



ECOFIN

Impact of Nearshoring on the Job Market



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Letter from the Secretary General

Dear faculty advisors, staff members, and fellow delegates,

My name is Dania Guerrero and this year I'm thrilled to be your secretary general. It is with the greatest pleasure to finally welcome you to CarMUN 2024! For more than a decade, Carmelitas Model United Nations has endeavored for the building of new ideas through the development of confidence and leadership skills, using diplomacy as a tool for the bettering of our world.

I joined CarMUN sometime around 2021 and 2022, the year after the pandemic, when everything was a fresh start for everyone, and it was not to be an exception for me. I became part of this "club" that I now call family in inspiration that my brother had before, and he also inspired me to better myself at this one thing. Today, I can objectively say that I've superseded him in this. At first, I was not really scared, but nervous of what was to come. The concept that surrounded MUN was such a positive environment that I was excited to finally see what the future was going to bring and what opportunities were to come. Being the youngest of our delegation was not easy, being the only one who didn't know a thing about the UN was even harder, nonetheless with the help of our faculties and coaches it came to be an entertaining and enriching experience where I was able to play a whole new persona. Now, after almost 3 years, I am able to say that the persona I used to play, is me! Finding myself and my path through MUN has been a blessing, and I know I'm not the only one who has done so as well.

Guided by our school's values, the secretariat is dedicated to extending our ethos globally. One where respect and diplomacy reign the dialogue between all, where the principles of the UN are followed and rightfully recognized. The lack of seriousness in today's reality reflects in every single aspect of our world, even, in MUN conferences, treating woeful issues with flippancy. That is why this year's conference theme is "Making diplomacy great again".

This year's conference aims to cultivate your skills as a delegate, encouraging you to perceive beyond mere words spoken. Regardless of your role within the conference, we aspire for every delegate, staff member, and faculty advisor to have their voice heard. Beyond fulfilling the procedural duties of the organization we emulate, our goal is to foster meaningful debate. Collaboration is key—working together to identify and achieve shared objectives paves the way for a brighter future. Every fire starts with a spark, and it begins with believing in your limitless potential.

Dania Guerrero,
Secretary General



Letter from the Committee Director

Dear delegates,

Welcome to ECOFIN! My name is Ignacio Ponce and I will be your director for this year's edition of CarMUN.

I was first introduced to MUN in 2017 when I was in my 3rd year of highschool. I joined my school's delegation that year and was a part of it until 2019, the year in which I graduated from school. That same year I had the opportunity to be part of CarMUN's Secretariat as the Co-Under Secretary General for Logistics, which is to this day one of the most fulfilling experiences I've ever had.

I currently study International Affairs and International Business at the San Ignacio de Loyola University (USIL). Although I have not formally debated in a conference since I left school, I have not distanced myself from the world of MUN at all due to the fact that I have been invited to be a director in committees from various national conferences since 2020.

If what I'm studying at university didn't give it away already, my life completely changed the moment I got involved in the world of MUN. It allowed me to realize what I wanted to dedicate my life to and helped me achieve many personal goals, being working at the British Embassy in Lima the one I'm most proud of to this date. I joined the Embassy team back in November 2022 and I can assure you that it has been a hell of a ride so far!

As you may have noticed, MUN had a great impact on me, as I assume it has had or will have on some of you. While it's only just a hobby, MUN has the unique characteristic of being one of the most frustrating but at the same time rewarding activities one can be a part of. Precisely because of this, I would like to finish this letter by letting you know that MUN is not about winning, but about what a friend once defined as "the true spirit of MUN: having a good time."

Please make sure to enjoy this committee.

Kind regards,
Ignacio Ponce



1. Introduction to the topic

The globalization of trade and industry has led to significant shifts in how businesses operate, particularly in the realm of outsourcing and the relocation of production and services. Among the strategies that have gained prominence is nearshoring - the practice of moving business processes to nearby countries. This approach has emerged as a compelling alternative to traditional offshoring, offering companies the advantages of geographical proximity, cultural similarities, and reduced logistical complexities.

However, as nearshoring becomes more prevalent, its impact on the job market demands closer examination. The effects are multifaceted, influencing not only the economies of both the home and host countries but also shaping the future of work. While nearshoring can lead to job creation and skill development in receiving countries, it can also result in job displacement and economic challenges in the countries that are outsourcing. Additionally, this strategy plays a crucial role in redefining the dynamics of global labor markets, affecting wage levels, working conditions, and the distribution of economic opportunities.

