

COMMISSION GUIDE

G20



CCBMUNXVII

G20

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2019

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1. Presidents' Letter

Honorable Delegates,

Welcome to the G-20 Commission. Our names are Alejandro Morales and Gabriela de Oliveira, we are in twelfth grade and tenth grade in Colegio Bolivar. This is the first time this Commission will be present at CCBMUN, and we hope that this will be a very enriching opportunity for everyone. Since this Commission is new and has some special procedures, we encourage you to read the whole guide in order to be prepared.

The G-20 is the international organization that is formed by government leaders from 19 countries along with the European Union. The forum started in 1999, as a meeting of the Finance Ministers and Central Bank Governors of 19 countries plus the EU, in which they discussed economic and monetary issues. In 2008, it upgraded when Heads of State of the member countries began to attend. Also, its focus shifted from exclusively monetary topics to a more open agenda, in which a wide range of global issues are now discussed. These are issues which have a major impact on the global economy such as development, climate change, and terrorism, among others. This is a very powerful organization, since its members control more than 80% of the global GDP, therefore their decisions have a major impact in the world.

For this occasion, we have chosen three important topics that we believe will shape the course of our future. These are: the Implications of the Global Transfer to Clean Energies; the Prevention of Global Trade Wars; and Combating Terrorism Financing Methods. We expect the best from our delegates, both on the preparation prior to the model, as well as performance during the model. For this occasion, we hope to be able to find viable solutions for each of the topics proposed.

Finally, we want to let you know that we are here for you. Don't hesitate to contact us prior to or during the Model if have any doubts, questions, or just need some advice. You can contact us through our commission email (g20@ccbcali.edu.co).

We look forward to seeing you at CCBMUN XVII!

Yours sincerely,

Your presidents,

Alejandro Morales and Gabriela de Oliveira

2. Commission Information

i. History

The G20 is an international forum, composed of 19 countries and the European Union. The G20 members represent 85% of the global GDP, two thirds of the world's population and 75% of international trade. The G-20 primary objective is to prevent future international financial crises, shape the global economic agenda and it also "broadens the scope of international economic and financial cooperation."

The G20 is the G8 plus the BRIC nations that include Brazil, China, India, Russia and other developing and influential countries with strong economies. It came into being in 1999, when the finance ministers and central bank governors of these countries created the G20. They needed dialogue between developing and developed countries. Following the 2007 Asian currency crisis and the global financial crisis in 2008, the urgent need for a meeting of the G20 was pressing.

For the first time, in November 2008 in Washington D.C., G20 members came together and came up with an agreement to coordinate fiscal, monetary and economic policies to ultimately recover the global economy. Since then, the G20 has evolved from the original urgent meetings to prevent further economic downfall, to a unique international forum to address long-term structural challenges.

ii. Structure

The G20 is formed by the following nations: Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, the United Kingdom, the United States and the European Union. The European Union represents all countries that are part of that organization, and their representatives are the President of the European Council and the President for the European Commission. In the main summit, all countries are represented by either their President or Heads of State. In the other summits, which occur throughout the year, countries send representatives depending on the subject being discussed, for example, the Minister of Energy when discussing energy problems.

iii. Special Procedures (if applicable)

In the real world, the resolutions that the G-20 achieve are not voted for, nor are they of mandatory enforcement. In this Model, the suggested solutions will be passed to a vote within the members of the group. All 20 members have a vote. All motions and procedures will remain the same as in a normal MUN commission.

3. Simulation: *Implications of the global transfer to clean energies*

i. History/Context

The G20 is responsible for 80% of the world's capacity for global renewable electricity. Therefore, energy ministers had their first meeting on October 2, 2015, with the goal of coming up with viable solutions regarding the following issues: implementation of renewable energy; energy efficiency; universal access to energy; and finally, investments in energy. As part of the action plan to ensure universal access to affordable and reliable energy, the G20 has adopted the Toolkit of Voluntary Options for Renewable Energy Deployment. This toolkit has as an objective to increase the use of renewable energy all over the world (developed by IRENA). The G20 Energy Access Action Plan was also adopted, with the aim to strengthen cooperation between G20 nations in ensuring universal access to affordable and reliable energy (developed by IPEEC). This meeting was based on the G20 Principles on Energy Collaboration adopted at the 2014 G20 summit in Brisbane.

ii. Current Situation

There are nine main areas of energy resources that fall into two categories, non-renewable and renewable. Non renewable energy sources such as coal, oil, nuclear, and natural gas are finite or limited. Renewable energy, on the other hand, is any source of energy that can be naturally replenished, for example, solar, wind, hydro, biomass, and geothermal energy.

After the discovery of fossil fuels and the efficiency of using these non-renewable resources, they became more popular and took over the industry and markets, completely changing the mechanism used to produce energy. The traditional use of renewable resources, such as the wind and water mill, and the posterior discoveries in harnessing solar power, were the fundamental basis for the development of renewable resources that we have today.

Important definitions:

- Biomass: Is organic matter used as a fuel, especially in a power station for the generation of electricity.
- Clean energy: Is energy that is produced through means that do not pollute the atmosphere.
- Biofuels: are liquid fuels that have been derived from other materials such as waste plant and animal matter. The two main types of biofuels that are currently in production are bioethanol as a replacement for petrol and biodiesel as a replacement for diesel.

Renewable energy:

Bioenergy: bioenergy includes biofuels and biomass which are plant or animal materials that, through processing, can be used to produce electricity, thermal energy, or transportation fuels. Every region can have access to bioenergy, since each region has its own locally generated biomass sources, such as waste residues which include scrap wood, mill residuals, forest resources, residual biological matter from crops etc. This could have the potential of becoming a constant energy source, since waste residues will always exist, and in this way we can take advantage of them.

Hydrogen fuel cells: are a clean, reliable and efficient source of high-quality electric power. Through the use of hydrogen as fuel to drive an electrochemical process, they produce electricity.

Hydropower and other water technology: the implementation of turbines in dams and the new technologies developed for harnessing the energy of rivers and oceans such as (WEC) which are wave energy converters.

Wind: wind energy is the electrical energy obtained and stored from harnessing the wind through windmills or wind turbines.

Geothermal: is the use of the heat below the earth's surface to produce electricity or thermal energy.

Solar: solar energy systems consist of making use of the sun's rays through solar panels for electricity or thermal energy.

Non-renewable energy:

Coal: the heat produced by burning coal is used to turn water into steam that, once it reaches high pressure, spins a turbine that is connected to an electrical generator. Coal can be extracted by underground mining and surface mining.

Advantages and disadvantages:

Coal is an extremely reliable source of energy since we can rely on it, no matter the conditions, to provide fuel and electricity. But the use of coal is harmful for the environment since, when it is burned, it releases toxic gases that pollute the atmosphere. Also, coal miners face many risks since they are exposed to toxic dust,

possible explosions at work and cave ins. Finally, coal is a finite resource, meaning that it is limited.

Petroleum: is a liquid fossil fuel, also known as oil. It is extracted from the land using a “drill rig” and from oceans using oil platforms. Oil must be refined, and it is the basis of many products that we use in our daily lives, for example, half of the world's petroleum is converted into gasoline.

Advantages and disadvantages:

It is relatively inexpensive to extract, and it is a reliable and dependable source of energy. However, burning gasoline is extremely harmful for the environment, since it releases hazardous gases into the atmosphere. Also, there is a risk of oil spills that are the cause of environmental disasters.

Natural gas: is a fossil fuel trapped in underground reservoirs beneath rock formations. In order to extract natural gas, companies use “hydraulic fracturing” which is the process of breaking apart the underground rocks with high-pressure water or even acid when necessary. Natural gas can also be turned into a liquid form (LNG) which is much cleaner than any other fossil fuels and which takes up less space than the gaseous form.

Advantages and disadvantages:

Natural gas is a “cleaner” fossil fuel than oil and coal since when burned, it releases carbon dioxide and vapour, which is less harmful for the environment than the burning of oil and coal. As with the previous fossil fuels mentioned, it is relatively inexpensive to extract, but the process can cause environmental problems. For example, the fracturing of the rock can cause earthquakes of small magnitudes, whilst the high-pressure water and chemicals forced into the earth can leak and contaminate other sources of water, making it unsafe.

Fossil fuels are a valuable source of energy. They are relatively inexpensive to extract and they can be stored, piped, or shipped all over the world. However, burning fossil fuels is harmful for the environment. When coal and oil are burned, they release particles that pollute the air, water, and land. The burning of these fossil fuels also alters Earth’s “carbon budget,” which balances the carbon in the ocean, earth, and air. When fossil fuels are combusted, they release carbon dioxide into the atmosphere. Carbon dioxide is a gas that is responsible for keeping the heat in Earth’s atmosphere, a process called the “greenhouse effect.” The greenhouse effect is necessary to life on Earth, but relies on a balanced carbon budget. The imbalance provoked by the continuous use and

burning of fossil fuels ultimately contributes to temperatures rising faster than the rate at which organisms can adapt to them.

