spent $921 billion just on interest payments in 2024, a 10% increase from the previous year.[14]

The human cost is staggering. A record 61 developing countries now spend 10% or more of their government revenue on interest payments. Worse, 3.4 billion people (nearly half the world's population) live in countries that spend more on debt service than on health or education. Every dollar sent to creditors is a dollar not spent on vaccinating children, building schools, or investing in the infrastructure that creates jobs.[15]

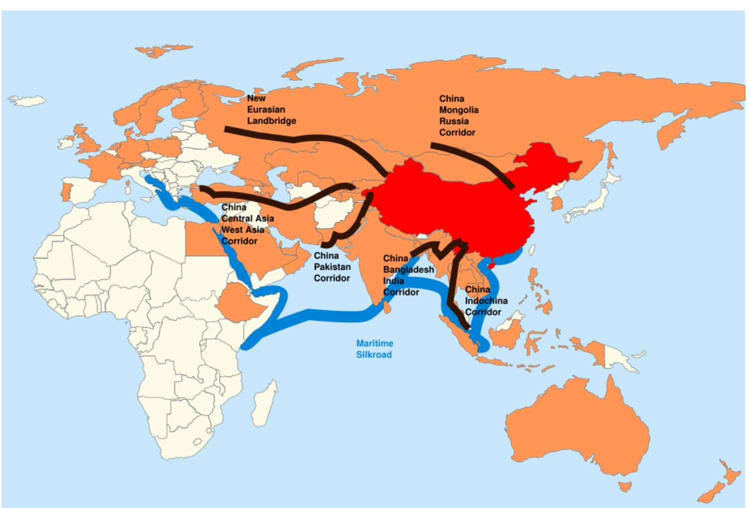
How did we get here? A toxic mix of global shocks and structural weaknesses. COVID-19 forced governments to borrow heavily. Then came inflation, supply chain chaos, and the Ukraine war, which pushed up food and energy prices. When wealthy countries' central banks (especially the U.S. Federal Reserve) raised interest rates to fight inflation, borrowing costs soared everywhere. Countries that had borrowed in dollars suddenly faced much higher repayment costs.[16]

The creditor landscape has also changed dramatically. In 2010, private creditors held 40% of developing countries' external public debt. By 2023, that share hit 54%. This shift from official lenders (governments, World Bank) to private bondholders makes restructuring far more complicated. A struggling country must now negotiate not with a handful of governments but with thousands of dispersed bondholders, each with their own interests.[17]

The international community faces a clear question: how can we prevent debt crises from derailing development, and how can we make debt restructuring faster and fairer when crises do occur?

History of the Problem

Debt crises are nothing new for developing countries. Latin America endured a "lost decade" in the 1980s after Mexico defaulted in 1982. The Asian financial crisis of 1997 brought down economies from Thailand to South Korea. Argentina's 2001 default led to years of economic turmoil. Each crisis prompted reforms, yet the underlying vulnerabilities remained.



The modern debt architecture traces back to the aftermath of World War II. The Bretton Woods conference in 1944 created the International Monetary Fund (IMF) and the World Bank, institutions designed to promote financial stability and development. For decades, most lending to developing countries came from these official sources or from bilateral government-to-government loans. When countries got into trouble, creditors coordinated through the Paris Club, an informal group of wealthy creditor nations that negotiated debt relief together.[18]

