



**Economic and Financial Affairs  
Council (ECOFIN)  
Chair Letter**

## DEAR DELEGATES,

Welcome to the Economic and Financial Committee at CNYMUN 2026! We are thrilled to have you in our committee. Your chairs this year will be Claire McDonald and Henry Will.

## ABOUT THE CHAIRS:

Claire is a Senior at Fayetteville-Manlius High School. This is her fourth year of MUN and second time chairing CNYMUN! When not doing MUN, Claire runs cross country and track. She also loves to bake, spend time with her friends, and her dog, Mac, and listen to music, especially Noah Kahan and The Lumineers.

Henry is a Junior at Fayetteville-Manlius High School. This is his 3rd year of Model UN and first time chairing. Outside of school Henry loves to play golf. He often volunteers at local CNYPGA events. Henry loves the outdoors and can often be found hiking and camping whenever not golfing.

## INTRODUCTION TO THE COMMITTEE:

The Economic and Financial Committee (ECOFIN) is the second committee of the United Nations General Assembly. Founded in 1945, the ECOFIN serves as a forum for all 193 member nations to work on problems such as macroeconomic policy, financing for development, sustainable development, globalization and interdependence, eradication of poverty, agriculture development, and food security and nutrition.<sup>1</sup> The ECOFIN also collaborates with non-governmental organizations (NGOs) such as the International Monetary Fund and the World Bank to work on projects in crisis-affected areas.<sup>2</sup> In general, delegates in the ECOFIN must collaborate strongly with each other to keep the world economy stable, and help those in need.

Your topics for the Economic and Financial Committee at CNYMUN 2026 will be:

<sup>1</sup> "Economic and Financial Committee (Second Committee)." *United Nations*, [www.un.org/en/ga/second/index.shtml](http://www.un.org/en/ga/second/index.shtml). Accessed 22 Aug. 2025.

<sup>2</sup> "Collaboration and Engagement." *World Bank*, [www.worldbank.org/en/about/annual-report/collaboration-engage](http://www.worldbank.org/en/about/annual-report/collaboration-engage). Accessed 22 Aug. 2025.

1. Mitigating the Impact of Global Trade Tensions on the International Economy
2. Addressing the Global Economic Impact of Instability in the Middle East

## ABOUT THE CONFERENCE:

Keeping in line with CNYMUN tradition, all committees will follow Harvard style debate, meaning delegates are prohibited from using pre-written clauses and/or resolutions during committee. Doing so will make a delegate ineligible for awards. To be eligible for awards, delegates must submit a Georgetown style position paper per each topic, meaning that each topic should be one page, single spaced, with a font size of 12 in Times New Roman. Position papers should outline the stance of your delegation and demonstrate a comprehensive understanding of your topics. The use of AI is prohibited and will result in disqualification from awards. When deciding on awards, chairs will look favorably upon delegates who have put significant effort into preparation prior to the conference, collaborate with other delegates without being overbearing, remain within the bounds of their nation's policies, and encourage other's voices to be heard. CNYMUN committees are structured using a tiered structure, designating each committee as open, intermediate, or advanced. ECOFIN is designated as an **intermediate** committee. In turn, the Best New Delegate award will be offered to a first-time delegate in this committee.

Please share position papers prior to the start of the conference. The chairs' emails are listed below for you to contact about any research, position paper, or committee inquiries. It is recommended that all delegates share their position papers to both chair's emails, although chairs will ask for any hard copies of position papers at the start of committee session one if necessary.

We encourage you to scan our delegate preparation resources and award structure on [www.cnymun.org](http://www.cnymun.org). We wish you the best of luck and can't wait to see what you bring to CNYMUN 2026!

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## TOPIC 1: MITIGATING THE IMPACT OF TRADE TENSIONS ON THE INTERNATIONAL ECONOMY

The global economy and supply chain act as the lifeblood of our interconnected world. From raw materials to manufactured products, the amount of products shipped around the world has only continued to climb, with U.S. parcel volume reaching 22.37 billion in 2024.<sup>3</sup> However, relations between nations, as well as nations' internal affairs, are often fragile and rapidly changing, leading to tensions within the supply chain. Tariffs, trade wars, and protectionist policies all threaten the stability and interconnectedness of international commerce. Keeping relations strong and the international economy running smoothly is critical to keeping the world in working order.

