

**FORUM:** Economic and Financial Affairs Council (ECOFIN)

**ISSUE:** Cryptocurrency

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*What is ECOFIN and how does it work?*

The Economic and Financial Committee (ECOFIN), known as the Second Committee of the UN General Assembly, addresses global economic challenges such as development, financial stability, poverty reduction, and sustainability. While its resolutions are non-binding, ECOFIN plays a vital role in shaping international consensus and influencing policy on key issues like trade, external debt, and the Sustainable Development Goals (SDGs).

With all 193 UN member states participating equally, ECOFIN adopts resolutions that serve as frameworks for global economic cooperation. Its notable contributions include debt relief initiatives, SDG-focused guidelines, and strategies to address climate change's economic impacts.

ECOFIN sessions, led by annually elected presidents, focus on thematic areas such as development financing and global trade. In 2025, the agenda includes topics like pandemic recovery, taxation reform, and climate adaptation funding.

More information can be found on the guidance documents available on the WESMUN website.

### *Background*

Cryptocurrency has emerged as a disruptive force in the global economy. Originating with the creation of Bitcoin in 2009, cryptocurrencies are decentralised digital currencies that operate on blockchain technology. This innovation allows secure, transparent, and immutable transactions without the need for intermediaries such as banks. Over the past decade, the cryptocurrency market has expanded rapidly, with thousands of digital assets now circulating, including **Ethereum**, **Ripple**, and stablecoins like **Tether**.

Such meme coins have even come to surface, the most stable and profitable being DOGEcoin, and the most recent controversial case - Hailey Welch's HAWKTUAH coin, in which the coin soared to 490 Million USD market capitalisation, and fell by 95% within minutes.

The appeal of cryptocurrencies lies in their potential to revolutionise finance by reducing transaction costs, increasing financial inclusion, and providing alternative investment opportunities. However, their rise has also introduced significant challenges. Cryptocurrencies have been associated with issues such as market volatility, regulatory uncertainty, illicit activities, and environmental concerns due to energy-intensive mining processes.

The global financial landscape has struggled to adapt to the rapid growth of cryptocurrencies. Some nations, such as El Salvador, have embraced cryptocurrency as legal tender, while others, including China, have implemented outright bans. Meanwhile, major economies like the United States and the European Union are working toward regulatory frameworks to balance innovation with financial stability and consumer protection.

### *Current situation*

Cryptocurrencies continue to grow in influence, with a market capitalisation exceeding 1 trillion USD as of early 2025. They have become integral to various sectors, including finance, remittances, and supply chain management. However, their unregulated nature poses risks to economic stability and security. The rise of decentralised finance (DeFi) platforms, which allow users to lend, borrow, and trade assets without traditional intermediaries, has further complicated the regulatory landscape.

In addition, concerns about cryptocurrency's role in illicit activities, such as money laundering and terrorist financing, have prompted calls for stricter oversight. Environmental criticisms have also gained traction, with mining operations for cryptocurrencies like Bitcoin consuming more energy than some small countries.

The disparity in national approaches to cryptocurrency regulation has created fragmentation in the global financial system, making international cooperation essential. Developing nations face unique challenges, as cryptocurrencies can both exacerbate economic inequalities and offer opportunities for financial inclusion.

### *Barriers to Regulation*

The regulation and integration of cryptocurrencies into the global economy face significant obstacles. The decentralised and borderless nature of blockchain technology makes it difficult for individual nations to enforce regulations effectively. Furthermore, the lack of consensus among countries on the classification and taxation of cryptocurrencies complicates the creation of a unified framework.

In developing nations, the volatility of cryptocurrencies poses a threat to economic stability. For instance, Bitcoin's price fluctuations, with an average annual volatility of 60% as of 2023 (Statista), make it a risky asset for governments and individuals alike. Conversely, the underdeveloped financial infrastructure in these regions highlights the potential for cryptocurrencies to enhance financial inclusion. According to the World Bank, nearly 1.4 billion adults remain unbanked globally, and

blockchain technology offers a pathway to provide financial services to these populations.

Another critical barrier is the environmental impact of cryptocurrency mining. The energy consumption associated with proof-of-work (PoW) cryptocurrencies like Bitcoin has raised concerns about their compatibility with global climate goals. Bitcoin's annual energy consumption is estimated to be around 169.70 terawatt-hours, comparable to the yearly energy usage of countries like Poland (Cambridge Centre for Alternative Finance). Transitioning to less energy-intensive consensus mechanisms, such as proof-of-stake (PoS), remains a contentious issue within the crypto community. Ethereum's shift to PoS in 2022, which reduced its energy consumption by approximately 99.95% (Ethereum Foundation), demonstrates the potential for more sustainable approaches.

That said, the regulation of cryptocurrencies remains an elusive ambition for the global financial order—fraught with both promise and peril. Success would mean not merely the taming of this volatile, borderless technology but also the establishment of a financial framework capable of curbing criminal misuse, stabilising markets, and fostering innovation. A gradual, phased strategy might hold the key, enabling nations to adopt unified approaches to taxation, classification, and anti-money laundering policies at a measured pace. Such a path, however, is strewn with obstacles—chief among them the entrenched distrust among leading economies and the inherent challenge of policing a decentralised and ever-evolving system. Yet, it is precisely this uncertainty that places ECOFIN at the forefront of the issue. With its global reach and deliberative power, the committee stands uniquely equipped to marshal consensus, legislate guidance, and illuminate the path forward for this financial frontier.