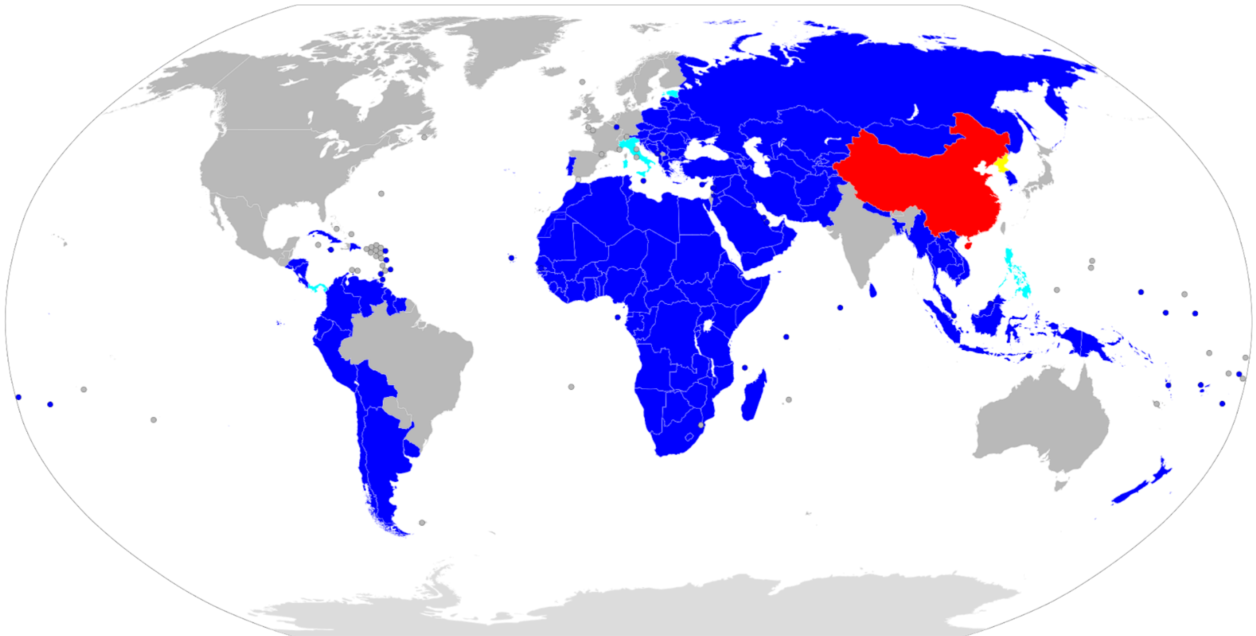
The system started changing in the 1990s as developing countries gained access to international bond markets. Suddenly, countries could borrow directly from private investors around the world. This brought benefits (more financing options, less political conditionality) but also risks. Unlike government creditors who might forgive debt for strategic reasons, private bondholders expect to be paid in full.

The 2008 financial crisis marked a turning point. As interest rates in wealthy countries fell to near zero, investors hungry for returns poured money into developing country bonds. Many nations borrowed heavily at relatively low rates, at least for a time. China also emerged as a major lender, especially for infrastructure in Africa and Asia, adding another layer of complexity.[19]

Then came COVID-19, the deepest global recession since World War II. Developing countries borrowed to save their economies, but when pandemic relief ended and interest rates rose, the bills came due. By 2024, developing countries were experiencing net outflows of $741 billion over three years, the largest transfer from poor to rich in half a century.[20]

Past Actions

The G20 Common Framework: In 2020, the G20 launched the Common Framework for Debt Treatments, designed to bring all creditors (official and private, traditional and new like China) to the negotiating table when a country needs debt relief. The framework represented a major step forward in theory, but



implementation has been painfully slow. Only four countries have applied: Chad, Ethiopia, Ghana, and Zambia. Chad and Zambia have reached agreements after years of negotiations, but Ethiopia waited nearly five years before reaching an agreement in principle in early 2025. The framework's delays stem partly from disagreements between traditional Paris Club creditors and China over how to share the burden of debt relief.[21]

IMF and World Bank Programs: The IMF continues to provide emergency financing and debt restructuring support through various programs. For the poorest countries, the Poverty Reduction and Growth Trust (PRGT) offers loans at zero or very low interest rates. The IMF also provides technical assistance to help countries manage their debt more effectively. The World Bank's International Development Association (IDA) provides grants and concessional loans to the world's poorest countries.[22]

Debt Service Suspension Initiative: During the pandemic's early months, the G20 suspended debt payments from the poorest countries, freeing up resources for health and economic responses. Between May 2020 and December 2021, the initiative provided about $13 billion in temporary relief to 48 countries. While helpful, it was limited in scope (covering only official bilateral debt) and merely delayed payments rather than reducing them.[23]

UN Resolutions and Advocacy: The UN Second Committee regularly passes resolutions calling for debt sustainability, fair restructuring, and greater consideration of developing country interests. UNCTAD (the UN Conference on Trade and Development) publishes the annual "World of Debt" report highlighting the crisis. While these actions don't directly restructure debt, they shape international norms and keep pressure on creditors.[24]

Possible Solutions

Strengthening the Common Framework: The G20 Common Framework represents real progress, but it needs improvement. Delegates could propose clearer timelines (perhaps requiring creditor committees to form within 60 days of a country's request), mandatory comparability of treatment between official and private creditors, and a dispute resolution mechanism for disagreements. The framework could also be expanded beyond the poorest countries to include heavily indebted middle-income nations.