The use of renewable energies has many advantages in the world, both in environmental and economic forms. The main 5 advantages of renewable energy are: less global warming; improved public health; inexhaustible energy supply; stable energy prices; and jobs and economic benefits. Taking into account the harmful impact the extraction and use of fossil fuels has on the environment, the alternative of using renewable energy sources is very promising.

According to the Union of Concerned Scientists, "Burning natural gas for electricity releases between 0.6 and 2 pounds of carbon dioxide equivalent per kilowatt-hour (CO₂E/kWh); coal emits between 1.4 and 3.6 pounds of CO₂E/kWh. Wind, on the other hand, is responsible for only 0.02 to 0.04 pounds of CO₂E/kWh on a life-cycle basis; solar 0.07 to 0.2; geothermal 0.1 to 0.2; and hydroelectric between 0.1 and 0.5." ("Benefits of Renewable Energy Use," n.d)

This comparison clearly shows how, in contrast to fossil fuel emissions produced by coal and natural gas, most renewable energy sources produce little to no global warming emissions. They also help to improve public health as, currently, the air and water pollution emitted by fossil fuels is directly linked to neurological damage, breathing issues, heart attacks, cancer, premature death, and a host of other serious problems.

A study by Harvard University estimated that the life cycle costs and public health effects of coal are between \$330 and \$500 billion dollars per year. (Cooper & activist/lecturer, 500) These negative effects and health impacts that originate from water and air pollution are simply not produced by clean energy technologies. Inexhaustible energy is just another benefit of renewable energy sources, since the availability of strong winds, sunny days, abundant residues and plant matter, heat from the earth and rapid moving water is not limited and provides a vast supply of energy.

According to an NREL (National Renewable Energy Laboratory) study, renewable energy could potentially provide 80% of the electricity in the US by 2050. In comparison to fossil fuel technologies, which are mostly mechanized and capital intensive. The renewable energy industry is more labour intensive, therefore producing more jobs. On average, more jobs are created for each unit of electricity produced from renewable sources than fossil fuels in the US. Between 2016 and 2017, the wind energy industry directly employed 100,000 full time employees, the solar industry employed more than 260,000, the hydroelectric power industry employed approximately 66,000, and the geothermal industry employed 5,800 people. These jobs are found in areas varying from manufacturing to project development, construction and turbine installation, operations, maintenance, transportation, logistics, financial, legal, and consulting services. ("Benefits of Renewable Energy Use," n.d.)

The implementation of renewable energy sources produces stable energy prices, though high investments are needed initially to build these facilities, for clean-energy technologies, the “fuel” is free. Also, over the years, the costs of renewable technologies have steadily declined and are predicted to drop even further. For instance, the installation price of solar energy dropped 70% between 2010 and 2017, whilst between 2009 and 2016, the cost of generating electricity from wind dropped 66% and is projected to fall even more. In contrast, fossil fuels prices always have substantial price swings and fluctuations. (“Benefits of Renewable Energy Use,” n.d.)

Despite the advantages, renewable resources are not perfect. Some disadvantages of renewable energy are that, even though you can save money in the long run, there are higher upfront costs to access the technology. Intermittency is another issue, since many resources aren't available 24/7 or all year round, for example, there is no sun at night, and droughts and unpredictable weather events are common. This could disrupt the functioning of these technologies, whilst, on the other hand, fossil fuels are not intermittent and can be used at any time. Currently, the storage facilities of many renewable energy plants are extremely expensive and storage technologies need to continue to develop to fulfil the needs of large populations. (Ayres, n.d.) (“Renewables 2018,” n.d)

The following are some cases of how renewable energies are present in the G20 member countries:

US: Currently, under the Presidency of Donald Trump, the United States have taken a step backwards regarding the implementation of renewable resources. In the 2020 fiscal budget request that the government issued, the Office of Energy Efficiency and Renewable Energy would see its \$2.3 billion budget decrease by 70%, resulting in around US \$700 million dollars. This office has financed research of technologies ranging from electric vehicles to energy projects powered by ocean waves. Also, it has been credited for financing research to make the price of wind power competitive with coal. Yet, this is funding cut is unlikely to happen due to the lack of support this policy would have on Congress but it shows the plan the Trump administration has regarding renewable energies. This is a course of action that is likely to extend for the next 4 years if President Trump is re-elected. Also under his government, the US has embarked on a pro-fossil-fuels agenda. President Trump has eased regulations on power plants while attempting to promote the use of coal in order to support the industry. The Government also rejected the Clean Power Act, which is a rule that limits the carbon dioxide emissions; this allows factories to use highly contaminative energies (mostly non-renewable) without any restriction. Also they rejected the Paris Agreements and claimed that climate change does not exist.

However, even though the Federal Government discouraged the use and exploration of renewable resources, the American citizens have expressed a different opinion. In a Pew

Research Survey from April 2018, “two-thirds of Americans said they think developing alternative sources such as wind, solar and hydrogen technology should be the priority, over only 22% who thought expanding exploration and production of oil, coal, and natural gas should be the priority” (Sparks). Also, both at the state and local level, as well as in the corporate sector, there has been a completely different approach to renewable energies. In the corporate sector, last year companies purchased a record of 6.43 gigawatts of renewable power. The number of corporations entering renewable energy deals also doubled as well as the 53 Fortune 500 companies get 100% of the electricity they use from renewable resources. At the local level, more than 300 cities have made commitments towards climate action. They have committed for an increase of usage of clean energies. At the state level, several governors have called for their states to use between 50% to 100% of clean energies by 2050. This shows that, even though the Federal Government has no intention of supporting the growth and implementation of renewable energies, there is a disposition among the citizens and the states, cities and business leaders to start making that change.

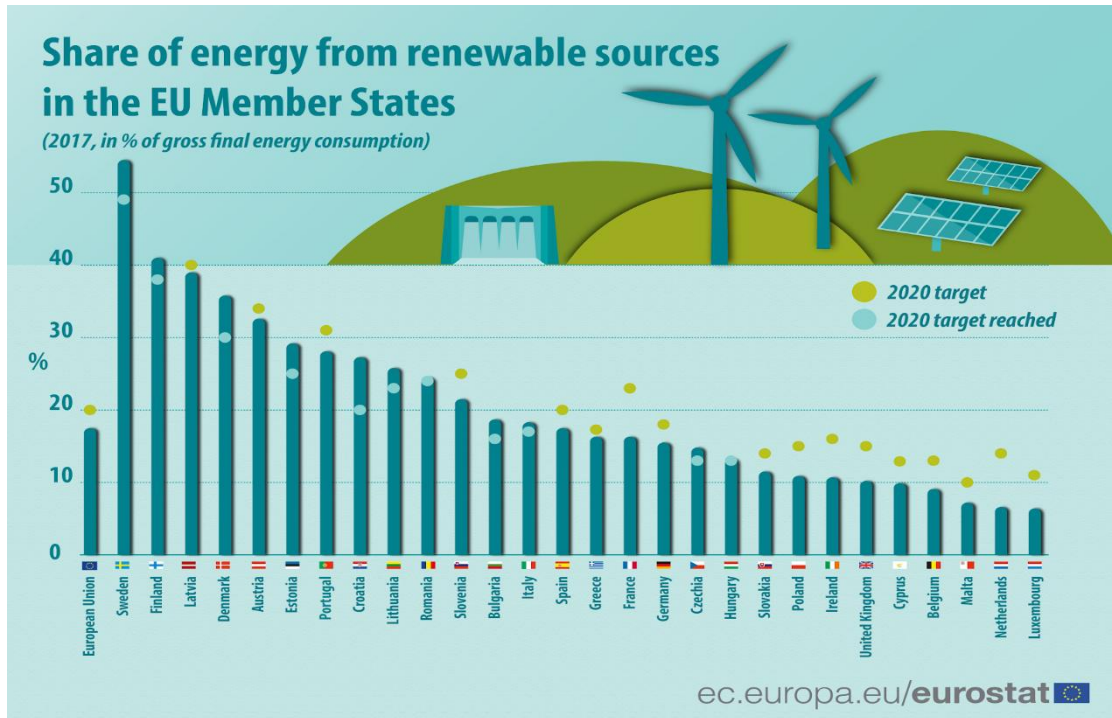
China: China is in the process of going through an “energy revolution”. This is an essential change that the country needed to make since, by 2016, China accounted for 30% of the world’s carbon dioxide emissions. In 2018, China's renewable power capacity grew 12% compared to the previous year, leaving China with a total of 38.3% of its total installed power capacity coming from renewable resources. The total production of renewable resources from solar power, wind power, hydroelectric power and biomass represented 728 Gigawatts (GW) by the end of 2018. Also, their coal production has been transformed in order to reduce emissions thus preventing extreme contamination. However, despite China's effort to cut coal consumption and promote renewable energies in their own country, they have been criticized for supporting coal projects overseas, which are being developed using obsolete equipment which is no longer allowed in China due to their environmental repercussions.