The world's trade tensions as they exist today are not entirely caused by geopolitical issues and are much more closely linked to domestic and structural issues. Current trade tensions exist mostly as rising disputes and trade wars. Tariffs and trade barriers are commonly used to protect domestic interests, but often cause long term issues like price increases and retaliatory measures. Many nations have internal imbalances that drive external imbalances.<sup>4</sup> For example, the United States' lack of domestic manufacturing, among other issues, has led President Donald Trump to enact tariffs on imported goods, raising consumer prices and throwing the global economy into chaos.<sup>5</sup> These tariffs are also highlighting a critical flaw in trade wars, as growth is expected to slow tremendously in the U.S. as private investment and consumer spending are hit by the effects of tariffs. Economies that rely on the United States, like those of Brazil and Mexico, will also see a slowdown, and a loss of confidence in an export-based economy will cause stagnation in China. Inflation is also greatly affected by trade

tensions, as barriers and issues cause global rises in prices. From UN Under-Secretary-General for Economic and Social Affairs, Li Junhua, "The tariff shock risks hitting vulnerable developing countries hard." Trade wars between just two countries can have devastating effects on all nations.<sup>6</sup>

New data puts this into perspective. The World Trade Organization estimates that global goods trade will fall by 0.2% in 2025, a seemingly small but actually large amount, and more than 3 percentage points below earlier estimates. With more tariffs from President Trump, North America will take a large hit in 2025, with imports expected to fall by 9.6% and exports by 12.6%.<sup>7</sup> In addition, the effective U.S. tariff rate stands at 15% as of June 2025, up from 2.4% in 2024 and the highest level since the Great Depression.<sup>8</sup> Trade policy uncertainty is now just as damaging as the tariffs themselves. Investments are being delayed by firms and supply chains are being completely restructured, causing a particularly strong impact on developing economies.<sup>9</sup>

Goeconomic tensions are seen as a top ten significant risk over the next ten years, and the widespread use of tariffs is becoming a growing threat to global trade and interconnectedness. Tariffs lead to price shock, the sudden and dramatic change in price of a product, and leading to a cost + tariff price on all goods affected. Tariffs can even harm exchange rates, which can lead to reduced purchasing power. They also affect companies' revenue and employment.<sup>10</sup> Tariffs lead to trade wars; trade wars

<sup>3</sup> "Parcel Shipping Index Report 2024." *Pitney Bowes*, Pitney Bowes, [www.pitneybowes.com/us/shipping-index.html](http://www.pitneybowes.com/us/shipping-index.html). Accessed 4 Oct. 2025.

<sup>4</sup> Pettis, Michael. "What Explains Today's Trade Tensions?" *Yale University Press*, Yale University Press, 6 June 2025, [yalebooks.yale.edu/2025/06/06/what-explains-todays-trade-tensions/](http://yalebooks.yale.edu/2025/06/06/what-explains-todays-trade-tensions/). Accessed 22 Aug. 2025.

<sup>5</sup> Clarke, Jannifer. "What tariffs has Trump announced and why?" *BBC*, BBC, 11 Aug. 2025, [www.bbc.com/news/articles/cn93e12rypgg](http://www.bbc.com/news/articles/cn93e12rypgg). Accessed 22 Aug. 2025.

<sup>6</sup> "Sudden Escalation of Trade Tensions Sends Shockwaves Through Global Economy." *UN News: Global Perspectives and Human Stories*, United Nations, 15 May 2025, [news.un.org/en/story/2025/05/1163301](https://news.un.org/en/story/2025/05/1163301). Accessed 22 Aug. 2025.

<sup>7</sup> Kundu, Rhik. "Tariff Tensions Threaten Global Trade Rebound, WTO Warns." *Mint*, Mint, 16 Apr. 2025, [www.livemint.com/economy/tariff-tensions-threaten-global-trade-rebound-wto-warns-11744810855634.html](https://www.livemint.com/economy/tariff-tensions-threaten-global-trade-rebound-wto-warns-11744810855634.html). Accessed 11 Nov. 2025.

<sup>8</sup> "Tariffs and Uncertainty Undermine Global Growth." *Atradius*, Atradius, [atradius.co.uk/knowledge-and-research/news/tariffs-and-uncertainty-undermine-global-growth](https://atradius.co.uk/knowledge-and-research/news/tariffs-and-uncertainty-undermine-global-growth). Accessed 11 Nov. 2025.