Nearshoring can have a complex and varied impact on the job market. It can create jobs and improve skills in the nearshore country while potentially leading to job losses in the home country. The overall effect on the global job market depends on the sectors involved, the economic policies of the countries, and the nature of the work being nearshored. Nearshoring is not, however, the only way in which companies relocate partially in order to maximize their efficiency and income. This committee will focus mostly on the impact that this activity has on the job market, but delegates are expected to also be able to discuss some of the "variants" of nearshoring: offshoring and onshoring.

Nearshoring occurs when an organization, typically a company, transports a portion of its operation to a neighboring or close-by nation or when it recruits employees from said countries. An example of this would be if a company from the US moved its operation to Mexico, benefiting from lower costs while staying close geographically.

On the other hand, offshoring involves relocating business processes or manufacturing to a distant country, usually in a different continent. Going back to the example mentioned in the previous paragraph, a company could prefer to relocate to China instead of Mexico, as Asia tends to have even lower costs than Latin America. By doing so, the business maximizes profits by lowering its costs, but they no longer maintain the geographical proximity, as their operations are now distributed all around the world.

Finally, onshoring is the process of returning the production and manufacturing of goods back to the company's original country. Keeping the already mentioned example, onshoring would take place if the business decided to move their branches located in Mexico and China back to American soil. Companies decide to return to their original countries for many different reasons, but most of them relate to quality control issues, consistency and complications in the supply chain.

Nearshoring is not in itself something necessarily negative, but all outsourcing practices tend to leave their fair share of negative consequences on the country to which



companies relocate to. This guide will briefly cover some of the main concerns regarding this practice,

as well as its main benefits, which explain why it has become so common. It is up to you, delegates, to decide, based on each of your countries' policies, what is your stance on this complex matter.



2. History of the Committee

The Second Committee, commonly referred to as ECOFIN, was officially established in 1945 as one of the original General Assembly committees. It first convened in San Francisco on April 25, 1945. What sets ECOFIN apart is its focus on the global economy and providing financial support to nations. Like other main organs of the United Nations, ECOFIN is open to all member states, adhering to the same parliamentary procedures. As a result, all 193 UN member nations are represented in the committee.

A committee's mandate refers to the specific powers or topic areas it is authorized to cover and discuss. For ECOFIN, the United Nations outlines its role as addressing issues related to economic growth and development, including areas such as international trade, the global financial system, external debt sustainability, and commodities.

The committee also focuses on financing for development, sustainable development, human settlements, poverty eradication, globalization and interdependence, operational activities for development, and the use of information and communication technologies for development. Additionally, ECOFIN's mandate includes supporting regional growth by focusing on groups like Least Developed Countries, among other subgroups, to effectively address specialized issues.

ECOFIN has provided financial assistance to many developing countries during times of crisis and development to promote growth and prosperity. Through its foreign aid initiatives, ECOFIN has set goals to reduce poverty and ease the economic burden on countries facing significant debt or in need of financial restructuring.

Recently, ECOFIN has taken a clear stance on a major issue in the Middle East: the Israel-Palestine conflict. It has called for Israel to end its occupation of Arab territories in Syria and to stop violating human rights laws concerning the Palestinian people, recognizing the substantial economic impact that the political, military, and social situation in the region has on those affected by the crisis.



3. Statement of the problem

As mentioned in previous sections of this guide, this committee will not limit itself to only discuss nearshoring since doing so could limit unnecessarily the variety of topics that delegates could discuss for the duration of the conference. Instead, it will also cover offshoring and onshoring, especially this first one.

Benefits of nearshoring:

Nearshoring offers a range of benefits that can significantly enhance a company's operational efficiency and strategic positioning. One of the primary advantages is the improvement in supply chain efficiency. By relocating operations to nearby countries,

companies can significantly reduce shipping times and costs, resulting in faster delivery to the market and lower transportation expenses. This proximity also allows for greater flexibility in managing production schedules and responding to changes in demand, leading to reduced lead times and more efficient inventory management.

Another key benefit of nearshoring is the potential for cost savings. Although nearshoring may not be as cost-effective as offshoring, it still provides financial advantages compared to domestic production. Companies can often achieve savings on labor and operational expenses while avoiding the high tariffs and trade barriers associated with distant offshore locations. These cost efficiencies can contribute to a more competitive pricing strategy and improved profitability.