Russia: Russia hosts the world's largest natural gas reserves, as well as the second largest reserves of thermal coal, therefore there is a lack of interest in this country to increase the proportion of renewable resources into its energy quota. Currently, renewable energies account for 3.6% of Russia’s energy needs, yet the plan is to increase this number to 4.9% by 2030. This small growth can be explained with the lack of willingness the government has due to their major involvement in energies companies Gazprom and Rosneft. Due to the immensity of the Russian territory, the country has many opportunities and space to develop renewable energy projects of solar or wind power, but this requires Government commitment.

Europe: EU members have set up some minimum targets their members need to accomplish regarding the use of renewable energies. By 2020, all members have agreed to make at least 10% of their energy from renewable sources, but each country can have



their own individual targets, as long as they are higher than the required minimum. In December 2018, EU members decided on a new binding renewable energy target for 2030, in which at least 32% of their energy must come from renewable resources. There have even been proposals for a 100% renewable energy usage by 2050, taking into account that technology may change a lot in the next 30 years, allowing a better development of panels and other methods for producing clean energy.



https://ec.europa.eu/eurostat/statistics-explained/index.php/Renewable_energy_statistics

iii. Key points of the debate

- Benefits of renewable energies
 - Short Term
 - Long Term
- Transfer to clean energies
- Dependency on non-renewable energies
- Viability of the transfer to clean energies
- Repercussion of the transfer to clean energies

iv. Participating Organisms

- World Bank
- IPEEC
- IRENA

There are currently nine dedicated task groups (also referred to as work streams) under the G20 Leading Programme:

- Networked Devices Task Group (NDTG)
- Super-efficient Equipment and Appliance Deployment (SEAD) initiative.
- Buildings Energy Efficiency Task Group (BEET)
- Energy Management Working Group (EMWG);
- Energy Management Action Network (EMAN);
- High Efficiency Low Emissions Task Group (HELE)
- Transport Task Group (TTG)
- Energy Efficiency Finance Task Group (EEFTG); Top Ten Energy Efficiency Best Practices and Best Available Technologies Task Group (TOP TENs).

v. Guiding Questions

- What is the level of dependence your country has on non-renewable energies/resources?
- Which clean energies are used in your country?
- What percentage of your country's energy is produced through renewable sources?
- What are the benefits of a transfer to clean energies?
- What are the plans your country has towards increasing renewable energies in the future?
- Are there any foreseeable problems that can arise due to the transfer to clean energies?
- How can the economic impact of the countries that rely on non-renewable resources be tackled?
- How can more economically developed countries support less economically developed countries in the transfer to renewable energies?

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4. **Topic 1:** *Prevention of global trade wars*

i. **History/Context**

A Trade War is a situation that occurs when a country retaliates against another country by imposing or raising tariffs or placing other restrictions on the imports coming from those countries. A tariff is a tax on imports or exports between two countries. Tariffs are supposed to make local products cheaper than imported products, therefore encouraging consumers to buy local products. This means that the commerce of an international product is discouraged whilst trying to promote the nation's own production. In our current global economy, trade wars can become very dangerous due to the fact that they may affect the purchasing capacity of citizens as well as of companies from the countries involved. Trade wars have become a form of economic protectionism since they prioritize and protect local production over foreign products.

Trade of all sorts has been going on for thousands of years, yet it wasn't until the last century that major changes started to occur in the way the countries did business with each other. At the beginning of the 20th Century, trade began to increase in Europe after many of the protectionist measures of the late-19th Century had been overturned, yet those new economic policies didn't last long due to the start of the First World War. Throughout this war, a major collapse in world trade occurred as trade liberalization came to a stop along with the creation of many restrictions.

After the War, the League of Nations was created, and this organization made significant efforts to achieve trade liberalization. However, due to the general ineffectiveness of the organization, the changes that were made were not significant. In 1930, the United States, through the Smoot-Hawley Act, began imposing tariffs of 50% on imported goods. Through this act, more than 20,000 products suffered from increased tariffs, yet it didn't last long (until 1932) due to the consequences it brought. As import tariffs increased, retaliatory tariffs from other countries came into effect. This resulted in the reduction of American exports and imports by more than half during the Great Depression. US imports decreased by 66% from 1929 to 1931 and exports decreased 61% through that same time period. In 1932, Democrat President, Franklin Delano Roosevelt, and Congress started negotiating both multilateral and bilateral trade agreements with other countries in order to prevent a future economic crisis.

World War Two resulted in another major collapse in world trade. After the end of the conflict, both the United Nations and the General Agreement on Tariffs and Trade (GATT) were founded. The main goal of GATT was the reduction of tariffs and other trade barriers, as well as the elimination of trade barriers and trade preferences. Throughout its existence, from 1947 to 1994, GATT had several rounds of negotiations among its members in order to liberalize trade throughout the world. Its final round, the Uruguay Round of 1994, resulted in the establishment of the World Trade Organization (WTO).

This organization replaced GATT and is currently the most important intergovernmental regulator of global trade.

The WTO is the only global organization which deals with the rules of trade between nations. All of those deals are negotiated and accepted by its members and ratified in each country's legislative body. It is also an organization where trade disputes are settled. The goal of the WTO is to help producers, exporters and importers to run their businesses effectively. Currently, there are also plenty of Free Trade Agreements (FTA) in place all over the world. A FTA is an agreement in which a free trade area is formed between the cooperating states. In this agreement, tariffs and duties are determined by the involved members with the goal of reducing or eliminating any type of trade barrier.

Throughout the 20th Century other trade wars beside the one caused by the Smoot-Hawley Act occurred. For example, in 1961 the "Chicken War" broke out between the United States and Europe. This occurred after France and West Germany placed tariffs on the chicken coming from the US. In retaliation, the US placed 25% tariffs on imports of potato, light trucks, and brandy, among other things. This only lasted for 4 years. Another example was the "Pasta Wars" between the United States and Europe, in which the US imposed tariffs on European Pasta as a result of an increase in tariffs for US citrus products. Europe responded with even higher tariffs, yet both countries achieved a diplomatic solution by 1987.

More recently, the liberalization of trade has taken a massive hit due to the political circumstances of two of the most powerful countries in the world. In 2016, UK citizens voted in favour of abandoning the European Union, which could possibly result in the end of free trade with the rest of the EU, as well as in the need to establish new trade deals with other non-EU countries, since the deal those countries had with the EU can no longer be applied within the United Kingdom. Later that same year, Donald Trump was elected as US president. His campaign was based on an economic protectionist platform, with promises to review the trade deals the US had, as well as their involvement in globalization. In 2017, after his election, Donald Trump started dismantling and renegotiating several trade agreements in which the US was involved. The US withdrew from the Trans-Pacific Partnership, which is an agreement with major Asian and Pacific economies, and also began the renegotiation of the North America Free Trade Agreement (NAFTA) with Canada and Mexico.

By 2018, the US had begun placing tariffs on goods and services produced by several of their major trading partners, more specifically, China and the European Union. These countries have also placed retaliatory tariffs. The US has retaliated against the retaliation, and an unprecedented trade war has started.

Trade wars are more dangerous than they appear to be. Even though they are mostly seen as economic battles between two or more countries, those economic battles may

escalate to full blown conflicts between two or more states. Throughout history, wars such as the First Anglo-Dutch War, the Second Anglo-Dutch War, the Fourth Anglo-Dutch War, the Shimonoseki Campaign, as well as both Opium Wars occurred due to initial economic and trade clashes, but later escalated into full wars with thousands of deaths.

ii. Current Situation

Currently, there are two major ongoing trade wars, one between the United States and China and the other one between the United States and the European Union. There are also some small trade wars between the United States and other countries, yet the impact and repercussions haven't been as important in comparison to the previous two examples. All of these have occurred as a result of the *Trump Tariffs*. It could even be stated that the United States has embarked on a trade war against the rest of the world, since no other country has imposed tariffs against a country different to the United States.