<sup>9</sup> "Uncertainty is the New Tariff, Costing Global Trade and Hurting Developing Economies." *UN Trade & Development*, UN Trade & Development, 1 Sept. 2025, [unctad.org/news/uncertainty-new-tariff-costing-global-trade-and-hurting-developing-economies](https://unctad.org/news/uncertainty-new-tariff-costing-global-trade-and-hurting-developing-economies). Accessed 11 Nov. 2025.

<sup>10</sup> Díaz, Marta P. "Rising Goeconomic Tensions: What Impact Do They Have on Global Trade?" *MAPFRE*, MAPFRE, 7 Feb. 2025, [www.mapfre.com/en/insights/economy/geoeconomic-tensions-global-trade/](https://www.mapfre.com/en/insights/economy/geoeconomic-tensions-global-trade/). Accessed 22 Aug. 2025.

can harm freedom of choice and have significant effects on consumers. Most nations that manufacture goods specialize in a certain sector, relying on imports to round out consumer options. Yet, trade wars can limit imports severely, harming the everyday consumer and reducing their options in the market. Tariffs especially have downsides, with two sides that cannot be successful simultaneously. Either a tariff will collect revenue for the government, which means that the goods are still being purchased and consumers are paying higher prices, therefore the tariff isn't doing its job, or the tariff will protect the sector and the government won't generate any money off of it. The people and the government cannot both win from a tariff. Some other large effects of trade wars and tariffs are in product quantity and quality. Products that consumers rely on will often be hard to obtain if their import numbers drop. This creates a market for knock-off products, overall reducing the quality available to consumers.<sup>11</sup>

Supply chain disruptions can have additional issues and risks associated with them. Recently, firms have seen logistics costs raise 10-15% due to uncertainties and tariffs. Data shows that just a 10% tariff on imported apparel can raise prices by 3-5%. Many international companies have seen rising prices and increased lead times as a result of tariffs and supply chain faults. Apple, which relies heavily on Chinese manufacturing, now plans to move 15-20% of its manufacturing to India and Vietnam by 2026 and has invested over \$1 billion in the project, all while seeing a 10% increase in lead times for one product. The Ford Motor Company, which imports steel and aluminum from China, has also seen significant strains from tariffs, adding \$500-1,000 to the cost of each vehicle produced. To avoid tariffs, the company looked to instead import from Mexico, but this strained logistics, with border-crossing-related trucking delays rising by 15%.<sup>12</sup> Moreover, companies across the globe have been forced to hold additional inventory in order to account for possible

delays, which increased an average of 21 days from 2018-2024 in the U.S. manufacturing market.<sup>13</sup> As companies and firms shift away from cost optimization, they focus more heavily on proximity and resilience. Trade is not simply reduced and damaged by tariffs, it is completely reshaped.

There are many ways to mitigate the impacts of trade wars and disputes, as well as ways to end the disputes altogether. One of the best options is to diversify imports and exports. Building trade relations with multiple countries adds redundancy to trade relations and can reduce dependence on a single nation. Regional trade agreements can also be impactful as they allow for close trade with neighbors and often foster more stable trade relationships. Nations should also look toward digital markets and e-commerce, which offer opportunities for improvement within the market. Arguably the most important option is to invest in domestic markets. This can help reduce reliance on protectionist measures.<sup>14</sup> Investing in healthcare, education, infrastructure, and improving financial sectors are other important measures that can help improve a domestic economy. Countries should also look to reform the World Trade Organization: for example, they can address and create regulations and guidelines on tariffs, e-commerce, and also help in managing trade disputes.<sup>15</sup> A governing body over international trade would reduce direct disputes between nations and create a mediator. Overall multilateralism and a focus on domestic economies is the brightest path to mitigating the effects of trade disputes.

Recent developments have put the world at a crossroads. The World Trade Organization's director, Ngozi Onkojo-Iweala, shared that trade conducted under the organization's Most Favored Nation terms is down from 80% to 72%, the largest drop since

<sup>11</sup> Bianchi, Giuliano, Dr. "10 Ways the Global Trade Tensions Could Impact You." *EHL Insights*, 7 July 2025, [hospitalityinsights.ehl.edu/global-trade-tensions](https://hospitalityinsights.ehl.edu/global-trade-tensions). Accessed 22 Aug. 2025.