Nearshoring also enhances quality control and oversight in comparison to other offshoring alternatives. Being geographically closer to production facilities allows for more direct supervision of manufacturing processes, which can lead to higher product quality and fewer defects. Regular inspections and audits are easier to conduct, ensuring that quality standards are consistently met and reducing the risk of costly product recalls or returns.

Moreover, nearshoring supports local economies and aligns with corporate social responsibility goals. By creating jobs and investing in nearby countries, companies can stimulate economic growth and development in these regions. This not only benefits the local workforce but also strengthens the company's reputation and relationships within the community. Additionally, shorter transportation routes contribute to a reduced carbon footprint, supporting environmental sustainability initiatives.

Benefits of offshoring:

Offshoring provides several strategic benefits that can significantly enhance a company's operational efficiency and overall performance. One of the most prominent advantages is cost savings. By relocating business processes or production to countries with lower labor costs, companies can achieve substantial reductions in wage expenses and operational overheads. This can lead to improved profit margins and more competitive pricing strategies. The reduction in costs can also enable companies to allocate resources more effectively, potentially leading to investments in innovation and growth.



Another significant benefit of offshoring is access to specialized skills and expertise. Many offshore locations boast a highly skilled and educated workforce, particularly in fields such as information technology, engineering, and customer service. By tapping into these specialized skills, companies can enhance their operational capabilities and stay competitive in their respective industries. Additionally, offshoring can provide access to advanced technologies and industry practices that may not be as prevalent in the company's home country.

Offshoring also allows companies to focus more effectively on their core competencies. By outsourcing non-core functions such as manufacturing, IT services, or customer support to offshore providers, companies can concentrate their efforts and resources on their primary business activities. This shift can lead to increased efficiency and effectiveness in core

operations, as well as the ability to drive strategic initiatives and innovations that are central to the company's growth and success.

The ability to operate around the clock is another advantage of offshoring. By establishing operations in different time zones, companies can achieve 24/7 business operations, which enhances productivity and provides continuous service to global customers. This is particularly beneficial for industries that require constant support or real-time processing, such as customer service and IT management. Additionally, a global presence through offshoring can help companies better understand and serve diverse international markets.

Offshoring also offers scalability and flexibility, which are crucial for adapting to market changes and growth opportunities. Companies can quickly scale their operations up or down in response to fluctuations in demand without the constraints of local labor markets or infrastructure limitations. This scalability supports rapid expansion into new markets and the ability to adjust production capacity as needed. By leveraging offshore resources, companies can remain agile and responsive in a competitive global landscape.

Benefits at what expense?

While nearshoring can offer numerous advantages, it also presents several potential negative consequences for the job market, particularly concerning working conditions and economic impacts. One significant issue is the risk of poor working conditions in the host countries. As companies relocate operations to nearby nations, they may seek to minimize costs, which can sometimes lead to compromised labor standards. In an attempt to stay competitive, some firms might prioritize cost-cutting over the welfare of workers, resulting in inadequate working conditions and insufficient labor protections. This scenario can undermine the positive economic impact that nearshoring aims to achieve.

A prominent example of this issue can be observed in the case of sweatshops in Asia. Despite being geographically closer to their home markets, some companies have faced criticism for maintaining poor working conditions in their nearshore facilities. Reports of sweatshops in countries such as Bangladesh and Cambodia highlight the stark reality that labor standards can still be subpar even when operations are relocated to



nearby regions. These sweatshops often involve long hours, low wages, unsafe working environments, and a lack of basic workers' rights, reflecting the darker side of nearshoring.

Another negative consequence of nearshoring is the potential for job displacement in the home country. While nearshoring can create job opportunities in the host nation, it can also lead to job losses and economic disruption in the country from which operations are relocated. Workers in the home country may face unemployment or underemployment as their roles are outsourced to nearby regions. This shift can contribute to economic instability and social strain, particularly in industries or communities heavily reliant on manufacturing or service jobs that are affected by nearshoring decisions.

Furthermore, the benefits of nearshoring might not always be evenly distributed within the host country. While some regions or sectors may experience growth and job creation, others may see little to no improvement. For instance, if nearshoring is concentrated in specific urban areas, rural or less developed regions might miss out on the economic benefits. This

uneven distribution of opportunities can exacerbate regional disparities and contribute to socio-economic imbalances within the host country.