Debt-for-Development Swaps: Instead of simply forgiving debt or demanding full repayment, creditors could convert debt obligations into investments in sustainable development. Under a debt-for-climate swap, for example, a country might have part of its debt canceled in exchange for committing those funds to renewable energy projects or forest conservation. Several such swaps have already been completed (Barbados and Ecuador have pioneered the approach), but scaling up would require standardized frameworks and more creditor buy-in.[25]

Sovereign Debt Transparency Initiative: Much of the current crisis stems from poor information. Countries have sometimes borrowed more than they could repay, partly because neither they nor their creditors had a complete picture of total debt levels. A mandatory, comprehensive debt transparency registry covering all loans from all creditors (including collateralized and state-owned enterprise debt) could help prevent future crises. This might require creating a new institution or expanding the mandate of existing bodies like the World Bank's International Debt Statistics program.

Potential Blocs

The debates in ECOFIN tend to split along economic lines, with countries grouping together based on whether they produce or consume oil, lend or borrow money. Understanding these blocs will help delegates find natural allies and anticipate opposition.

Major Oil Exporters: Countries like Saudi Arabia, Russia, the UAE, and Nigeria depend heavily on oil revenues. They generally favor supply management approaches that keep prices stable (and not too low). On debt issues, some major exporters are also significant creditors to other developing countries, making them cautious about aggressive debt relief proposals.

Oil-Importing Developed Countries: The United States, European Union members, Japan, and other wealthy nations want affordable, reliable oil supplies. They tend to support strategic reserves and market transparency but resist production cartels. On debt, they're often creditors and may push for reforms that protect their taxpayers while still helping debtor nations.

Oil-Importing Developing Countries: India, Bangladesh, many African nations, and others face the worst of both problems: they're hurt by high oil prices AND struggling with debt. They advocate for mechanisms that protect vulnerable economies from commodity shocks and support substantial debt relief.

Emerging Creditors: China, in particular, has become a major lender to developing countries, often for infrastructure projects. Its interests sometimes differ from traditional Western creditors, leading to tensions in debt restructuring negotiations. Understanding China's concerns, including protecting its own investments, is crucial for any workable solution.

Highly Indebted Countries: Nations currently in or near debt distress (such as Zambia, Ghana, Sri Lanka, and Pakistan) have urgent interests in faster, more generous restructuring processes. They may form coalitions to push for debtor-friendly reforms.

Small Island Developing States (SIDS): These countries face unique vulnerabilities: climate disasters can wipe out years of economic progress, yet they often don't qualify for the most concessional lending programs. They've been leaders in advocating for debt-for-climate swaps and other innovative financing mechanisms.

Duke

Glossary

Brent Crude — The main international benchmark for oil prices, based on oil from the North Sea. When news reports mention "oil prices," they're usually referring to Brent.

Concessional Lending — Loans offered at below-market interest rates or with longer repayment periods, typically provided by development institutions to help poorer countries.

Debt Restructuring — Renegotiating the terms of a country's debt, which might include extending repayment deadlines, reducing interest rates, or forgiving part of the principal.

Debt Service — The payments a country makes on its debts, including both principal (the original amount borrowed) and interest.

Debt-for-Climate Swap — An arrangement where creditors forgive part of a country's debt in exchange for commitments to invest in environmental protection or climate action.

G20 Common Framework — A mechanism created in 2020 to coordinate debt relief among official and private creditors for low-income countries in debt distress.

Inelasticity — In economics, when supply or demand doesn't change much in response to price changes. Oil is inelastic because people need fuel regardless of price in the short term.

International Energy Agency (IEA) — An organization of oil-importing countries, created after the 1973 oil crisis, that coordinates emergency response and promotes energy security.

OPEC (Organization of the Petroleum Exporting Countries) — A cartel of major oil-producing nations that coordinates production levels to influence global oil prices.

OPEC+ — An expanded group including OPEC members plus other major producers like Russia, formed in 2016 to coordinate oil supply management.

Paris Club — An informal group of creditor countries that coordinates approaches to debt restructuring for nations in financial difficulty.

Sovereign Debt — Money borrowed by a national government, typically through bonds sold to investors or loans from other governments and institutions.

Strategic Petroleum Reserve (SPR) — Emergency stockpiles of oil maintained by governments to use during supply disruptions.

UNCTAD — The United Nations Conference on Trade and Development, which advocates for developing country interests in international economic matters.