<sup>12</sup> Raza, Mustafa. "How Tariffs Are Reshaping Global Supply Chains in 2025." *SupplyChainBrain*, 25 June 2025, [www.supplychainbrain.com/blogs/1-think-tank/post/41852-how-tariffs-are-reshaping-global-supply-chains-in-2025](https://www.supplychainbrain.com/blogs/1-think-tank/post/41852-how-tariffs-are-reshaping-global-supply-chains-in-2025). Accessed 11 Nov. 2025.

<sup>13</sup> Carreras-Valle, Maria Jose, and Alessandro Ferrari. "The Cost of Delivery Delays." *Arxiv*, Cornell University, 15 Jan. 2025, [arxiv.org/abs/2501.08728](https://arxiv.org/abs/2501.08728). Accessed 11 Nov. 2025.

<sup>14</sup> Munjeeb, Sarah, Dr. "Trade Tensions and Strategic Solutions." *Modern Diplomacy*, 18 May 2025, [modern diplomacy.eu/2025/05/18/trade-tensions-and-strategic-solutions/](https://modern diplomacy.eu/2025/05/18/trade-tensions-and-strategic-solutions/). Accessed 22 Aug. 2025.

<sup>15</sup> Díaz, Marta P. "Rising Geoeconomic Tensions: What Impact Do They Have on Global Trade?" *MAPFRE*, MAPFRE, 7 Feb. 2025, [www.mapfre.com/en/insights/economy/geoeconomic-tensions-global-trade/](https://www.mapfre.com/en/insights/economy/geoeconomic-tensions-global-trade/). Accessed 22 Aug. 2025.

WWII.<sup>16</sup> Trade holds a central role in the global community, and managing it effectively for all nations is becoming an increasingly challenging task. Trade has vastly differing perspectives and influences over all countries. The United States and China hold the most influence over trade, and their opinions will differ from smaller developing countries. Overall, a general consensus can be made that free and fair trade holds the most upside potential, and working toward a strong interconnected economy is a vital task in today's trade-reliant world.

#### HELPFUL SOURCES:

Pettis, Michael. "What Explains Today's Trade Tensions?" Yale University Press, Yale University Press, 6 June 2025, [yalebooks.yale.edu/2025/06/06/what-explains-todays-trade-tensions/](https://yalebooks.yale.edu/2025/06/06/what-explains-todays-trade-tensions/)

"Sudden Escalation of Trade Tensions Sends Shockwaves Through Global Economy." UN News: Global Perspectives and Human Stories, United Nations, 15 May 2025, [news.un.org/en/story/2025/05/1163301](https://news.un.org/en/story/2025/05/1163301)

Díaz, Marta P. "Rising Geoeconomic Tensions: What Impact Do They Have on Global Trade?" MAPFRE, MAPFRE, 7 Feb. 2025, [www.mapfre.com/en/insights/economy/geoeconomic-tensions-global-trade/](https://www.mapfre.com/en/insights/economy/geoeconomic-tensions-global-trade/)

#### QUESTIONS TO CONSIDER:

1. How can international organizations like the IMF and WTO be utilized to reform and strengthen trade?
2. What roles can technology and e-commerce play in mitigating trade tensions globally?
3. How can governments balance the need to protect domestic industries while still accessing open markets

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<sup>16</sup> Le Poidevin, Olivia, and Emma Farge. "Tariffs Cause 'Unprecedented' Disruption to Global Trade Rules, WTO Chief Says." *Reuters*, Reuters, 2 Sept. 2025, [www.reuters.com/world/china/tariffs-cause-unprecedented-disruption-global-trade-rules-wto-chief-says-2025-09-02/](https://www.reuters.com/world/china/tariffs-cause-unprecedented-disruption-global-trade-rules-wto-chief-says-2025-09-02/). Accessed 11 Nov. 2025.

