



2020-2021

Model Arab League

BACKGROUND GUIDE

Council of Economic Affairs Ministers

ncusar.org/modelarableague



Original draft by *Kathryn Frizzell*, Chair of the *Council of Economic Affairs Ministers* at the 2020-2021 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 2020-2021 Council of Economic Affairs Ministers. I am honored to be your chair this year. My name is Kathryn Frizzell. I am a junior at Converse University, and I am majoring in Politics, Psychology, and Spanish. This is my fourth year participating in Model Arab League. This program offers many opportunities. I have been fortunate enough to participate in the Gateway KSA program through the National Council on U.S.-Arab Relations. Through this program, I have developed my research abilities, negotiating skills, and worldview through debate and understanding of policy. I hope you have the ability to utilize this program to its fullest extent.

As you chair, my responsibility is to facilitate debate by ensuring that all rules and procedures are followed. However, this is also meant to be a learning experience so I will ensure that compromise and collaboration will create the appropriate environment for a learning experience. Remember that this background guide is only meant to serve as a foundation for your research. I expect each delegate to conduct thorough policy and country research, to stay in character during debate, and to remain diplomatic throughout the conference. I am looking forward to meeting each of you and witnessing your innovation.

Best wishes,

Kathryn Frizzell

Topic I: Evaluating the importance of small and medium-sized enterprises (SMEs) in the League and promoting SMEs within the Member States to foster economic growth.

I. Introduction to the Topic

A. General Background

Small and medium-sized enterprises, or SMEs, are defined differently between countries. The most widely accepted definition is from the European Union (EU), which defines SMEs as non-subsidiary, independent firms that employ fewer than 250 employees.¹ The EU defines a medium-sized enterprise as between 50-250 employees, a small enterprise as fewer than 50 employees, and a microenterprise as fewer than 10 employees.² SMEs account for about 90% of businesses and 50% of employment worldwide, but there is still a need for greater promotion and support. Formal SMEs generate 40% of GDP in emerging economies, and this number increases when informal SMEs are included.³ In high-income countries, they generate 64% of GDP and 62% of employment.⁴ SMEs also play an integral role in both developing countries and emerging economies. In developing countries, according to the International Finance Corporation (IFC), formal SMEs contribute up to 45% of employment and 33% of GDP.⁵

SMEs are extremely beneficial for economies; they create jobs, alleviate poverty, accelerate the growth of exports, and create a resilient and competitive economy. Governments utilize SMEs to transition from agriculture-led economies to industrial economies, to draw in foreign investment, to build a more competitive sector, and to decrease the financial gap of income. Research has shown that countries with a higher amount of small industrial enterprises have succeeded in making income distribution more equitable, and IFC research has shown that there is a positive correlation between a country's level of income and the number of SMEs per 1,000 people.⁶ Although there are documented benefits with SMEs, the increasing global need for jobs makes them more essential than ever; however, SMEs still face challenges. SMEs are less likely to be able to obtain bank loans than large firms, and they often have to rely on internal funds or cash from their peers. Also, they have limited access to formal credit. According to IFC, 40% of MSMEs in developing countries have unmet financial needs.⁷

¹ "Small and Medium-Sized Enterprises (SMEs)." *Organisation for Economic Co-operation and Development*, 2 Dec. 2005, <https://stats.oecd.org/glossary/detail.asp?ID=3123>. Accessed 30 Jun. 2020

² "Small and Medium-sized Enterprises (SMEs)." *Corporate Finance Institute*, 2020, <https://corporatefinanceinstitute.com/resources/knowledge/other/small-and-medium-sized-enterprises-smes/>. Accessed 30 Jun. 2020

³ "Small and Medium Enterprises (SMEs) Finance." *World Bank*, 2020, <https://www.worldbank.org/en/topic/sme/finance>. Accessed 30 Jun. 2020

⁴ "Small & Medium Enterprises in the MENA Region." *The Middle East Investment Initiative*, <https://www.meii.org/small-medium-enterprises>. Accessed 30 Jun. 2020

⁵ "Small and Medium Enterprises (SMEs) Finance." *World Bank*, 2020, <https://www.worldbank.org/en/topic/sme/finance>. Accessed 30 Jun. 2020

