



**2018-2019**

**Model Arab League**

**BACKGROUND  
GUIDE**

**Council of Economic Affairs  
Ministers**

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**National  
Council  
on US-  
Arab  
Relations**



**Original draft by *Jacqueline Torres*, Chair of the *Council of Economic Affairs Ministers* at the *2019 National University Model Arab League*, with contributions from the dedicated staff and volunteers at the *National Council on U.S.-Arab Relations***

Honorable Delegates,

I would like to welcome you to the Council of Economic Affairs Ministers. I am honored to be your chair this year. My name is Jacqueline Torres. I am a senior at Converse College, and I am majoring in Accounting and Political Science. I would like to thank you all for choosing to participate in this year's Model Arab League.

This will be my fourth year attending Model Arab League. This program has taught me how to communicate within large groups, and significantly improved my research abilities. I have also had the opportunity to meet and listen to several important world leaders. This program has opened several doors for me, including the opportunity to travel to Saudi Arabia. While not all experiences are the same, I hope this program has been an overall positive experience for all of you.

As this council's chair, I am not only responsible for assuring all rules and procedures are followed, but also facilitating the experience for all delegates. I look forward to getting to know all the delegates in this council and hearing their ideas. I hope all delegates can learn from this experience as I have over the years. I have done my best to put together a comprehensive background guide that will provide a solid foundation for your research before attending. Nonetheless, I do expect each delegate to do additional research and really play their part. The goal of this conference is to create sound solutions to the economic challenges facing the nations of the Arab League. I expect this council's delegates to do this as a team.

Again, I really look forward to getting to know the delegates attending this conference, and I also look forward to hearing their ideas. I hope we can all learn from each other and work towards our common goals.

Best,

Jacqueline Torres

## **Topic I: Exploring means by which the League can promote non-oil private sectors and encourage the economic diversification of member states.**

### **I. Introduction to the Topic**

#### **A. General background**

Economic diversification is an important challenge for many developing countries. These countries have generally relied heavily on the production of primary commodities, such as oil, for reliable income. However, this dependency leaves countries vulnerable to sudden market changes.<sup>1</sup>

The Middle East and North Africa region has faced several political and economic challenges in recent years. However, it has been able to weather them due in part to considerable oil wealth that characterizes nations throughout the region. This despite lower oil prices significantly impacting fiscal revenues, particularly in oil-dependent countries. The importance of oil revenues cannot be understated. In the Kingdom of Saudi Arabia, oil constitutes 43% of GDP, in Kuwait 63%, Qatar 51%, Iraq 47%, and UAE 34%. The primary goal is to invest in, and develop non-oil economic sectors to create stronger employment, longer-term growth, and reduction of economic volatility.<sup>2</sup>

#### **B. History in the Arab World**

Economic diversification is one of the most pressing economic challenges in the Middle East. Lower oil prices in recent years have significantly impacted revenue in oil-dependent countries, making policy changes more urgent. Economic diversification has been a key issue in the agendas of all the Gulf Cooperation Council (GCC) countries. Leaders recognize they relied too heavily on the oil and natural gas industry. Economic diversification is not a simple task. Diversification involves a holistic approach and requires a variety of measures. Saudi Arabia's Vision 2030 is the best example of such an approach. Though ambitious, this plan is very comprehensive and lays out several short-term goals, and a framework that may be used by other nations.<sup>3</sup>

Many Arab countries are challenged to diversify since their economies in the pre-oil age were dependent on resource streams which are no longer profitable, and would not sustain current standards of living. Historically, GCC states like Oman and Bahrain relied heavily on pearl diving, an industry which has largely been superseded by cultured pearls. As for Saudi Arabia, the region has always relied on profits from pilgrimages to Mecca and Medina, but these profits would fall short of Saudi budgetary needs.

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<sup>1</sup> "Economic Diversification." *UNFCCC*, <http://unfccc.int/topics/resilience/resources/economic-diversification>.

<sup>2</sup> Stubing, Darren. "Middle East Drive To Diversify." *Global Finance Magazine*, 6 Apr. 2017, [www.gfmag.com/magazine/april-2017/global-finance-middle-east-drive-diversify](http://www.gfmag.com/magazine/april-2017/global-finance-middle-east-drive-diversify).