## TOPIC 2: ADDRESSING THE GLOBAL IMPACT OF INSTABILITY IN THE MIDDLE EAST

Regional conflict in the Middle East has sweeping economic impacts across both the immediately affected areas, and the broader global community. The displacement of people and resources, as well as the ongoing or impending ruin of multiple Middle Eastern economies ripples its effects across the economies of many nations. It is imperative that the economic impact of conflict, most notably the Israeli–Palestinian conflict, is mitigated to prevent further damage to the economies of both the nations within the scope of conflict and outside of it. The Middle East is a crucial region within the global economy. The area is home to the largest repository of oil in the world,<sup>17</sup> and was responsible for more than 40% of global oil exports in 2022.<sup>18</sup> Five of the world's top ten oil producers (Saudi Arabia, Iraq, the United Arab Emirates, Iran and Kuwait)<sup>19</sup> are located within the Middle East. Given that 80% of the world's energy supply comes from fossil fuels,<sup>20</sup> such as oil and natural gas, the region's importance to outside economies cannot be understated. The region also has a growing tourism industry, with locations like the United Arab Emirates (UAE) bringing in 167 billion AED of revenue from tourism in 2022,<sup>21</sup> drawing millions of visitors a year. The Middle East is a rapidly growing region, with a current population of 508 million<sup>22</sup> and an estimated growth of 72 million people by 2030.<sup>23</sup> A growing population requires the strength of a stable economy in order to distribute resources, services, and employment opportunities to a larger number of people. The current conflict between Israel and the Palestinian Territories is considered among the

<sup>17</sup> Ahmad, Amjad. "The Middle East is a growing marketplace, not just a war zone." Atlantic Council, 21 Sept. 2020, [www.atlanticcouncil.org/blogs/menasource/the-middle-east-is-a-growing-marketplace-not-just-a-war-zone/](http://www.atlanticcouncil.org/blogs/menasource/the-middle-east-is-a-growing-marketplace-not-just-a-war-zone/). Accessed 24 Aug. 2025.

<sup>18</sup> "Energy System of the Middle East." International Energy Agency, [www.iea.org/regionsmiddle-east](http://www.iea.org/regionsmiddle-east). Accessed 24 Aug. 2025.

<sup>19</sup> Ibid., 2

<sup>20</sup> Ibid.

<sup>21</sup> "The Contribution of the Travel and Tourism Sector to the UAE's GDP." United Arab Emirates Ministry of Economy and Tourism, 24 Aug. 2025, [www.moet.gov.ae/en/tourism-indicators](http://www.moet.gov.ae/en/tourism-indicators). Accessed 24 Aug. 2025.

<sup>22</sup> "The Middle East." World Population Review, [worldpopulationreview.com/continents/the-middle-east](http://worldpopulationreview.com/continents/the-middle-east). Accessed 24 Aug. 2025.

<sup>23</sup> Ibid.

longest running conflicts in the world. Following the UN sanctioned establishment of Israel in 1948, conflict began almost immediately with the 1948 Israeli-Arab War, which resulted in territory being split between Israel, Egypt, and Jordan.<sup>24</sup> Later, in 1967, a conflict known as the Six-Day War, Israel captured the Sinai Peninsula, Gaza, Golan Heights, and East Jerusalem, bringing about a million Palestinians under their control<sup>25</sup>. This greatly heightened tensions in the Middle East, with the Palestinian people arguing that Israel did not have the right to occupy the territory acquired in the 1967 conflict.<sup>26</sup> Tensions took another sharp increase on October 7th, 2023, when a Palestinian armed group launched an attack on Israel, killing around 1,200 and taking over 250 hostages.<sup>27</sup> The beginning of this conflict had an immediate impact on the global economy, with Brent crude oil prices jumping to \$84/barrel after the attack.<sup>28</sup> The conflict experienced another development on June 13, 2025, when Israel began conducting attacks on Iran, targeting nuclear and military facilities. A ceasefire to this conflict was reached on June 24, 2025.<sup>29</sup> Outside of the realm of the Israel-Palestine conflict, the Middle East hosted two regional conflicts that saw the largest amount thus far of international participants: the liberation of Kuwait, and the 2003 invasion of Iran,<sup>30</sup> which

<sup>24</sup> "Israel and the Palestinians: History of the conflict explained." British Broadcasting Corporation, 8 Aug. 2025, [www.bbc.com/news/articles/ckgr71z0jp4o](http://www.bbc.com/news/articles/ckgr71z0jp4o). Accessed 24 Aug. 2025.

<sup>25</sup> Bianchi, Giuliano, Dr. "10 Ways the Global Trade Tensions Could Impact You." *EHL Insights*, 7 July 2025, [hospitalityinsights.ehl.edu/global-trade-tensions](http://hospitalityinsights.ehl.edu/global-trade-tensions). Accessed 22 Aug. 2025.