⁶ Elasmag, Hussein. "The Developmental Role of SMEs in the Arab Countries." *Research Gate*, Aug. 2012, https://www.researchgate.net/publication/254446004_The_Developmental_Role_of_SMEs_in_the_Arab_Countries/link/59e0d4520f7e9b97fbdcb277/download. Accessed 30 Jun. 2020

⁷ "Small and Medium Enterprises (SMEs) Finance." *World Bank*, 2020, <https://www.worldbank.org/en/topic/sme/finance>. Accessed 30 Jun. 2020

B. History in the Arab World

While multilateral institutions define SMEs according to their maximum number of employees, maximum revenues or turnover, and maximum assets, most definitions in Arab countries utilize the number of employees, total net assets, and sales and investment levels to define SMEs.⁸ While some countries, like the United States and Canada, can categorize SMEs with a maximum of up to 500 employees, most countries in the Middle East and North Africa (MENA) region consider the maximum number of employees of SMEs to be 250. Government support for SMEs in the MENA region is relatively new. In 2006, Bahrain acknowledged the importance of SMEs by settling up the Tamkeen body to support the sector. Qatar followed up with the Enterprise Qatar support body in 2011. In 2012, Oman established the SME Development Fund to deliver subsidized finances as well as training and mentoring, while Kuwait established a \$7 billion National Fund for Small and Medium Enterprise Development in 2013.⁹ In 2014, the United Arab Emirates (UAE) changed its policy to create a council to determine incentives.¹⁰ In 2015, Saudi Arabia formed its Public Authority for SMEs (PASME).¹¹ Saudi Arabia has also emphasized SME growth in its Vision 2030 plan.¹² In 2017, Egypt enacted law reforms to improve the ease of starting a business. These actions by governments in the MENA region show that the Arab League is invested in the use of SMEs. Between 2013 and 2018, startups in the MENA region grew by 48% and finance deals increased by 23%. MENA governments are encouraging SMEs through entrepreneurship promotion authorities to create jobs and diversify the economy away from natural resources.

Although steps have been taken to encourage SMEs, they still suffer challenges, obstacles, and disadvantages. Startups are just 0.3% of all companies in the MENA region; while the Organisation for Economic Co-operation and Development (OECD) average is 6.9%. There is insufficient funding for SMEs in the MENA; venture capital in the region is only 0.03% of gross domestic product (GDP). Additionally, finance rejection rates in the GCC can be as high as 25% and only 2% of bank lending is granted to SMEs. Recent trends in the MENA region are making

⁸ Elasrag, Hussein. "The Developmental Role of SMEs in the Arab Countries." *Research Gate*, Aug. 2012, https://www.researchgate.net/publication/254446004_The_Developmental_Role_of_SMEs_in_the_Arab_Countries/link/59e0d4520f7e9b97fbdcb277/download. Accessed 30 Jun. 2020

⁹ Saher, Tamer. "Middle East Update: A Growing SME Market for Insurers." *Reinsurance Group of America*, 18 July 2018, <https://www.rgare.com/knowledge-center/media/articles/middle-east-update-a-growing-sme-market-for-insurers>. Accessed 30 Jun. 2020

¹⁰ Hoel, Arne. "Small Enterprises in the Middle East and North Africa Face Risks and Rewards in the Public Market." *The World Bank*, 20 May 2015, <https://www.worldbank.org/en/news/feature/2015/05/20/small-enterprises-in-the-middle-east-and-north-africa-face-risks-and-rewards-in-the-public-market>. Accessed 30 Jun. 2020

¹¹ Elasrag, Hussein. "The Developmental Role of SMEs in the Arab Countries." *Research Gate*, Aug. 2012, https://www.researchgate.net/publication/254446004_The_Developmental_Role_of_SMEs_in_the_Arab_Countries/link/59e0d4520f7e9b97fbdcb277/download. Accessed 30 Jun. 2020

¹² Saher, Tamer. "Middle East Update: A Growing SME Market for Insurers." *Reinsurance Group of America*, 18 July 2018, <https://www.rgare.com/knowledge-center/media/articles/middle-east-update-a-growing-sme-market-for-insurers>. Accessed 30 Jun. 2020