<sup>3</sup> Strategy&, part of the PwC network. "Economic Diversification In The Gulf." *Forbes*, Forbes Magazine, 27 Sept. 2016, [www.forbes.com/sites/strategyand/2016/09/27/economic-diversification-in-the-gulf/](http://www.forbes.com/sites/strategyand/2016/09/27/economic-diversification-in-the-gulf/).

### **C. Finding a Solution to the Problem: Past, Present, and Future**

There are several barriers to economic diversification which include a lack of easily developed industries, shrinking government budgets and large subsidies that rely on continued oil profits. This is a complex challenge because it involves changing not only economic policies, but also assessing the quality of social components such as education and employment. Any good solution must address a multitude of barriers such as possible effects on unemployment and the broader society. Most executives view the bloated public sector as the main barrier to diversification. Other barriers include complex project setup processes, quality of existing education and vocational training, access to direct lending and credit, and current allocation of oil revenues.<sup>4</sup>

### **II. Questions to Consider in Your Research**

- Does my country have any untapped, or underused resources that can be developed into a thriving industry?
- Does my country have the necessary infrastructure to support potential industries? If it does not, how can this infrastructure be developed?
- To what degree does my country rely on oil revenues?
- What talents and expertise do my citizens have to offer? Can these skills be developed into independent industries?

### **III. Questions a Resolution Might Answer**

- How can we facilitate the development of needed infrastructure for further economic development?
- How can we improve the process for creating new small and medium sized enterprises?
- How can we increase both foreign and domestic investment in my country?
- In special circumstances, what other funds can my country access if private investment is not an option?

### **IV. Additional Resources**

- [Economic Diversification in Oil-Exporting Arab Countries](#)

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<sup>4</sup> “Middle East Collaboration to Spur Economic Diversification.” *London Business School*, 20 Dec. 2016, [www.london.edu/news-and-events/news/the-middle-east-must-collaborate-to-spur-on-economic-diversification-1099](http://www.london.edu/news-and-events/news/the-middle-east-must-collaborate-to-spur-on-economic-diversification-1099).

*This paper discusses the importance of economic diversification in oil-exporting countries. Additionally, it discusses and gives suggestions for supportive regulatory systems and institutional frameworks.*

- [Economic Prospects: Middle East and North Africa](#)  
*The World Bank has produced a comprehensive analysis of recent economic developments in the MENA region. This analysis helps us assess potential outcomes and risks for the region. This document provides a variety of statistics which will help delegates understand the economic situation and outlook of their respective countries.*
- [The Way Forward: Policies for Achieving Diversification](#)  
*While this document focuses on Africa, it still offers key policy suggestions geared towards economic diversification.*
- [Annual Meeting of the Arab Ministers of Finance 2016: Economic Diversification of Oil-Exporting Countries](#)  
*Although lengthy, this document offers great statistics about existing and potential industries. Written by International Monetary Fund contributors, this document offers an introduction into the topic of diversification before dissecting policies.*

## **Topic II: Assessing and formulating domestic and foreign investments to close the workforce participation gap and mitigate the exclusion and inequality in Arab economies.**

### **I. Introduction**

#### **A. General Background**

Economic exclusion and inequality are two challenges for the all members of the Arab League. Several religious and ethnic minorities are often excluded from employment opportunities. Women, although representing a significant portion of the population, are commonly excluded for cultural reasons. Inequality is a problem faced by a large portion of every nation's population. This dramatic inequality becomes very evident when analyzing such issues as the disparity in ownership among citizens, access to resources, and the ability to participate in political activities. Several studies boast of economic growth in the region, but only a small portion of the population enjoy these benefits. Scholars turn to the deterioration of social condition between 2000 and 2008 as evidence of economic disparity and exclusion. Stability deteriorated across the region despite being a period of economic growth.<sup>5</sup>