<sup>26</sup> Ibid.

<sup>27</sup> "What is Hamas and why is it fighting with Israel in Gaza?" British Broadcasting Corporation, 21 Jan. 2025, [www.bbc.com/news/world-middle-east-67039975](http://www.bbc.com/news/world-middle-east-67039975). Accessed 24 Aug. 2025.

<sup>28</sup> John, Mark. "Explainer: What Middle East conflict means for the global economy."

Reuters, Thomson Reuters, 3 Oct. 2024, [www.reuters.com/world/middle-east/what-middle-east-conflict-means-global-economy-2024-10-03/](http://www.reuters.com/world/middle-east/what-middle-east-conflict-means-global-economy-2024-10-03/). Accessed 24 Aug. 2025.

<sup>29</sup> Zeidan, Adam. "Israel-Iran Conflict." Encyclopedia Britannica, 24 Aug. 2025, <https://www.britannica.com/event/Israel-Iran-conflict>. Accessed 24 August 2025.

<sup>30</sup> Al-Riffai, Perrihan. "The economic and social costs of the war in Gaza." Atlantic Council, 22 Oct. 2024, [www.atlanticcouncil.org/in-depth-research-reports/report/the-economic-and-social-costs-of-the-war-in-gaza/](http://www.atlanticcouncil.org/in-depth-research-reports/report/the-economic-and-social-costs-of-the-war-in-gaza/). Accessed 24 Aug. 2025.

demonstrated the amount of stake many international investors held in the region.

The immediate region has been experiencing economic downturn as a result of the continued violence. In 2018, the economic cost of regional violence to Arab nations ranged from 3%-67% of GDP, dependent on country<sup>31</sup>, signifying a disproportionate amount of government expenditure being allotted toward the military and the management of ongoing conflicts. Upon the advent of the modern Israel-Palestine conflict, predictions have estimated a 28% decline in GDP and a 58% decline in imports across the Middle East for up to ten years following the conflict.<sup>32</sup> The projected economic downturn poses various negative outcomes for the people living in this vulnerable region, such as the underfunding of public works projects, slowing growth of emerging market economies, such as in Egypt,<sup>33</sup> and worsening the impact of climate-related disasters.<sup>34</sup> Overall, the entire region is becoming increasingly susceptible to increased debt, inflation, and displacement as a result of ongoing violence.

The impacts are most profound in the nations involved in or immediately surrounding the Israel-Palestine conflict. In the first year of the conflict, Israel saw a 21% decline in economic activity, a reversal of its previous upward trend of 6.5% economic growth in 2022.<sup>35</sup> There has been a much more profound impact of the conflict upon Palestinian economic activity. Preceding the beginning of the 2023 conflict, unemployment in Gaza sat near 45%, while the West Bank experienced an unemployment rate of 13%.<sup>36</sup> The preexisting vulnerable nature of the economy of Gaza and the West Bank has been significantly challenged by Israel's trade blockade, as around 63% of imports came from Israel preceding the war;<sup>37</sup> furthermore,

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<sup>31</sup>"Energy System of the Middle East." International Energy Agency, [www.iea.org/regionsmiddle-east](http://www.iea.org/regionsmiddle-east). Accessed 24 Aug. 2025.

<sup>32</sup> Ibid.

<sup>33</sup> Falakshahi, Homayoun, et al. "Energy and Economic Implications of the Iran-Israel Conflict." The Washington Institute, 27 June 2025, [www.washingtoninstitute.org/policy-analysis/energy-and-economic-implications-iran-israel-conflict](http://www.washingtoninstitute.org/policy-analysis/energy-and-economic-implications-iran-israel-conflict). Accessed 24 Aug. 2025.

<sup>34</sup>"Energy system of the Middle East." International Energy Agency, [www.iea.org/regionsmiddle-east](http://www.iea.org/regionsmiddle-east). Accessed 24 Aug. 2025.

<sup>35</sup> Ibid.

<sup>36</sup> Ibid.