SMEs more essential than ever. The population of young nationals seeking gainful employment is increasing, oil prices have dropped and hurt government revenues, and the fourth revolution has begun. Regional trends show that 40% of the population in the region is less than 25 years old, the public sector job creation is plateauing, and that the price slide of oil since June 2014 continues to have adverse effects on economies in the MENA region.¹³ The population growth and economic restructuring make SMEs necessary in the Arab League.¹⁴

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

SMEs continue to face challenges in the MENA region. The second most cited obstacle for these SMEs is access to finance.¹⁵ Other challenges include the business environment, slower reform progress, lack of credit support, educational sector challenges, a lack of research and support, and information and communications technology (ICT) lag. SMEs often find it difficult to raise finance due to risk-aversion by lenders.¹⁶ These enterprises are also unable to afford to bid for government contracts due to large down payments, often do not know what opportunities are available, or they lack experience or knowledge.¹⁷ The MENA region also has various economic issues that inhibit the use of SMEs, including unemployment, poverty, and the lack of diversity, regional cooperation, and sufficient means for investment.¹⁸ All of these challenges and obstacles must be considered when formulating solutions.

Arab League Member States have taken action to encourage greater support for SMEs in the region. Lebanon initiated the Innovative Small and Medium Enterprise project to focus on stage equity finance. Jordan opened lines of credit for job creation.¹⁹ Morocco looked to improve access to finance with credit guarantees through the MSME Development Project. Jordan has enacted SME policy reform to improve SME and entrepreneurship policy through reinforcing institutional coordination and dialogue, advocating better monitoring and evaluation of policies and programs, and ways to improve statistics.²⁰ In 2017, Egypt enacted law reforms to improve

¹³ Khamis, Ahmad. "A Blueprint for the Evolution of the SME Sector in the Middle East." *Entrepreneur*, 04 Dec. 2016, <https://www.entrepreneur.com/article/286019>. Accessed 30 Jun. 2020

¹⁴ Elasrag, Hussein. "The Developmental Role of SMEs in the Arab Countries." *Research Gate*, Aug. 2012, https://www.researchgate.net/publication/254446004_The_Developmental_Role_of_SMEs_in_the_Arab_Countries/link/59e0d4520f7e9b97fbdcb277/download. Accessed 30 Jun. 2020

¹⁵ "Small and Medium Enterprises (SMEs) Finance." *World Bank*, 2020, <https://www.worldbank.org/en/topic/sme/finance>. Accessed 30 Jun. 2020

¹⁶ Khamis, Ahmad. "A Blueprint for the Evolution of the SME Sector in the Middle East." *Entrepreneur*, 04 Dec. 2016, <https://www.entrepreneur.com/article/286019>. Accessed 30 Jun. 2020

¹⁷ Hoel, Arne. "Small Enterprises in the Middle East and North Africa Face Risks and Rewards in the Public Market." *The World Bank*, 20 May 2015, <https://www.worldbank.org/en/news/feature/2015/05/20/small-enterprises-in-the-middle-east-and-north-africa-face-risks-and-rewards-in-the-public-market>. Accessed 30 Jun. 2020

¹⁸ Elasrag, Hussein. "The Developmental Role of SMEs in the Arab Countries." *Research Gate*, Aug. 2012, https://www.researchgate.net/publication/254446004_The_Developmental_Role_of_SMEs_in_the_Arab_Countries/link/59e0d4520f7e9b97fbdcb277/download. Accessed 30 Jun. 2020

¹⁹ "Small and Medium Enterprises (SMEs) Finance." *World Bank World Bank*, 2020, <https://www.worldbank.org/en/topic/sme/finance>. Accessed 30 Jun. 2020

²⁰ "Small Firms and Start-Ups for Inclusive Growth in MENA." *Organisation for Economic Co-operation and Development*, <http://www.oecd.org/mena/competitiveness/201803-MENA-SMEs-Flyer-EN.pdf>. Accessed 30 Jun. 2020

the ease of starting a business.²¹ The Saudi Finance Ministry utilizes a \$3.3 billion program to support SMEs and these enterprises are on the agenda at the Financial Sector Conference.²² Although Member States are taking steps to encourage SMEs, these enterprises are still at a disadvantage. In addition to the statistics previously mentioned, some of the initiatives in the region do not benefit the SMEs; for example, Iraq spent \$57 billion through public procurement, but only larger enterprises are benefiting from it.²³