#### **B. History in the Arab World**

Much of the economic inequality in the region is due to the uneven distribution of oil profits by the government. Some countries like Saudi Arabia, Kuwait, and the United Arab Emirates are extremely oil rich, while others are not as fortunate. There is also inequality within countries that may stem from sectarian or ethnic differences. According to a recent benchmark estimate, the share of income accruing to the top 10% income earners is about 61% in the Middle East. The only other region with slightly higher inequality estimates is South Africa with 62% for the top decile. This distribution of wealth reflects the absence of a healthy middle class.<sup>6</sup>

The concentration of income at the regional level highlights the need to increase investments in resources for fighting poverty and developing infrastructure. Regressive indirect taxation is the main tax system of most countries in the region, which makes it harder to finance needed welfare programs to provide relief for the poor. Estimates are not completely reliable, but this simply emphasizes the need for more financial transparency.<sup>7</sup>

#### **C. Finding a Solution to the Problem: Past, Present, and Future**

Policy makers can work to find ways to ensure excluded populations have better chances at employment. This could involve discussion with business leaders over incentives, or quota programs to encourage employment of underserved demographics. Yet policy makers must tread lightly; typically, groups are often excluded for reasons ranging from past historical conflicts to modern societal frictions.

There are several avenues to take when seeking to close the economic inequality gap. Members of the Arab League can attempt to improve access to financial resources for those who

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<sup>5</sup> Hanieh, Adam. "Inequalities in the Arab Region." *UNESCO.org*, 2016, [unesdoc.unesco.org/images/0024/002459/245947e.pdf](https://unesdoc.unesco.org/images/0024/002459/245947e.pdf).

<sup>6</sup> Mark Habeeb, "The Middle East leads the world in income inequality," *The Arab Weekly*, last modified January 14, 2018, accessed September 12, 2018, <https://the arabweekly.com/middle-east-leads-world-income-inequality>.

<sup>7</sup> Assouad, Lydia. "Is the Middle East the World's Most Unequal Region?" *Economic Research Forum (ERF)*, 27 Mar. 2018, [theforum.erf.org/2018/03/27/middle-east-worlds-unequal-region/](https://theforum.erf.org/2018/03/27/middle-east-worlds-unequal-region/).

have interest in creating their own businesses. Member could also work to improve vocational training to minority groups. Investing in such programs will grant citizens valuable skills that will help bridge the inequality.

## II. Questions to Consider in Your Research

- What underemployed minorities do we have in my country?
- Are there any training programs in my country that are geared towards specific minorities?
- Is the job market in my country strong enough to employ once-excluded workers? If not, how can we fix this?
- What cultural/religious barriers prohibit certain groups from obtaining jobs?

## III. Questions a Resolution Might Answer

- How can we incentivize employers to hire minority groups they would not otherwise hire?
- How can we improve economic situations for women while still respecting cultural norms?
- How can we ensure minority groups obtain proper vocational training?
- How can we grant greater access to financial resources to potential minority entrepreneurs?

## IV. Additional Resources

- [Gender Equality in the World of Work: Trends and Challenges in the MENA Region](#)  
*The World Bank has put together this document which provides statistics about women in the work force. The figures in this document will help delegates understand which areas need the most work in terms of gender equality in the work place. This document also summarizes past efforts at improving working conditions for women on an international scale and gives suggestions for courses of action.*
- [Equality and the Economy: Why the Arab World Should Employ More Women](#)  
*The Brookings Institution argues why it is important for women to be active in the workforce. This document also provides a comprehensive look at potential policy changes to boost the number of women in the workforce.*

- [Economic Exclusion in the Middle East](#)  
*The Brookings Institution addresses youth unemployment in this document. While brief, this document summarizes the key issues and potential solutions to a problem that plagues the entire region. The region has many educated youths, but not enough jobs to satisfy them.*
- [How Unequal Are Arab Countries?](#)  
*The Brookings Institution has put together several graphs and charts that convey the dramatic degree of economic inequality throughout the MENA region. This information can help identify which countries have better policies to ensure even economic opportunity.*