The Trump Tariffs are a series of tariffs that the United States has been imposing on several of its commercial partners as part of the "America First" policy. This has been done to reduce the US trade deficit by changing its multilateral free trade agreements policy to bilateral trade agreements. The new tariffs came into place in January 2018 when the US government started levying higher tariffs on both solar panels and washing machines that were produced outside the United States. This was the result of an investigation which determined that the US industries for both these products were being harmed. Tariffs on solar panels account around US \$8.5 billion and tariffs on washing machines add up to US \$1.8 billion. Both of these decisions primarily affected China, which happened to be the leading exporter of these products to the US.

Then, on March 1st 2018, the US Government announced future tariffs of 25% on steel and 10% on aluminium, claiming that they were doing it for national security issues. These tariffs mainly affected allied countries such as Canada, Mexico, the European Union, Australia and South Korea. These tariffs are applied to around US \$48 billion of imports of these two metals. China wasn't affected so much by these new tariffs due to the fact that they export very little of those two metals due to previous antidumping and countervailing duties. In other words, due to previous obligations, China is not a main exporter of those materials to the US, then tariffs don't affect them that much. As a result of the US threat, the European Union announced retaliatory tariffs of 25% on US merchandise worth around US \$3.4 billion. Examples of this merchandise are cranberries, Harley Davidson motorcycles, blue jeans and bourbon. Prior to the tariffs going into effect, Mexico and Canada, which account for 1/3 of the steel and aluminium imports, received exemption due to the pending results of the renegotiation of the NAFTA treaty. Another third of the initial tariff victims were also exempted (EU, South Korea, Brazil, Argentina, and Australia). On March 23rd, the announced tariffs came into effect, with the exemption of selected countries. The Steel Tariff accounts for US \$10.2

billion and the Aluminium Tariff accounts for US \$7.7 billion (value of imports). Yet, most of the previous exemptions ended on June 1.

After most of the exemptions ended, only Australia, due to the unique type of steel they offer, got the privilege of being able to trade steel and aluminium without any sort of tariff. Meanwhile, countries such as Korea, Argentina and Brazil have certain quotas of steel and aluminium they can provide and, by doing that, they either receive certain tariff exemptions or reductions. On the other hand, the EU, Canada and Mexico, along with many other minor exporters of steel and aluminium, had to comply with the 25% tariff on steel and the 10% tariff on aluminium.

As always, when new tariffs are put in place, retaliatory tariffs are created. On April 2, 2018, China imposed retaliatory tariffs to the United States on aluminium waste, pork, fruits, nuts, and other products. These tariffs affected US products with an export value of US \$2.4 billion. On June 22, 2018, the European Union carried out their previous threat, and announced tariffs on an initial list worth US \$3.2 billion in American products. Some of the items on the list included steel, aluminium, bourbon whiskey, blue jeans, corn, motor boats, yachts, motorcycles, among others. On July 1, 2018, Canada imposed tariffs on US products worth around US \$12.8 billion. They target both steel and aluminium, as well as agricultural goods and consumer goods. On August 10, as a result of previous retaliations Turkey made on US products worth up to US \$1.8 billion, the US decided to double the tariffs on Turkey's exports of steel and aluminium. Due to the previous actions, on August 14 Turkey announced new tariffs on US imports of cars, alcohol and tobacco. More recently, on May 17, 2019, the United States removed both the aluminium and steel tariffs on Mexico and Canada as a move prior to the implementation of USMCA (the new version of NAFTA). Both Canada and Mexico agreed in ending all of the retaliatory tariffs that they had imposed on the United States.

The steel and aluminium tariffs had quite an impact on the US economy. In the first 6 months of the tariffs, strong economic growth increased the import of steel by 2.2%, however small and less developed countries saw a decline of 12% in steel exports to the US as well as 15.5% less revenue in comparison to the 6 months before the tariffs began. The steel tariffs have caused the price of steel products to rise by almost 9%, and have created around 8,700 jobs in the US steel industry, yet each of those jobs has resulted in steel users paying an extra US \$650,000 for each job created. Also, it has resulted in higher government subsidies being paid to farmers, up to US \$12 billion, to make up for their lost export sales as a result of the tariffs that were imposed against the United States. Around US \$27 billion of US agricultural exports are being affected by the tariffs. Also some companies, such as Harley Davidson, have decided to move overseas to avoid the retaliatory tariffs that have been imposed on US exports.

Steel and aluminium are not the only source of the new tariffs that the United States have been enforcing since 2018. Ever since President Trump was elected in 2016, he has

been complaining about China's trading practices. Following his claims, on August 18, 2017, the United States started an investigation into China's trading policies. A US Trade Representative investigated whether any of China's policies, laws or actions affected American intellectual property rights, innovation or technological development. On March 22, 2018, the US Government announced the results of their investigation, which reported that China had conducted unfair trade practices related to intellectual property, technological transfer and innovation. Furthermore, the US President announced the possible placement of tariffs on up to US \$60 billion worth of Chinese products, as well as filing a case with the WTO against China for their discriminatory practices

On April 3, 2018, The US Government released a list of possible Chinese products worth around US \$50 billion which were being considered for a 25% tariff. The targeted sectors were machinery, mechanical and electrical equipment. Around 85% of the targeted products were intermediate inputs and capital goods, and if tariffs were to be applied on those, the cost of American companies' supply chains will grow. A day later, China publishes a list of United States products that are subject to future retaliation tariffs. This cover around US \$50 billion US exports to China and mostly targets transportation (aircrafts, vehicles, boats) as well as agricultural production. On June 15, both China and the United States publish the list of the products they will target. The US establishes a US \$50 billion target list of Chinese products in which they intend to levy a 25% tariff. Tariffs will be imposed in two phases. Of the list of products, 95% are intermediate inputs or capital goods which are largely used by companies in the United States which are dependent on imports from China. On the other hand, China announces its intention to retaliate against the US by publishing its list of US exports to China that add up to US \$50 billion which will face tariffs of 25%. This tariffs will mostly affect agricultural and food products. Also tariffs will be imposed in two phases. As a result of the retaliatory tariffs China announced, President Trump announced on June 18 that he directed US trade officials to search for an extra US \$200 billion worth of Chinese goods that can be taxed at a 10% rate.

On July 6, 2018, both the tariffs from China and the US go into effect. China imposes a 25% tariff on US exports to China worth US \$34 billion and the United States does exactly the opposite. On July 10, after the request made by the US President, US trade representatives announced a list of US \$200 billion worth of imports from China (Same as exports from China to the US) which would be subject to a new 10% tariffs after a public hearing about them in August. Consumer goods such as laptops, cell phones, furniture, etc are more heavily targeted than in previous lists. Later on, on August 1, the US Trade Representative announces that he considers a 25% tariff instead of a 10% tariff to the list of the US \$200 billion worth of imports from China that was published on July 10. As a result of the previous request, China warned that it could add tariffs of between 5% and 25% to US \$60 billion of American goods.

On August 23, both the US and China applied to each other the remaining US \$16 billion of tariffs that were missing from the original tariffs that each country announced on June 15. Starting on September 24, the next phase of tariffs goes into effect. The United States places tariffs on US \$200 billion of Chinese exports to the US. These products will face a tariff rate of 10% which will increase to 25% by January 1, 2019. Of the newly taxed products, 50% are intermediate goods (computer/auto parts) and 24% are consumer goods. On the other hand, China places tariffs of US \$60 billion on US exports to China. The tariffs are mainly on intermediate inputs and capital equipment and range from 5% to 10%.

On December 1, after the G-20 meeting in Buenos Aires, Argentina, both President Trump and President Xi Jinping announce a deal to stop the escalation of the conflict. However, if no agreement is reached prior to March 1, 2019, the US will rise their 10% tariffs to a 25%. However, during February of 2019, President Trump announces a delay in the increase on the second round of tariffs which was supposed to increase in March 1. By April, trade negotiations had failed and no agreement was established. On May 5, President Trump announces that by May 10, the 10% tariffs will be increased to 25%, as well as that “shortly” the US will impose a 25% tariff on the rest of the US imports from China that have not been targeted at the time. By May 10, the 10% tariffs are increased to a 25%. Several days later, China announces that by June 1 they will increase the tariff rate of the US \$60 billion dollars’ exports to China. By June 1, China increased the tariff amount. By this time there is a 14-point difference in China's average tariffs between the US and other countries who export to China. On June 18, it was announced that the Chinese President had a conversation with his American counterpart in which they discussed they will meet in person during the G20 Osaka Summit to address the issue. Previously US president has threatened to impose tariffs on the remainder US \$300 billion of Chinese exports to the US depending on the outcome of future negotiations.