Footnotes

1. United Nations. "Economic and Financial Committee (Second Committee)." United Nations General Assembly. https://www.un.org/en/ga/second/index.shtml

2. International Energy Agency. "Oil 2025: Executive Summary." IEA, 2025. https://www.iea.org/reports/oil-2025/executive-summary

3. U.S. Energy Information Administration. "Short-Term Energy Outlook." EIA, 2025. https://www.eia.gov/outlooks/steo/report/global_oil.php

4. World Resources Institute. "Just Transitions in the Oil and Gas Sector." WRI, 2025. https://publications.wri.org/just-transitions-oil-gas-sector

5. Shale Magazine. "2025 Global Oil Trends Report." Shale Magazine, 2025. https://shalemag.com/2025-global-oil-trends/

6. OPEC. "Brief History." Organization of the Petroleum Exporting Countries. https://www.opec.org/opec_web/en/about_us/24.htm

7. U.S. Department of State, Office of the Historian. "Oil Embargo, 1973–1974." Milestones in the History of U.S. Foreign Relations. https://history.state.gov/milestones/1969-1976/oil-embargo

8. U.S. Department of Energy. "SPR Quick Facts." Office of Cybersecurity, Energy Security, and Emergency Response. https://www.energy.gov/ceser/spr-quick-facts

9. Wikipedia. "Global Strategic Petroleum Reserves." https://en.wikipedia.org/wiki/Global_strategic_petroleum_reserves

10. OPEC. "OPEC+ Ministers Reaffirm Commitment to Market Stability." Press Release, November 30, 2025. https://www.opec.org/pr-detail/583-30-november-2025.html

11. U.S. Energy Information Administration. "U.S. to Release 30 Million Barrels of Crude Oil from Its Strategic Petroleum Reserve." Today in Energy, 2022. https://www.eia.gov/todayinenergy/detail.php?id=51538

12. Joint Organisations Data Initiative. "About JODI." https://www.jodidata.org/about-jodi.aspx

13. United Nations. "Second Committee Approves Nine Draft Resolutions." Meetings Coverage, 2023. https://press.un.org/en/2023/gaef3597.doc.htm

14. World Bank. "Developing Countries' Debt Outflows Hit 50-Year High During 2022-2024." Press Release, December 3, 2025. https://www.worldbank.org/en/news/press-release/2025/12/03/developing-countries-debt-outflows-hit-50-year-high-during-2022-2024

15. UNCTAD. "A World of Debt 2025." United Nations Conference on Trade and Development. https://unctad.org/publication/world-of-debt

16. International Monetary Fund. "Emerging Markets Face a Perfect Storm." IMF Blog, April 2025. https://blog-pfm.imf.org/en/pfmblog/2025/04/emerging-markets-face-a-perfect-storm

17. World Bank. "International Debt Report 2025: LMICs Face Record Debt Outflows." World Bank Blogs. https://blogs.worldbank.org/en/opendata/international-debt-report-2025--when-relief-isn-t-enough---lmics

18. Club de Paris. "Common Framework for Debt Treatments." https://clubdeparis.org/en/communications/page/common-framework

19. OECD. "Sovereign Debt Markets in Emerging Market and Developing Economies: Global Debt Report 2025." https://www.oecd.org/en/publications/2025/03/global-debt-report-2025_bab6b51e/full-report/sovereign-debt-markets-in-emerging-market-and-developing-economies_08ce7ef7.html

20. UNCTAD. "Sovereign Debt Vulnerabilities in Developing Countries." https://unctad.org/publication/sovereign-debt-vulnerabilities-developing-countries

21. ODI. "Common Framework, Uncommon Challenges: Lessons from the Post-COVID Debt Restructuring Architecture." https://odi.org/en/insights/common-framework-uncommon-challenges-lessons-from-the-post-covid-debt-restructuring-architecture/

22. International Monetary Fund. "Debt Vulnerabilities and Financing." Policy Paper, 2025. https://www.imf.org/-/media/Files/Publications/PP/2025/English/PPEA2025002.ashx

23. G20. "Ministerial Declaration on Debt Sustainability." October 2025. https://www.g20.utoronto.ca/2025/251016-debt.html

24. United Nations. "Confronting the Debt Crisis: 11 Actions to Unlock Sustainable Financing." 2025. https://www.un.org/sustainabledevelopment/wp-content/uploads/2025/06/Confronting-the-Debt-Crisis_11-Actions_Report.pdf

25. Center for Global Development. "A Modified Common Framework for Restructuring Sovereign Debt." CGD Blog. https://www.cgdev.org/blog/modified-common-framework-restructuring-sovereign-debt