### **Topic III: Exploring efforts to encourage the development and financing of the information technology sector.**

#### **I. Introduction**

##### **A. General background**

The information technology sector can be broadly defined as businesses relating to research, development, and or distribution of technologically based goods or services. This sector typically revolves around the production of electronics, creation of software, consumer products and business services.<sup>8</sup> Generally, technological innovation and economic prosperity go hand in hand. Many nations recognize this dynamic and have chosen to invest in digital infrastructure to stimulate economic growth. It is important to note that productivity in this area also fuels demand for experts with science, engineering, and other relevant expertise. Nations that do not have the necessary human capital or expertise should consider ways to either produce these individuals from within their borders, or encourage skilled individuals to immigrate into their countries, bringing innovations with them. Nations which possesses unique resources such as business friendly bank rules, effective educational institutions, and sustainable tax policies, must leverage their assets to encourage information technology development.<sup>9</sup>

##### **B. History in the Arab World**

Industry in the Arab world has been dominated by fossil fuels, but market shifts and a new demand for technological products and services have allowed a new information technology industry to take root in some areas. The fossil fuel market is a critical component for lasting economic growth, but not all nations in the MENA regions are able to support such an industry. There are still severe challenges such as poverty and armed conflict in many of the nations that makeup the Arab League. Advancements in the technology sector are generally limited to GCC countries that have the wealth and stability to foster stable educational institutions and necessary infrastructure. However, even in these countries, regulations can be cumbersome and could use improvement.<sup>10</sup>

In recent years, a wave of tech trends has taken root in the Middle East. The growth of these trends has led to more startup investments by regional operators who have accelerate innovation in areas such as content, financial services and AI.<sup>11</sup> However, these industries are still very new, and do not have sufficient capital to expand. Providing more economic and political support to tech startups might allow governments to grow industries which do not rely on the volatile fossil fuel market.

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<sup>8</sup> Investopedia. "Technology Sector." *Investopedia*, Investopedia, 15 Nov. 2017, [www.investopedia.com/terms/t/technology\\_sector.asp](http://www.investopedia.com/terms/t/technology_sector.asp).

<sup>9</sup> West, Darrell M. "Technology and the Innovation Economy." *Brookings*, Brookings, 28 Sept. 2016, [www.brookings.edu/research/technology-and-the-innovation-economy/](http://www.brookings.edu/research/technology-and-the-innovation-economy/).

<sup>10</sup> Schroeder, Christopher M. "A Different Story from the Middle East: Entrepreneurs Building an Arab Tech Economy." *MIT Technology Review*, MIT Technology Review, 6 Sept. 2017, [www.technologyreview.com/s/608468/a-different-story-from-the-middle-east-entrepreneurs-building-an-arab-tech-economy/](http://www.technologyreview.com/s/608468/a-different-story-from-the-middle-east-entrepreneurs-building-an-arab-tech-economy/).

<sup>11</sup> Radcliffe, Damian. "Middle East Tech: These Are the Key Trends for 2018 and beyond, Say Experts." *ZDNet*, ZDNet, 11 Jan. 2018, [www.zdnet.com/article/middle-east-tech-these-are-the-key-trends-for-2018-and-beyond-say-experts/](http://www.zdnet.com/article/middle-east-tech-these-are-the-key-trends-for-2018-and-beyond-say-experts/).

### **C. Finding a Solution to the Problem: Past, Present, and Future**

The information technology sector can be broken down into several subcategories. One of the most promising sub categories is called “fintech”. Fintech is short for financial technology. This industry aims at providing financial services which utilize software and modern technology.<sup>12</sup> Throughout the MENA region, fintech startups have raised over \$100 million in the last five years. This is an example how entrepreneurs have identified problems, such as the lack of access to traditional banks, and have offered an innovative solution. Traditional banks have had limited success in the region. An estimated 70% of the population do not have a bank account.<sup>13</sup> Fintech has facilitated access to financial services and promises to continue to grow into a powerful industry in the region.

One of the biggest challenges facing the information technology sector is investor supply. Traditionally, regional investors are drawn to real-estate projects that produce major headlines. Foreign investors sometimes hesitate to invest in a region that is perceived as unstable. Experts agree that an abundance of successful kick starters would boost investor confidence. Potential solutions should facilitate improving investor relations.<sup>14</sup>

## **II. Questions to Consider in Your Research**

- What does the patent and or licensing process in my country like? Could it be more efficient?
- Does the education system in my country provide students with the necessary expertise?
- What resources are there for new entrepreneurs looking to fund kick starters?
- How can I adapt my country’s level of infrastructure to advance our national information technology industry?