All of the tariffs that have been issued during this trade war have had some important impacts on the general economy as well as on consumers. There is a common misconception of who pays the tariffs. In the case of the tariffs the US imposed on China exports to the US also classified as US imports from China, the tariffs are paid by the Americans. When a US company imports a Chinese product that has tariffs applied to it, it has to pay an extra 25% for that product. That price can be absorbed by the company therefore their earnings will be reduced or they can pass that extra cost to the buyers by increasing the prices of products. Up until the US government doubled the tariff rate on Chinese products worth US \$200 billion in May 10, US importers and consumers had paid an extra US \$22 billion for products that were subject to tariffs due to the trade war.

Currently, businesses from both the US and other countries have claimed that the tariffs have harmed them economically. Tariffs imposed towards the United States have

resulted in an increase in production cost of companies such as Caterpillar. This company suffered a rise of production costs of around US \$100 million and in order to compensate it they will increase the prices for their products. Deere & Co, another truck manufacturer also saw an increase of around US \$100 million in production costs and as a result had to cut costs (lay out people) as well as increase their vehicle prices. Companies such as General Motors and Ford have also been affected by tariffs since they buy metals from other countries. This has resulted in a rise of production prices of almost US \$1 billion for each of the companies. Retaliatory tariffs have also hit the American agriculture business. The Department of Agriculture expects farm exports to drop by US \$ 2 billion in 2019. These are only a few of the areas that have been hit by tariffs.

Also, many US companies are speaking against tariffs. A group of more than 600 companies and trade associations signed a letter addressed to President Trump asking him to end the ongoing trade war due to the negative effects the tariffs have had. Retailers such as Macys, Walmart and Target are worried about how tariffs may lead to job loss and produce an immense harm to consumers and the US economy. The letter informed that a 25% tariff on all Chinese exports as President Trump has threaten to do will possibly result in the loss of two million jobs as well as an increase on the cost of living for the families. Other companies such as Element Electronics have claimed that an increase in tariffs would have a negative effect to the one that the government announced since many companies, such as themselves would be forced to move their production offshore to avoid tariffs and remain productive and that would result in an immense loss of jobs. The Footwear Distributors and Retailers of America claimed that tariffs were a regressive tax on American citizens. That as prices go up due to the increase in tariffs, that increase will be passed on into the consumer. Therefore, tariffs won't be affecting the Chinese but the American citizens. The National Association of Manufacturers warned that tariffs are making US companies less competitive in the world markets. More tariffs make manufacturing in the US more expensive and less competitive to the rest of the world, forcing companies to move the production offshore.

Most economists in the world claim that tariffs are not a wise measure. Primarily because they raise the costs of imports for people and companies that need to buy certain products. And by reducing competitiveness, they allow producers to have leeway on their prices, something that sounds good for producers but bad for the consumers. The most affected by the rising costs as a result of tariffs are consumers and companies that rely on imported goods. An example of that is the American vehicle industries which due to the tariffs steel has in order to enter the country, has lost competitive advantage to companies on countries where steel doesn't have to pay any extra fees, therefore won't incur in over costs. Also, trade restrictions make an economy less efficient. That's because due to the less competition from abroad, local companies may lose the

incentive to increase efficiency and results. As explained earlier, tariffs by increasing the price of products make business less competitive, therefore affecting the consumer ability to pay and opening the door to possible unemployment. A clear example of what tariff generates goes back to 2002 when President George W Bush placed tariffs on imported steel. That year, that tariffs cost 200,000 American jobs. More recently, after both the initial 25% tariffs imposed to both US \$50 billion and US \$200 billion worth of Chinese exports to the US, US employment cut suffer a cut of 934,000 workers as well as a cost of US \$767 for an average family of four according to a study made by Trade Partnership. If the remaining US \$300 billion of China exports to the US were to be taxed, it would result in the loss of 2.1 million jobs in the US as well as an increase in the cost of living for an average family of four by more than US \$2,000 a year according to the previous study. Also, due to the loss of exports due to the tariffs that several countries have imposed against the US, the US government has had to give aids which add up to US \$16 billion to the agricultural area in able for them to subsist.

On the other hand, there are people who believe in the importance of tariffs. Trump has argued that tariffs will bring jobs back to the United States. Also the amount of tax money the US government has perceived over the last year has been an unprecedented amount and any good deeds can be done with it. Also the steel tariffs have enabled steel makers to recover from the devastating impacts they had been suffering over the last few years.

The ongoing trade war has global effects on many countries that are not even part of the victims of the tariffs. That's because since the two main countries involved in the trade war are the two major economies, many allied countries of either one of them are dependent to either US exports to China or China exports to the US.

Industries Most Exposed to U.S. Exports
Share of 2015 industry output dependent on U.S. exports to China
■ Top affected industry

Rank		⚡	⚙️	🏠	🏡	💻	👕	✈️	🌐	🏭	🚢	📦	🏢
1	United States	2.53	2.52	2.39	3.63	5.06	3.11	4.53	4.40	0.85	2.06	0.83	0.32
2	Canada	1.11	0.86	0.42	0.95	0.25	0.25	0.27	0.49	0.20	0.21	0.09	0.02
3	Mexico	0.51	0.45	0.23	0.87	0.66	0.12	0.28	0.85	0.08	0.21	0.05	0
4	Ireland	0.15	0.12	0.17	0.15	0.09	0.07	0.02	0.27	0.06	0.07	0.08	0.01
5	Saudi Arabia	0.26	0.03	0.04	0.04	0.01	0	0	0.01	0.01	0.01	0	0
6	Taiwan	0.10	0.14	0.14	0.32	0.16	0.04	0.09	0.19	0.07	0.09	0.04	0.01
7	Singapore	0.05	—	0.15	0.10	0.16	0.03	0.13	0.17	0.06	0.08	0.07	0.01
8	Colombia	0.54	0.30	0.05	0.39	0.06	0.05	0.02	0.07	0.10	0.05	0.03	0.01
9	Malaysia	0.04	0.07	0.11	0.15	0.26	0.03	0.03	0.24	0.05	0.08	0.03	0
10	Chile	0.07	0.24	0.12	0.08	0.04	0.11	0.03	0.07	0.08	0.06	0.03	0.01

Note: Data reflects each industry's share of gross value added exposed to bilateral U.S.-China trade.

Industries Most Exposed to Chinese Exports

Share of 2015 industry output dependent on Chinese exports to the U.S.

■ Top affected industry

Rank													
1	China	4.71	4.99	5.28	5.44	11.97	4.15	4.37	4.70	6.34	5.19	2.36	0.68
2	Taiwan	1.35	1.14	2.19	2.42	5.81	0.67	0.11	0.50	0.97	1.75	0.46	0.14
3	South Korea	1.03	1.08	1.32	1.36	4.36	0.48	0.24	0.56	0.56	0.91	0.32	0.07
4	Malaysia	0.57	1.25	1.01	1.29	3.87	0.25	0.15	0.62	0.54	0.93	0.28	0.04
5	Singapore	0.57	—	1.07	1.18	3.14	0.30	0.23	0.65	0.63	0.69	0.58	0.12
6	Thailand	0.50	0.51	0.91	1.14	3.21	0.26	0.09	0.34	0.33	0.58	0.20	0.03
7	Chile	0.43	2.58	0.38	0.37	0.21	0.31	0.03	0.30	0.67	0.34	0.17	0.04
8	Philippines	0.29	1.33	0.42	0.54	4.21	0.06	0.12	0.35	0.20	0.56	0.18	0.03
9	Vietnam	0.65	0.53	0.61	0.66	1.69	0.47	0.09	0.36	0.32	0.45	0.17	0.04
10	Saudi Arabia	0.90	0.41	0.68	0.92	0.01	0.02	0	0.01	0.04	0.18	0.03	0

Note: Data reflects each industry's share of gross value added exposed to bilateral U.S.-China trade.

An escalation of the trade war would be very dangerous since it could start impacting foreign exchange markets due to several reasons. Also, if tariffs eventually expanded and covered all trade between the US and China, markets would slump in response and the global GDP would take a US \$600 billion loss in 2021. Also consumers all around the world would be heavily affected since as tariffs rise, the prices of products also rise and they would be the ones to pay for that difference. Millions of people would lose their employment due to the movement of companies offshore as well as due to the closing of several companies who would eventually go broke due to the vast quantities of the tariffs.