There are many current initiatives run by organizations working towards increased support for SMEs in the MENA region. The MENA-OECD Working Group unites policymakers from key institutions, SME development agencies, investment agencies, development banks, economic research centers, international organizations, and ministries of finance, trade, labor, and education. The working group engages these partners in regional dialogue and peer learning to improve the business climate for SMEs, promote startups and SME growth, improve the inclusion of youth and women-led enterprises, facilitating access to finance, and increasing the availability of finance. Another initiative is the annual training organized by the OECD and the Middle East Centre for Economics and Finance (CEF) since 2012 in Kuwait City. These training sessions focus on improving policies for competitiveness, SME policies, public integrity, and procurement in the MENA region.²⁴ The World Bank also provides advisory and lending services focused on inclusion and equality for SMEs in the MENA region.²⁵

Solutions for promoting SMEs in the MENA region must move to improve SMEs' access to finance and unlock sources of capital. These solutions must focus on all stages of development of the SMEs to support new and existing enterprises. SMEs in Member States need tailored support, community support networks, an entrepreneurial culture, and key performance indicators of progress.²⁶ SMEs in the region need to generate rewarding job opportunities to compete with public sector jobs. Some things to consider when implementing solutions for the promotion of SMEs include creating a League-wide definition for SMEs and the quantitative and qualitative

²¹ Khamis, Ahmad. "A Blueprint for the Evolution of the SME Sector in the Middle East." *Entrepreneur*, 04 Dec. 2016, <https://www.entrepreneur.com/article/286019>. Accessed 30 Jun. 2020

²² Radwan, Rawan. "Small and medium enterprises 'key to national growth' in Saudi Arabia." *Arab News*, 24 Apr. 2019, <https://www.arabnews.com/node/1487716/business-economy>. Accessed 30 Jun. 2020

²³ Khamis, Ahmad. "A Blueprint for the Evolution of the SME Sector in the Middle East." *Entrepreneur*, 04 Dec. 2016, <https://www.entrepreneur.com/article/286019>. Accessed 30 Jun. 2020

²⁴ "Small Firms and Start-Ups for Inclusive Growth in MENA." *Organisation for Economic Co-operation and Development Organisation for Economic Co-operation and Development*, <http://www.oecd.org/mena/competitiveness/201803-MENA-SMEs-Flyer-EN.pdf>. Accessed 30 Jun. 2020

²⁵ "Small and Medium Enterprises (SMEs) Finance." *World Bank World Bank*, 2020, <https://www.worldbank.org/en/topic/sme/finance>. Accessed 30 Jun. 2020

²⁶ Khamis, Ahmad. "A Blueprint for the Evolution of the SME Sector in the Middle East." "A Blueprint for the Evolution of the SME Sector in the Middle East." *Entrepreneur*, 04 Dec. 2016, <https://www.entrepreneur.com/article/286019>. Accessed 30 Jun. 2020

"A Blueprint for the Evolution of the SME Sector in the Middle East." *Entrepreneur*, 04 Dec. 2016, <https://www.entrepreneur.com/article/286019>. Accessed 30 Jun. 2020

criteria necessary for defining SMEs.²⁷²⁸ Potential solutions also need to emphasize youth and gender equality in SMEs and the integration of nationals via top-down nationalization.²⁹³⁰ With the emergence of the fourth industrial revolution, the incorporation and reform of technology must be explored. In order to successfully promote SMEs within Arab League Member States and decrease the financial gap, all solutions must rely on regional cooperation.³¹

II. Questions to Consider in Your Research

- What are the challenges the SMEs in my country face? What are the roots of these challenges?
- How much do SMEs contribute to my country's GDP?
- How does my country define SMEs? What is the most common size of the SME in my country?
- What policies in my country encourage or inhibit SMEs? How do these policies encourage or inhibit SMEs, and are they successful?
- What are the differences in the benefits of the public and private sectors within my country?