## **III. Questions a Resolution Might Answer**

- What organizations can we partner with to build the information technology sector in my country?

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<sup>12</sup> “FinTech - A Definition by FinTech Weekly.” *FinTech Weekly Definition*, [www.fintechweekly.com/fintech-definition](http://www.fintechweekly.com/fintech-definition).

<sup>13</sup> Lasrado, Jason, et al. “Top 20 Fintech Startups In The Middle East.” *Forbes Middle East*, [www.forbesmiddleeast.com/en/list/top-20-fintech-startups-middle-east/](http://www.forbesmiddleeast.com/en/list/top-20-fintech-startups-middle-east/).

<sup>14</sup> Robehmed, Natalie. “Forget Oil: Tech Could Be The Next Middle East Goldmine.” *Forbes*, Forbes Magazine, 22 Aug. 2013, [www.forbes.com/sites/natalierobehmed/2013/08/22/forget-oil-tech-could-be-the-next-middle-east-goldmine/](http://www.forbes.com/sites/natalierobehmed/2013/08/22/forget-oil-tech-could-be-the-next-middle-east-goldmine/).

- Can we make this technology available in rural areas? If so, how?
- How can we boost the confidence of foreign and domestic investors?
- Are there experts in the region we can include in policy discussions on an international level?

#### **IV. Additional Resources**

- [Information Technology Spending in MENA from 2016 to 2020](#)  
*This site offers valuable statistics about future spending on the information technology industry. It also splits the spending into small categories that may help delegates prioritize potential partnerships.*
- [Innovations Shaping Financial Services Technology](#)  
*This article discusses several fields in the financial technology sector. Delegates may find the terminology in this article useful when discussing potential projects.*
- [What's Next in Tech in the Middle East and Africa?](#)  
*Nielson has put together a short report that analyzes likely technology developments in the region. Technologies such as cashless payment technology, Big Data, and artificial intelligence. This gives us a glimpse into what some call the next “Tech Hub”.*
- [Middle East and North Africa Aren't the Next Big Hotspot for Tech... Yet](#)  
*This article offers an alternate analysis on the near future of the MENA region as the next big “Tech Hub”. Essentially, the region must be perceived as stable to investors before business can continue to grow. Despite the potential, there may still be some risks that delegates can seek to overcome.*

## **Topic IV: Discussing efforts to promote cooperation among member states to strengthen human capital and improve the labor market.**

### **I. Introduction**

#### **A. General background**

Human capital can be defined as the quantification of the economic value of a worker's skill.<sup>15</sup> It can be measured by years of schooling, job experience, test scores, age, and several other factors. It is a key factor for mapping different levels of economic activity. Economic activity will be centered around areas with the complimentary inputs. Generally, a more educated workforce sustains a higher living standard because they can adopt new skills quickly, and implement new ideas effectively.<sup>16</sup> The labor market refers to the supply and demand of jobs in a given area.<sup>17</sup> These two economic components complement each other. Human capital addresses the skills of a given workforce, while healthy labor markets ensure there are a steady supply of jobs available.

#### **B. History in the Arab World**

Experts agree that human capital is imperative for the region to create stronger and sustainable economic growth. The MENA region today is highly fragmented due to factors such as sectarianism, ethnic divides, and segregation. These divides can be reduced with the help of strong education initiatives. Education is imperative for social stability that will in turn create economic stability. Raising educational standards will also ensure youth have the necessary skills for private-sector jobs and entrepreneurship.<sup>18</sup>

Another of the region's most pressing economic challenges is the struggling labor market. Arab League members have begun to expand their private sectors to produce more employment opportunities, but there is still much work to be done. While much progress has been made by several member states, the private sector is still very weak. The MENA region saw a baby boom from 1980 to 2000, but unfortunately the labor market has not been able to keep up. This has left a large bulk of the Arab youth unemployed. Most hope to secure a well-paying job in the public sector. However, this often leads to mismatched skill development and region wide overreliance on the weak public sector.<sup>19</sup>

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<sup>15</sup> Staff, Investopedia. "Human Capital." *Investopedia*, Investopedia, 25 Apr. 2018, [www.investopedia.com/terms/h/humancapital.asp](http://www.investopedia.com/terms/h/humancapital.asp).