More preoccupying is the fact that this trade war could be the start of the Third World War. As a French Economist named Frederic Bastiat used to say “When goods do not cross frontiers, armies will”, it is not deranged to think that something way bigger could arise from our current commercial clash. This current US-China trade war is also accompanied by strong geopolitical tensions between the world’s largest economies who recently have had discussions regarding maritime issues in the South and East China Seas, as well as in Taiwan. The current US-China competition is not only an economic competition but a fight for who get to own the supremacy of the 21st century and the search for power may result in unprecedented actions. Both previous World Wars had big trade wars as part of their causes, will this time be different?

iii. Key points of the debate

- Trade War effects
- Positive and Negative aspects of a trade war
- If so, what can be done to prevent them

- Solutions for current and future trade wars
- Impacts of the Trade War in the world's economy (Including countries who aren't involved in it)

iv. Participating Organisms

- World Trade Organization (WTO)

v. Guiding Questions

- How do tariffs affect trade?
- Has your country been involved or affected by the ongoing trade war? If so, how?
- What are the positive and negative effects of a trade war?
- Are trade wars positive or negatives for your country?
- Is it viable to have an ongoing trade war?
- What this trade wars have caused in the global economy?
 - How dangerous is it?
- Is economic liberalism in danger due to protectionist behaviours by some governments?
- What global resolutions can be achieved to end/prevent the ongoing and future trade wars?
- What solutions does your country propose to avoid future trade wars? (If the country is against them)

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5. Topic 2: Combating terrorism financing methods

i. History/Context

According to the Oxford online dictionary, terrorism is “*The unlawful use of violence and intimidation, especially against civilians, in the pursuit of political aims.*” Terrorism may be commonly misinterpreted as being an idealism like communism or capitalism, but it is actually a tactic to achieve a certain objective. According to Georgetown professor Audrey Cronin, terrorism is a strategy regularly used in asymmetric power struggles which involve a smaller, weaker group attacking a stronger one, usually a nation. Attacks on civilians, the usual targets of terrorism, are regarded as being asymmetric warfare.

Some of the principal causes for terrorism are: social, economic and political unfairness; extreme idealism; religious beliefs; and warfare between races. Some examples of these are the Irish Republican Army and the Palestine Liberation Organization, which are cases of ethnically based separatist movements. The former drug cartel of Medellin is considered narco-terrorism because they combined drug trafficking with terrorism tactics in an attempt to intimidate the Colombian Government and population. Movements led by the FARC are examples of terrorism inspired by a socioeconomic doctrine, in this case communism. Al-Qaeda and ISIS are two groups that justify their actions as part of a crusade against nonbelievers, ISIS, specifically with the goal of establishing a Caliphate (Islamic-ruled state).

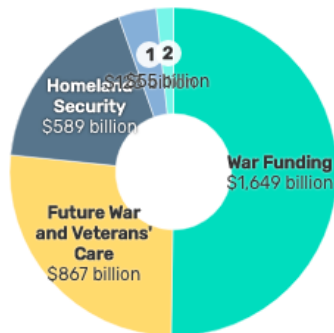
Each group’s actions depend on their objective, some adopting reactionary perspectives aimed at resisting or stopping social, economic or political changes. Others adopt a revolutionary doctrine in order to provoke change. A study based on 500 former members of various extremist movements in Africa concluded that over half of the people surveyed joined these organizations because they perceived that their religion was being threatened. They also expressed that low levels of trust in government institutions and high levels of animosity towards the police, politicians and the military motivated them to join these movements. Another study of al-Shabaab members from Kenya found that 97% of respondents claimed their religion was under attack and 65% responded that they had joined in response to the Kenyan Government’s counter-terror actions.

Although terrorism may be seen as an initiative towards change, it happens to be an initiative which causes severe consequences and repercussions in many aspects around the world. Firstly, if we focus on the economic effects, we can see the catastrophic damage caused both in the short term and in long-term situations. Examples of these effects are the destruction of existing power plants, machines, transportation systems, workforce, workplaces, infrastructure and other economic resources. Large scale attacks, such as the one on the World Trade Center on Sept. 11, 2001, caused a

tremendous drop in the DOW index of 700 points, which deepened the 2001 recession and, as shown in the chart below, cost the United States \$3.3 trillion dollars.

Cost Of 9/11 Attacks To The U.S.

Al Qaeda spent roughly \$500,000 to plan and execute the 9/11 attacks. The New York Times estimates that the attacks cost the U.S. \$3.3 trillion in the following areas.



1 Economic Impact 2 Toll and Physical Damage

Chart: The Balance • Source: [The New York Times](#)

Also, terrorism increases uncertainty in the markets and, as a result, the stock market has a greater volatility, and the rates of international investment and cooperation decrease. Insurance, trade, tourism and FDI (foreign direct investment) are also negatively affected. An example of this is France, where tourism accounts for approximately 7% to 8% of the GDP. Vanguelis Panayotis, a director of MKG tourism consultancy, said that he expected a 30% decline in visitors to France in the month after the Nice attacks.

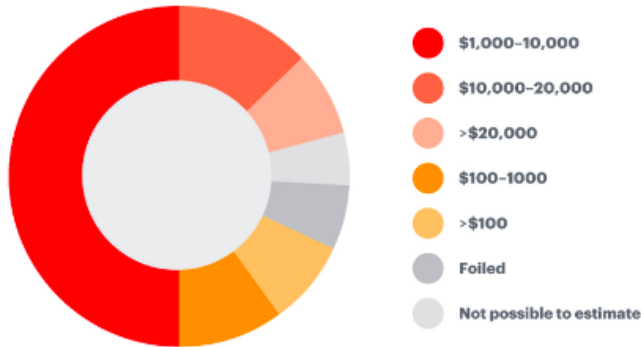
FDI is compromised by the instability of trade routes, distribution systems and initiative to invest, especially in unstable countries. Finally, the increased nationalism and foreign scepticism reduces the size and diversity of economic transactions and limits productive success. When national economies limit themselves, they exclude foreign producers and consumers. From a humanitarian point of view, the targeted populations are victims of the atrocious acts committed by these belligerent groups aimed at provoking fear and devastation. Terrorism not only threatens human rights in every aspect, it also leaves physical and psychological traumas that may be permanent.

The financing of terrorist groups is fundamental in order for the successful execution of their attacks. Costs associated with travel/transport, communication, storage, acquisition of weapons and bomb-making materials, as well as preparations and the highly strategic planning and implementation of the attacks, need substantial financial support. For example, the 9/11 attacks required approximately US \$400,000 to \$500,000 dollars' worth of preparations. Other more common, low-cost attacks like the 2004



EUROPE

Cost of terror attacks, 1994-2013



Source: Norwegian Defence Research Establishment

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Madrid train bombings were estimated to have cost US\$10,000. The failed 2007 London car bomb attacks cost about US \$14,000.

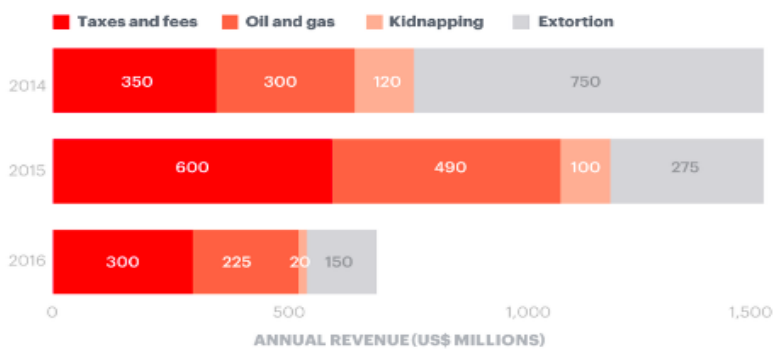
According to the Global Terrorism Index, ISIS, the wealthiest terrorist group, had an estimated annual revenue of \$2 billion dollars due to a solid funding structure based on oil

smuggling, kidnapping and extortion. Oil smuggling was producing \$1.3 million dollars per day.

Taking into account the extravagant costs of terrorists actions mentioned above, there are many financing methods that are used in order to obtain the necessary economic resources. Some examples of the wealthiest terrorist groups in history, their revenues and the ways in which they obtain their capital are described below.

ISIL REVENUE

Estimated revenues, 2014-2016



Source: IEP estimates

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ISIS: Occupies large amounts of territory in Syria and Iraq. It obtains its income from the sale of weapons, theft, looting of the places it occupies, the collection of ransoms and the smuggling of oil. Its fortune is estimated at \$2,200 million dollars.

FARC: The Revolutionary Armed Forces of Colombia (FARC) obtained 78% of their resources from drug trafficking. They earned millions of dollars a year due to the sale of drugs. Among their other sources of funding were kidnappings, extortions and cattle theft. It was said that they had an approximate fortune of around US \$1,000 million dollars.

IRA: The Irish Republican Army is one of the largest money-laundering organizations in Europe, with a large number of companies throughout the United Kingdom that are used to finance their activities. For this reason, they obtain benefits in excess of \$450 million per year.

Taliban: They operate in Afghanistan, and get about \$400 million dollars a year from the sale of drugs. In addition, they increase their wealth due to their participation in human trafficking and extortion. They also receive donations from Islamic organizations and other countries, specifically from Gulf States.