Lastly, the pursuit of cost savings through nearshoring can sometimes lead to a race to the bottom in terms of labor standards. Companies might engage in competitive practices to lower production costs, which can result in a deterioration of working conditions. This pressure to continuously reduce costs can erode labor rights and protections, creating a challenging environment for workers who may already be vulnerable. Ensuring that nearshoring practices do not perpetuate poor working conditions requires vigilant enforcement of labor standards and ethical business practices.



4. Points of contention

Job creation:

Nearshoring is often promoted as a strategy for generating new employment opportunities in the host countries. Advocates argue that relocating operations to nearby regions can stimulate economic growth by creating jobs in sectors such as manufacturing, services, and technology. This job creation can lead to increased local income, enhanced skills development, and improved infrastructure.

However, the quality and sustainability of these new jobs are subject to debate. Critics argue that while nearshoring may create employment, these jobs can be low-wage and low-skilled, potentially leading to underemployment and economic disparity in the host regions. The debate centers on whether the newly created jobs provide sufficient economic benefits and whether they contribute to long-term, meaningful employment.

Job losses:

One of the major criticisms of nearshoring is its impact on employment in the home country. Relocating business operations to nearby countries often leads to job losses in the original location, particularly in industries that are heavily outsourced. This displacement can result in economic and social challenges, such as increased unemployment rates and reduced economic activity in affected communities.

The debate here focuses on the extent of job losses, the speed at which displaced workers can find new employment, and the effectiveness of policies designed to support these workers. The contention also involves whether the benefits of job creation in the host country outweigh the negative effects of job losses in the home country.

Specialization:

Nearshoring can lead to increased specialization within the host country, allowing firms to leverage specific regional expertise and technological advancements. This can enhance efficiency and innovation in targeted sectors, providing a competitive edge in global markets. However, there is contention about whether the benefits of increased specialization are balanced with potential risks. Critics argue that over-specialization can make economies vulnerable to sector-specific downturns and reduce economic diversification. Additionally,

there is concern that the focus on specific industries may lead to skill gaps and inadequate development in other critical sectors. The debate centers on how nearshoring influences specialization and whether it supports or undermines broader economic stability and growth.

Labour laws:

The impact of nearshoring on labor laws is a contentious issue, as different countries have varying standards and enforcement mechanisms. In some cases, nearshoring may



lead to improvements in labor conditions if host countries adopt better practices or if companies adhere to high labor standards.

Conversely, there is concern that the pursuit of cost savings through nearshoring can result in weaker labor laws or insufficient enforcement, leading to poor working conditions. This includes issues such as low wages, long hours, and unsafe working environments, particularly in regions with less stringent labor regulations. The debate focuses on how nearshoring affects labor standards and the extent to which international and local regulations are upheld. The challenge is ensuring that nearshoring practices do not compromise worker rights and that ethical labor practices are maintained across borders.



5. Bloc positions

Bloc positions on this specific topic may vary considerably. This section does not detail a rigid structure that must be followed during the debate, but rather it should serve as a guide to orient delegates' research.

Developed Countries:

Developed countries often view nearshoring as a strategic advantage that can bolster their economic resilience and enhance operational efficiency. These nations may support nearshoring for its potential to create high-value jobs in sectors such as management, logistics, and technology, while reducing reliance on distant and less predictable supply chains. They may argue that nearshoring helps mitigate risks associated with geopolitical instability and logistical delays, contributing to more stable and reliable business operations.

However, they also recognize the challenges posed by nearshoring, particularly the potential for job displacement in lower-skilled sectors. To address these issues, they may advocate for policies that promote workforce retraining and upskilling to help affected workers transition to new roles. Additionally, they may emphasize the importance of maintaining strong labor standards and ensuring that nearshoring does not lead to a race to the bottom in terms of working conditions and wages.

Developing countries:

Developing countries generally support nearshoring as a means to stimulate economic growth and job creation. By attracting investment from companies seeking to relocate their operations closer to key markets, these nations can benefit from increased employment opportunities, improved skills development, and enhanced infrastructure. Nearshoring can

also contribute to economic diversification and reduce dependency on a single industry or export market.

Nonetheless, they are also aware of the need to address potential challenges, such as ensuring that the jobs created through nearshoring offer fair wages and decent working conditions. They may advocate for international cooperation and support to help build capacity and safeguard labor rights. These countries may emphasize the importance of integrating sustainable development principles into nearshoring practices to ensure that economic growth is inclusive and environmentally responsible.