<sup>16</sup> Abed, George T, and Hamid R Davoodi. "Challenges of Growth and Globalization in the Middle East and North Africa." *International Monetary Fund*, 2003, [www.imf.org/external/pubs/ft/med/2003/eng/abed.htm](http://www.imf.org/external/pubs/ft/med/2003/eng/abed.htm).

<sup>17</sup> Floyd, David. "Labor Market." *Investopedia*, Investopedia, 27 Apr. 2018, [www.investopedia.com/terms/l/labor-market.asp](http://www.investopedia.com/terms/l/labor-market.asp).

<sup>18</sup> Salaam, Sura. "Investing in Youth for the Development of Human Capital | TRENDS." *TRENDS Research and Advisory*, 4 Apr. 2017, [trendsinstitution.org/investing-in-youth-for-the-development-of-human-capital/](http://trendsinstitution.org/investing-in-youth-for-the-development-of-human-capital/).

<sup>19</sup> Stratfor. "Youth Unemployment: The Middle East's Ticking Time Bomb." *Stratfor*, Stratfor, 28 Feb. 2018, [worldview.stratfor.com/article/youth-unemployment-middle-east-teen-jobless](http://worldview.stratfor.com/article/youth-unemployment-middle-east-teen-jobless).

### **C. Finding a Solution to the Problem Past, Present, and Future**

As the private sector continues to grow, so does the demand for business and tech professionals. Studies show that young professionals with a background in areas such as accounting, finance, banking, and information technology have a significantly higher chance of getting jobs. This information could help determine what sort of educational programs some countries choose to invest in. Highly developed countries such as those in the GCC would be most likely to invest in such programs.<sup>20</sup> While investing in education may seem to veer into social affairs, we must ensure that the labor force receives proper training. Investing in education and vocational training, as well as other areas such as infrastructure all help improve economic conditions.

## **II. Questions to Consider in Your Research**

- Is there a discrepancy between the human capital and the labor market in my country? If so, how can I bridge this gap?
- What educational or vocational training programs does my country have?
- Does my country host many foreign expatriates? If so, what talents do they bring to the country?
- What private sectors is my country developing, and what new jobs can my country expect in the future?

## **III. Questions a Resolution Might Answer**

- How can my country better invest in training programs that will strengthen human capital?
- How can we facilitate job attainment in my country?
- How can my country incentivize new entrepreneurs and thus increase jobs?
- What existing employment frameworks can we potentially use within my own country?

## **IV. Additional Resources**

- [Labor Markets](#)  
*The World Bank offers a brief introduction to the challenges developing nations face as they try to improve their labor markets. This site offers a summery for labor markets as well as potential strategies and results.*

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<sup>20</sup> Maceda, Cleofe. "Revealed: Professionals in Demand in UAE, Middle East This Year." *GulfNews*, Gulfnews, 4 Feb. 2018, gulfnews.com/business/sectors/employment/revealed-professionals-in-demand-in-uae-middle-east-this-year-1.2168157.

- [Human Capital Report 2016](#)  
*This site rates all countries based in the quality of their human capital. Members of the Arab League can use this index to determine which members need most improvement and which nations can offer the most guidance.*
- [Human Capital Development in the Arab World](#)  
*This presentation has a lot of information relating to Human Resources, but it also has very useful information about human capital initiatives and other relevant organizations. This information can be used to better understand regional efforts to improve human capital in the Arab League.*
- [MEI: Arab Youth Employment](#)  
*The Middle East Institute breaks down and analyzes the causes and current state of youth unemployment. This group of people makes up a significant portion of the labor force. It would benefit delegates to understand why the current labor market is not employing enough of the Arab youth.*