Al-Qaeda: This terrorist organization is connected to dozens of other groups and controls the cash flow. Thanks to weapon trafficking, donations, kidnappings and extortion, it makes up to US \$100 million dollars per year.

Since most of this money is obtained through illegal means, in order to legitimize it and make use of it terrorist organizations have to “clean” their money through money laundering schemes. Money laundering is the process of disguising the proceeds (money obtained) from crime and integrating it into the legitimate financial system. Before this income is “laundered” it is difficult for criminals to make use of their money since the origin of those resources is questionable -it is not easily admitted into the financial system and it becomes easier to trace it back to the crime. After being laundered, the money that was earned through illegal activities and was considered “dirty” is no longer “dirty” and can be used in the legitimate financial system without raising any alarms.

There are many ways to launder money, but there are three principal stages. First, the placement, which is the entry of illicit money into the financial system. Then comes the layering, which is separating the funds from their source, commonly using anonymous shell companies. Finally, the integration, which is when the money is returned to the criminal from a legitimate-looking source. When money is being laundered it has to go through many banks, therefore these take certain precautions, such as monitoring transactions and reporting any suspicious activity to SAR. In extreme cases, financial institutions may even refuse to do business with suspicious clients.

Trade Based Money Laundering (TBML) is a more sophisticated way to legitimize illicit proceeds. This crime includes various schemes in order to complicate the documentation of legitimate trade transactions and consequently make it harder to trace the money back to its illegitimate source. These actions involve moving illicit goods, falsifying documents, misrepresenting financial transactions, and over or under-valuing the price of goods.

ii. Current Situation

In order for terrorism to occur, there needs to be a certain form of financing in order for the activities to take place. There are many forms of financing available to terrorist

organizations depending on the geographical regions they are located, their culture or their abilities and capacities.

Drug production is directly linked to terrorism. In 2010, the Department of Justice (DOJ) of the United States reported that 29 of the 63 international drug syndicates had direct association with terrorist groups. This is shown in the links the FARC or the ELN had in Colombia to the drug business, or the links in Afghanistan and Pakistan with the Taliban's heroin business. In Colombia and Peru, where there are significant crops of coca leaves (the basis of cocaine) terrorist organizations have participated in the drug business either by guarding the fields and laboratories, requesting taxes for protection or producing and exporting those substances. It was due to the money that they earned from these activities that several groups were able to fight the governments and cause serious problems to each country's security.

In the Middle East, a region which produces the majority of the heroin that is sold around the world, terrorist groups such as the Taliban and Al Qaeda have been linked to drug trafficking. According to a UN report published in 2017, armed groups raised about US \$150 million dollars in 2016 by placing taxes on the cultivation of poppies, as well as by being involved in the trafficking of opiates. Another example of the relationship between drugs and terrorism is present in North Africa. Since 2014, the Islamic State, also known as ISIL or ISIS, has profited from the taxes they impose on the drugs that pass through Libya while on route to Morocco and later to Europe. Also, there have been alliances between members of the Italian mafia with the Islamic State to smuggle cannabis into Europe. ISIL, by controlling various ports in Northern Africa, is sending the drug to their colleagues in Europe. This allows them to benefit from the illegal drug trade business which produces more than EU \$32 billion for the Italian Mafia. The 2004 Madrid Train bombing, which left 206 victims, was financed with money that came from the illegal trafficking of cannabis resin, also known as hash. These are just a few of the many cases in which drugs have financed terrorist attacks.

There are four principal ways in which terrorist organizations benefit financially from Illicit mining and natural resource extraction. First, when terrorist groups directly control and operate the mine locations or have connections with local mining companies. They also issue unofficial mining and oil licences to local producers. Second, the supply of goods and services for extraction and trade, which is when some groups get directly involved in the financing of operations and the supplying of equipment, goods and services for extraction, as well as the trade of minerals and oil. This may also be a way to launder the proceeds of unrelated crimes. Third, trading that includes the transportation and smuggling of a natural resource that is in high demand and heavily regulated and, when imported legally, is very profitable. They regularly use the same networks used for trafficking of weapons and people. And lastly, the commercial aspect,

where terrorist groups introduce the illegally extracted or stolen minerals into the legitimate market through refiners that make the natural resource suitable for trade.

Kidnapping and human trafficking are means to raise funds for terrorist purposes. Examples of this are: organ trafficking by ISIS; Boko Haram's use of child beggars for fundraising; the abduction and kidnapping of Eritrean migrants in Libya; the abduction of Yazidi women by ISIS for sexual exploitation, forced marriage and slavery; and the abduction of girls by Boko Haram. Terrorist groups take advantage of the vulnerable states of refugees, migrants, and populations of underdeveloped countries for the purposes stated above. In many kidnapping cases, people are held in terrible conditions in exchange for a ransom, whilst in the case of refugees, their documents are taken from them as a form of leverage. Human trafficking and kidnapping does not only bring financial benefits for the terrorist organizations, but it also helps them to recruit new members, as well as acquiring people doomed to sex slavery or forced labour.

Over the last 60 years, Colombia has faced a tough war against terrorist guerrillas, paramilitaries and drug traffickers. Between 1958 and 2018, more than 260,000 people died as a result of the war that was fought between the government, several guerrilla groups and paramilitary organizations. Also, more than 40,000 people died as a result of the war that drug traffickers fought amongst themselves and against the government. All of these organizations were financed through illegal means, and that is how they were able to profit and fight for extensive periods of time. Due to Colombia's topography, climate and geographical location, it has become a key place for drug trafficking and production. Colombia is the main cocaine producer in the world, as well as a significant producer of both marijuana and opium. It is through the sale of these substances that most of the illegal terrorist groups finance their belligerent activities. Currently Colombia is facing a tremendous increase in cocaine production. During the last 5 years, the production of coca leaves (the raw material for cocaine production) has tripled. By 2017, Colombia had more than 209,000 hectares of coca leaves planted all over the country. This resulted in the production of more than 900 tons of cocaine that were exported all over the world. These are record productions in Colombia's history. All of this production is owned and managed by illegal organizations such as several drug cartels, paramilitary groups, as well as various guerrilla organizations. It is with this money that these groups are able to finance their terrorist activities as well as buying the necessary materials for their group and paying their members. Illegal groups are also linked to kidnappings and illicit mining. Even though kidnapping for profit isn't as common as it was during the last years of the 20th Century and beginning of the 21st Century it still happens, especially in the rural regions of the country. Also, illegal mining has recently become an important source of finance due to the vast amount of resources (gold, silver) that are available throughout Colombia and the lack of a government presence in many of those areas. Criminal organizations are either running illegal mines or taxing them, resulting in an increase in deforestation as well as the creation of

environmental problems due to their lack of precautions during the extraction and cleaning process.

Both of these issues are being addressed by the Colombian Government, yet a definitive solution is very hard to reach. The drug issue it is very complicated to combat since it is very hard for the Government to manually eradicate the thousands of hectares of crops without the help of aerial aspersion of certain chemicals such as glyphosate. Added to that, even though the Government makes a lot of effort to capture all of the drugs leaving Colombia, it needs other nations to help in discovering these illegal shipments. If the demand problem isn't addressed in the countries who consume the most, there will always be a supply for that demand. Another problem is the people in rural areas who grow those crops instead of other legal crops; legal crops do not always give them the necessary resources they need to live on or the commercialization of legal crops is too difficult. Illegal mining is also a result of the State having no major presence in some areas of the country which are difficult to access. It is when there are major governmental investigations that illegal mining areas are discovered and sanctioned.

Currently Nigeria is also facing a problem of terrorism due to the immense growth of Boko Haram in recent years. It is a group that claims to be committed to the propagation of the Prophet's teachings and the Jihad. The group came into existence in the mid-1990s yet their first known attack wasn't until 2002. From that moment until today the group has gotten stronger, bigger, and has gained more military capacity. Its main financing method is kidnapping. Over the last few years they have abducted hundreds of school girls to possibly sell them as brides. Also, they have kidnapped both local and foreign government officials, as well as tourists and business people, in exchange for a ransom. This terrorist organization gains some of its resources through robbery, extortions, taxes and protection money. Also it has been determined that the group receives money from other terrorist groups, although it is not clear from whom or how much money they receive in this way.

