

**ECOFIN**

**MUN BRIEFING PAPER**

**The Question of De-dollarisation and the Regulation of World Trade**

Hello delegates, my name is Aaryan Dhanani and I will be chairing the ECOFIN Committee alongside Avi Dodhia and Zain Hemani at HabsMUN 2024. I am optimistic that, like in previous years, we can make this experience equally enjoyable and powerful. It's a pleasure to welcome both seasoned and first-time delegates to join us for engaging debates. Should you have any questions or concerns regarding MUN or our topics of the upcoming debate, feel free to reach out via email at dha001@habsboys.org.uk

**What do you need to do prior?**

As a form of introduction on your country’s stance on the topics we require the production of a position paper. A position paper should be a 50-100 word summary on your agenda for the debate. Remember that if your country has a GDP of $1000 then for the majority of the population cryptocurrencies will be unattainable! As well as this we advise creating at least one resolution paper on what your country strives to do about the selected issues. These really enhance the whole experience and create a more realistic conference, as to why we urge you to write one. Your resolution papers can be brought with you on the day, but it would be incredibly helpful if you could also send a copy of your resolutions before the debate. You will already have been sent advice from the Sec-Gens on how to do so.

**Background Information**

The question of de-dollarisation and the regulation of world trade pertains to the examination of the global reliance on the United States dollar (USD) as the dominant currency in international trade and financial transactions. De-dollarisation involves efforts by countries to reduce their dependence on the USD, while the regulation of world trade focuses on establishing a more equitable and inclusive framework for international commerce.

The U.S. dollar has long served as the primary reserve currency and a key medium of exchange in international trade. Many commodities, such as oil, are priced and traded in USD, contributing to the currency's widespread use. However, concerns and debates have arisen about the implications of this heavy reliance on the USD and its potential impact on global economic stability and fairness.

De-dollarisation efforts may involve diversifying foreign exchange reserves, exploring alternative currencies, or even establishing new regional or global currencies. Countries engaging in de-dollarisation seek to mitigate the risks associated with fluctuations in the value of the U.S. dollar and reduce their vulnerability to U.S. monetary policy.

The regulation of world trade in this context addresses the need for a more balanced and transparent international trade system. This includes discussions on reforming institutions like the International Monetary Fund (IMF) and the World Trade Organisation (WTO) to ensure that the rules of global trade are fair, inclusive, and reflective of the interests of a diverse range of nations.

Factors driving the question of de-dollarisation, and the regulation of world trade include geopolitical shifts, concerns about economic sovereignty, and a desire for a more multipolar and resilient global financial system. Addressing this question involves exploring the potential benefits and challenges associated with reducing the dominance of the U.S. dollar and reshaping the structures that govern international trade.

**Writing your Resolution:**

If you want to make an effective resolution under this topic, consider the following points:

**Low Income Country:**

Low-income countries are disproportionately affected by the dominance of the U.S. dollar in global trade. De-dollarisation can help mitigate currency-related risks and create a more stable and predictable trading environment.

De-dollarisation can encourage the establishment of mechanisms that facilitate the use of diverse currencies in international trade, reducing dependency on a single currency and promoting financial stability.

Access to trade finance is a significant challenge for many low-income nations. The resolution should address the need for international financial institutions to provide affordable and accessible trade finance facilities in local currencies, reducing the reliance on foreign currencies.

Advocate for increased support and technical assistance programs to help low-income countries develop the necessary infrastructure and capacity for conducting trade in their local currencies.

Strengthen cooperation between developed and developing nations to bridge the knowledge gap and build the expertise required for effective de-dollarisation.

Emphasise the importance of fair and equitable trade practices. Propose measures that prevent the exploitation of low-income countries in trade agreements, ensuring that they are not disproportionately affected by currency fluctuations or unfair trade terms.

Call for the enhancement of multilateral cooperation in regulating world trade, emphasising the importance of inclusive decision-making processes that take into account the interests of all nations, regardless of their economic status.

Highlight the role of de-dollarisation in reducing the debt burden on low-income countries. Advocate for debt relief initiatives and financial inclusion measures that empower these nations to participate more actively in the global economy.

**High Income Country:**

Emphasize the stability that the US Dollar has historically provided to global trade and investment.

Argue that the widespread use of the US Dollar as the primary reserve currency has contributed to a sense of stability, making international transactions more predictable.

Highlight the role of the US Dollar in facilitating liquidity and efficiency in global financial markets.

Point out that the wide acceptance of the US Dollar reduces transaction costs and makes international trade more efficient.

Argue that having a dominant reserve currency helps mitigate exchange rate risks for businesses engaged in international trade.

Emphasize that a shift away from the US Dollar could introduce uncertainties and risks, potentially harming economic stability.

Discuss how the status of the US Dollar as the primary reserve currency attracts global investments, contributing to economic growth.

Argue that a move away from the US Dollar might lead to a re-evaluation of investment portfolios, potentially impacting capital flows and economic development.

Advocate for strengthening international institutions like the International Monetary Fund (IMF) to address concerns related to the concentration of power in a single currency.

Propose reforms to make international financial institutions more inclusive and representative.

Suggest that any move towards de-dollarization should be gradual and well-coordinated to avoid market disruptions.

Emphasize the need for international cooperation to develop a framework that ensures a smooth transition without causing economic shocks.

Remember to produce a resolution and a position paper of roughly 100 words to inform your country’s stance on this Question. There are many more things you can discuss - explore as much as you can and have fun with it!

**Further Reading**

[The Dollar Still Dominates, but De-dollarization Is Unstoppable (internationalbanker.com)](https://internationalbanker.com/finance/the-dollar-still-dominates-but-de-dollarization-is-unstoppable/)

[De-dollarization: The end of dollar dominance? | J.P. Morgan (jpmorgan.com)](https://www.jpmorgan.com/insights/global-research/currencies/de-dollarization)

[Why Countries are Accelerating ‘De-Dollarization’? - Modern Diplomacy](https://moderndiplomacy.eu/2023/05/16/why-countries-are-accelerating-de-dollarization/)