Emerging Economies:

Emerging economies often have a nuanced view of nearshoring, recognizing both its potential benefits and risks. On one hand, nearshoring can provide significant economic opportunities, including increased investment and job creation, which can drive growth and development in these regions. It can also foster technology transfer and enhance the skills of the local workforce.



On the other hand, emerging economies may be concerned about the volatility of nearshoring trends and the risk of sudden shifts in investment that could lead to economic instability. They may advocate for policies that promote stability and resilience in their economies, as well as mechanisms to manage the social and economic impacts of nearshoring. Ensuring that the benefits of nearshoring are widely distributed and that local businesses and communities are not adversely affected is a key concern for these nations. The population of this group of countries is also, generally, the most negatively affected by nearshoring, as their countries are victims of poor working conditions and abuse.



6. Questions a Resolution Must Answer (QARMAs)

- a. Should nearshoring, offshoring and onshoring be regulated? If so, how?
- b. How should the negative consequences of nearshoring, offshoring and/or onshoring be limited?
- c. How should the positive consequences of nearshoring, offshoring and/or onshoring be exploited?
- d. Should the international community seek to promote alternatives to nearshoring, offshoring and/or onshoring? If so, which ones and how?
- e. How can the international community protect workers from countries impacted by nearshoring, offshoring and/or onshoring?



7. Closing Remarks

As you prepare for the upcoming debate, I encourage you to focus on understanding the topic in depth and developing a well-rounded perspective. MUN is not just about winning; it's about learning, collaboration, and the exchange of ideas. Thorough research is the foundation of effective participation. Familiarize yourself with the background of the issue, your country's stance, and the perspectives of other nations. This will allow you to contribute

meaningfully to the discussion and to propose solutions that are informed, practical, and considerate of the diverse interests at play.

Beyond research, remember that diplomacy and cooperation are key to a successful MUN experience. Engage with your fellow delegates respectfully, listen actively to their viewpoints, and be open to compromise. The goal is to work together to find common ground and to draft resolutions that reflect the collective effort of the committee. Your ability to collaborate, negotiate, and build consensus will be just as valuable, if not more so, than the strength of your arguments alone. Approach the conference with the mindset of a global citizen, eager to contribute to a constructive and inclusive dialogue.

As you dive into the debate, remember that the essence of MUN is to engage in thoughtful discussion and to enjoy the process of diplomacy and negotiation. While it's natural to feel some pressure, especially when addressing complex issues, try to keep a balanced perspective. The conference is an opportunity for learning and growth, not just a competition. Embrace the experience with curiosity and enthusiasm.

And, once again, please make sure to enjoy the committee.



8. Position Paper Guidelines

For this year's edition, CarMUN will have position papers. This document, standard in Model UN preparation, allows delegates to research the policy of their country (or character), while putting their writing skills in practice. It should mention previous actions towards the committee date, and propose solutions.

Delegates should send their position papers via the Committee's email:
ecofin@carmelitas.edu.pe

When sending the document, delegates must indicate their name, school (or delegation), and the country they're representing. It should be attached as a **Word file**. Furthermore, all documents must be written in **Times New Roman 11, single interspace, and standard margins**.

The deadline for sending position papers is **October 11th until 11:59 p.m.** Punctuality will be part of the evaluation.

a. Structure of the Position Papers:

Header: It should include the name of the committee, topic, delegate, and school. Next to this information, there should be images of the coat of arms and flag of the country to be represented.

First Paragraph: This paragraph should serve as an introduction to the topic, as well as your country's policy. Usually, this is the shortest paragraph on a position paper, so delegates need to summarize their ideas. The beginning and end of the paragraph must provoke interest in the reader. To do so, you can use a quote, question, or storytelling, among others.

Second paragraph: This paragraph comprehends your country's relations to the topic and committee, through past actions on the matter. It is a substantive paragraph, as delegates will mention what they have discovered during their research such as legislations, and resolutions, among others. The aforementioned does not mean that this paragraph should consist only of copy-paste, on the contrary, the country's opinion should always be present. Take into account this is the largest paragraph of a position paper.

Third paragraph: This paragraph gives a purpose to the position paper, as it focuses on proposals. Delegates will be able to create solutions to the committee's topic, taking into consideration their country's policy. Also, there should be a strong closing sentence, since this is the last paragraph of the document.

Sources: On a second sheet delegates must cite all resources used in the preparation of the document, in APA 7 format. If a source is omitted, it will be considered plagiarism and will be sanctioned by the chair. It is recommended to read official, primary sources, such as the websites of international organizations, governments, or the United Nations itself.



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