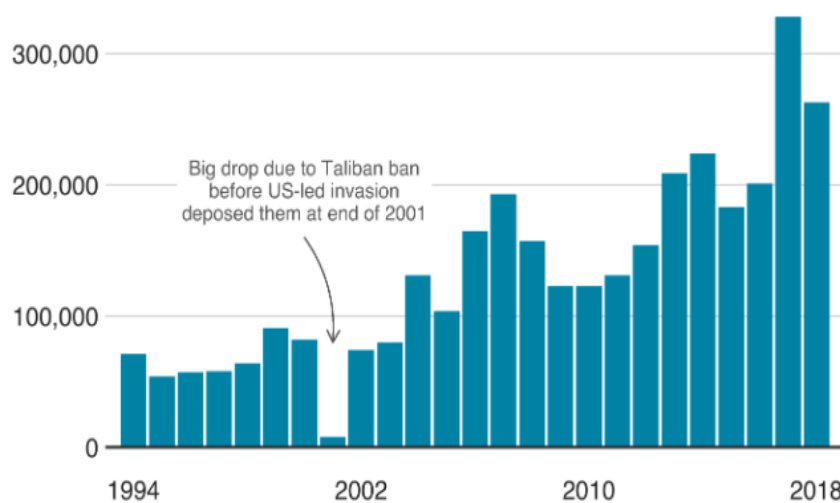
Since the end of the last century, Iraq has been a stronghold for several terrorist organizations, and the capacity of those groups has strengthened since the US invasion of Iraq in 2003. Currently, the strongest terrorist group in Iraq is the Islamic State of Iraq and al-Sham (ISIS). This group has even taken control of some of the most important towns in Iraq and Syria. In order to finance their activities and pay the salaries of their combatants, the group has gained substantial wealth. This group primarily achieves its financing through private donations, extortion, kidnapping, robberies, counterfeiting, smuggling and racketeering. Also, over the last few years, they have invested in and created legal businesses, which allow them to receive money from legal companies. Lastly, one of its main sources of income is oil. Throughout their time fighting they have taken control of dozens of oil fields, from which they receive huge revenues. In 2015, ISIS had revenues of around US \$40 million a month from the sale of oil and refined oil

products. ISIS used to, and still does in a smaller way, control the petroleum infrastructure in some parts of Iraq, Syria and Libya. However, in order to profit from that oil, and since they are banned from exporting it to the western countries and their allies, they are forced to sell barrels of oil at a low price to a variety of traders and intermediaries in their domestic markets, as well as to adversaries such as the Kurds in Iraq.

Afghanistan has been the primary location of various powerful terrorist groups, principally the Taliban. Because of the presence of these terrorist organizations, Afghanistan and its people have been victims of violence and have encountered an endless conflict. In Afghanistan, terrorist groups such as the Taliban, with an estimate of 60,000 fighters, take advantage of the vulnerability of the people, who are used for human trafficking, as well as being recruited against their will. The cultivation of the poppy/opium is controlled by the Taliban. This creates immense profits for the organization since they impose taxes on many stages of the process, but principally in the cultivation, where a 10% cultivation tax is collected from the opium farmers, as well as from the processing labs and traders who smuggle the illicit drugs. The Taliban have also taken control of mining locations and extorted money from ongoing legal and illegal mining operations; in 2014 they received more than \$10 million dollars from this, and currently they receive \$50 million dollars annually from mining all over the country. Foreign funding also contributes significantly to the financing of the Taliban. This comes principally from the Gulf States, such as Saudi Arabia and Qatar, but also from Russia, Pakistan and Iran which, according to experts and officials, could be as much as \$500 million a year.

How Afghan opium poppy farming has grown

Cultivation in Afghanistan in hectares (1994-2018)



Source: UNODC / Afghan government opium surveys

BBC

Terrorist organizations need money to operate, otherwise they will not be able to purchase weapons, equipment, supplies or services needed for their actions. Their sources of money may be both licit or illicit by receiving both donations and being part of criminal activities. Therefore, one way of fighting terrorism is to attack its financing capacities since a group without the necessary resources will be incapable of performing their terrorist actions. The financing of terrorism can be fought either by combating the methods the use to transfer money, as well as by affecting their funding sources such as drug trafficking and human trafficking.

The Financial Action Task Force (FATF) is the global standard-setting body for anti-money laundering and combating the financing of terrorism. It works closely with the IMF, the World Bank, and the United Nations. The FATF Recommendations are recognised as the global anti-money laundering (AML) and counter-terrorist financing (CFT) standard. Since we are focusing on terrorist financing, we will only focus on the CFT standard, although it is important to take into account that money laundering and terrorist financing are connected because when law enforcement is able to detect and prevent money laundering activities, it is regularly simultaneously preventing those funds from being used to finance terrorism. Therefore, combating money laundering is key to CFT. The CFT process includes, “investigating, analysing, deterring and preventing sources of funding for activities intended to achieve political, religious or ideological goals through violence and the threat of violence against civilians. By tracking down the source of the funds that support terrorist activities, law enforcement may be able to prevent some of those activities from occurring. Instead of trying to catch a criminal plotting or committing an act of terrorism through other means such as surveillance, law enforcement addresses the problem from the money side by detecting suspicious financial transactions and tracking down all the individuals and organizations involved in those transactions.” (<https://www.investopedia.com/terms/c/combating-financing-terrorism-cft.asp>).

A process known as counter financing of terrorism is used by the CFT to stop and prevent the financing of terrorism. This is done by teaching financial investigative techniques to law enforcement agencies, teaching prosecutors how to win money laundering cases, and training financial supervisory and regulatory authorities to identify suspicious activity. Other actions may also include examining charities, underground banking entities and registered money service businesses. Finally, the CFT creates standardized procedures for the financial sector, the criminal justice system and certain businesses and professions, in order to easily identify terrorism financing and, furthermore, know how to act.

Another form of affecting the financing of terrorism is by preventing them from achieving resources that come from illegal activities. This means working to prevent terrorist organizations from receiving funding from the drug trafficking business, the

human trafficking business, illegal mining and piracy, among others. Even though this is very hard to achieve, since it is something that governments attempt to do on a daily basis with little success at times, efforts need to be reinforced in order to reduce the action capacity of terrorist groups. In countries with high amounts of drug production, enormous efforts to diminish the size of the crops need to be made. This can be achieved both through eradication campaigns using aspersions of chemicals to kill the crops as well as by promoting a change in crops. Many of the farmers that grow both coca plants and poppies in Colombia and Afghanistan/Pakistan do it since it is the only crop that can give them the resources they need for subsisting. If they planted another crop they probably would not earn enough money to live due to the low prices that are paid for agricultural production in many rural areas as well as sometimes the difficulties to sell the product. Therefore, they know that by growing those crops they will always have buyers. Then in order for reducing the amount of crops and consequently the amount of drugs, governments need to assure many farmers that if they change crops they will receive some sort of support to prevent them from going back to those illicit crops again. Also there needs to be an increase in efforts by security agencies to attempt to capture more shipments of drugs and that would prevent terrorists from receiving profits. Lastly, even though harder to achieve, a decrease in drug consumption would hurt harshly producers. If demand is decreased, then there will be less supply of the drugs resulting in less resources for the traffickers.

Regarding human trafficking, it is very hard to address the issue of why people are put in a vulnerable situation. It would be impossible to prevent people from being in a vulnerable situation since that would require the end of political conflicts, wars and poverty. Yet, the issue can be addressed if when in needed help will be given to people in vulnerable situations. This means that when a conflict arises, the international community will help refugees and that can prevent them from either becoming members of a terrorist organization as well as prevent them from being trafficked. Regarding other aspects such as maritime piracy, contraband, copyrights piracy, illegal mining, work has to be done on various aspects to decrease its occurrence consequently diminishing the amount of resources terrorist organizations can earn from this illegal business.

Also there is a need for a greater control in preventing either governments or private businesses from providing resources to the terrorist organizations. Threats on sanctions to those who have business with terrorist groups should be enforced globally since terrorism is a problem that has no borders and can affect any country. That would prevent many companies to buy oil that is being sold by terrorist organizations, therefore affecting the terrorists' monetary capacity. There's also the need to an increase in the freezing of assets from terrorist groups to slow the flow of funds. Also, some countries have called upon an improve in transparency in the ownership of companies and trusts, more checks on risky development countries, among others.

iii. Key points of the debate

- The effects of terrorism effects in your country and the world
- Terrorism financing methods
- Preventing the financing of the terrorist groups
- Effect of countering the financing methods

iv. Participating Organisms

- Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT)
- World Bank WB)
- Financial Action Task Force (FATF)
- United Nations (UN)
- United Nations Office on Drugs and Crime (UNODC)
- Drug Enforcement Agency (DEA)

v. Guiding Questions

- Is your country affected by terrorism in any way?
- How does terrorism negatively affect the worldwide economy?
- How has your country contributed to stop or prevent terrorism? What measures has it taken?
- What are the main ways in which terrorism has been financed in your country?
 - Ex: drug trafficking, piracy, contraband
- What does your country propose in order to stop terrorism financing? What types of sanctions can be imposed?
- How can combating the financing of terrorist groups be an effective counter terrorist measure?

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