<sup>37</sup> Ibid.

the economy was heavily reliant on government consumption, resulting in greater levels of economic collapse during the conflict. Economic activity in the territories is projected to be stagnant for 14 years following the end of the war as infrastructure is replaced.<sup>38</sup>

Neighboring countries are also experiencing significant economic impact of the continued violence. For example, in Egypt, economic growth was previously on an upward trend, and has experienced stagnation. This is largely due to the redirection of international shipping away from the Red Sea and the Suez Canal, which is one of Egypt's primary sources of revenue in foreign currency.<sup>39</sup> Aside from shipping, the developing tourism industry that the Middle East had been relying on is now in serious jeopardy. Lebanon saw a significant downturn in its tourism, previously one of the nation's only stable industries

Economic impact is not contained to the Middle East. Any escalation in regional violence has serious potential to disrupt global oil markets and cause a spike in oil prices. As mentioned before, the beginning of the Israel-Palestine conflict caused Brent crude oil to rise to \$84/barrel, later falling back to around \$66/barrel as of July 2025.<sup>40</sup> The situation remains fraught, though, with the International Monetary Fund predicting a very gradual resumption of oil production as conflicts are resolved slower than originally anticipated.<sup>41</sup> The conflict, along with significant voluntary production cuts announced by OPEC+, raised inflationary pressures. Bank of England representative Andrew Bailey has detailed plans to start cutting interest rates within England in the event that global interest rates increase.<sup>42</sup> Europe is more prone to price hikes than the United States due to lack of domestic infrastructure for oil and natural gas production. Disruptions to shipping also contribute to potential global economic downturn:

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<sup>38</sup> Ibid.

<sup>39</sup> Ibid.

<sup>40</sup> Ibid.

<sup>41</sup> "Regional Economic Outlook." International Monetary Fund, 15 May 2025, [www.imf.org/en/Publications/REO/MECA/Issues/2025/04/24/regional-economic-outlook-middle-east-central-asia-april-2025](http://www.imf.org/en/Publications/REO/MECA/Issues/2025/04/24/regional-economic-outlook-middle-east-central-asia-april-2025). Accessed 25 Aug. 2025.

<sup>42</sup>"Energy system of the Middle East." International Energy Agency, [www.iea.org/regionsmiddle-east](http://www.iea.org/regionsmiddle-east). Accessed 24 Aug. 2025.

35% of seaborne oil trade and 20% of liquefied natural gas (LNG) pass through the Strait of Hormuz.<sup>43</sup> This region is particularly vulnerable to conflict, especially following the June 2025 attack on Iran's nuclear facilities. Overall, maritime trade has experienced significant disruption due to the conflict in the Middle East, with container freight charges up 30%,<sup>44</sup> and disruption to key geographic trade locations.

Current economic relief efforts to the Middle East largely stem from several Gulf nations committing a budget of \$3 billion over a ten year period for economic stimulus, with the biggest contributors being the UAE, Saudi Arabia, and Qatar.<sup>45</sup> Currently, there is no international plan for economic rehabilitation of the area, although the EU is considering providing some form of aid to the most affected nations, namely the epicenter states (Israel, Palestinian territories, Jordan, Lebanon, Egypt etc.) and the Maghreb nations (Algeria, Libya, Mauritania, Morocco, and Tunisia).

#### QUESTIONS TO CONSIDER:

1. How can the international community create lasting support for nations at the center of conflict?
2. What strategies can be implemented to ensure the stability of the global economy in the event for unforeseen escalation or change in conflict?
3. How can the economic situation of nations at the center of the conflict be improved in the immediate present, to minimize further degradation?

#### HELPFUL SOURCES:

Middle East Conflict Risks Reshaping the Region's Economies

<https://www.imf.org/en/Blogs/Articles/2023/12/01/middle-east-conflict-risks-reshaping-the-regions-economies>

Stability in the Middle East: The Range of Short and Long-Term Causes

<https://www.csis.org/analysis/stability-middle-east-range-short-and-long-term-causes>

The UN and the crisis in the Middle East: What you need to know (Jan-Jun 2025)

<https://unric.org/en/the-un-and-the-crisis-in-the-middle-east-what-you-need-to-know-jan-jun-2025/>

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<sup>43</sup> Ibid, 17.

<sup>44</sup> "Energy System of the Middle East." International Energy Agency, [www.iea.org/regionsmiddle-east](http://www.iea.org/regionsmiddle-east). Accessed 24 Aug. 2025.

<sup>45</sup> Ibid.