III. Questions a Resolution Might Answer

- How can economic incentives encourage the League to promote SMEs?
- How can my country encourage greater diversity within SMEs?
- What additional benefits would encourage startups and business innovation?
- How will the reformation of technology from the fourth industrial revolution be integrated into SME reformation

I. Additional Resources

- [IFC Financing to Micro, Small, and Medium Enterprises in the Middle East and North Africa](#)

A report by the International Finance Corporation (IFC) highlights the work of the IFC towards closing the financing gap in the MENA region. The report also displays graphs that demonstrate the loan trends in the region.

- [SMEs for Job Creation in the Arab World](#)

²⁷ "Small and Medium-sized Enterprises (SMEs)." *Corporate Finance Institute Organisation for Economic Co-operation and Development*, 2 Dec. 2005, <https://stats.oecd.org/glossary/detail.asp?ID=3123>. Accessed 30 Jun. 2020

²⁸ Elasrag, Hussein. "The Developmental Role of SMEs in the Arab Countries." *Research Gate*, Aug. 2012, https://www.researchgate.net/publication/254446004_The_Developmental_Role_of_SMEs_in_the_Arab_Countries/link/59e0d4520f7e9b97fbdcb277/download. Accessed 30 Jun. 2020

²⁹ Radwan, Rawan. "Small and medium enterprises 'key to national growth' in Saudi Arabia." *Arab News*, 24 Apr. 2019, <https://www.arabnews.com/node/1487716/business-economy>. Accessed 30 Jun. 2020

³⁰ Khamis, Ahmad. "A Blueprint for the Evolution of the SME Sector in the Middle East." "A Blueprint for the Evolution of the SME Sector in the Middle East." *Entrepreneur*, 04 Dec. 2016, <https://www.entrepreneur.com/article/286019>. Accessed 30 Jun. 2020

³¹ Elasrag, Hussein. "The Developmental Role of SMEs in the Arab Countries." *Research Gate*, Aug. 2012, https://www.researchgate.net/publication/254446004_The_Developmental_Role_of_SMEs_in_the_Arab_Countries/link/59e0d4520f7e9b97fbdcb277/download. Accessed 30 Jun. 2020

The World Bank outlines its work towards inclusion of SMEs in the financial system in the MENA region. It also assesses SME access to finance and prospects in the region while recommending various solutions to aid SMEs in overcoming challenges.

- [Financial Inclusion of SMEs in the Middle East and Central Asia](#)

A report by the International Monetary Fund discusses the need for SME financial inclusion and strategies to encourage SMEs.

- [SMEs in MENA, leveraging growth finance for sustainable development](#)

The Citi Foundation publishes a report on the context, needs, and obstacles of SMEs in the MENA region. The report also outlines policy implications and recommendations for SME development.

Topic II: Addressing the impact of refugee populations, migrant workers, and displaced peoples on Member States' economies and creating economic opportunities for these groups.

I. Introduction to the Topic

A. General Background

There are various definitions for refugees, migrant workers, and displaced peoples; all aspects of these populations must be considered. A refugee is defined by the United Nations High Commissioner for Refugees (UNHCR) as a person forced to flee their country because of violence or persecution, war, or violence.³² The 1951 Geneva Convention defined a refugee as “someone who is unable or unwilling to return to their country of origin owing to a well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group, or political opinion.”³³ Labor migrants can be defined as those seeking work or employment in the host country, but they are unable to continue working and remaining in the host country; also, labor migrants could be described as those who move for the purpose of employment. Additionally, the International Organization for Migration (IOM) differentiates between economic migrants and labor migrants. Economic migrants include people entering a State to perform economic activities.³⁴ The UNHCR defines an internally displaced person as someone who has been forced to flee their home but never crossed an international border.³⁵ There are various definitions and descriptions used in countries around the world to categorize and discuss refugee populations, labor migrants, and displaced peoples.

At the end of 2019, there were 79.5 million people forcibly displaced worldwide; 26 million of these people were refugees, 45.7 million were internally displaced persons, 4.2 million asylum seekers, and 3.6 million were Venezuelans.³⁶ By the end of 2018, the International Labour Organization (ILO) estimated that there were 164 million migrant workers worldwide.³⁷ A study by the UNHCR showed that 68% of displaced peoples across borders come from just five countries: Syria, Venezuela, Afghanistan, South Sudan, and Myanmar.³⁸ The numbers of these populations are growing due to the increasing frequency of violence, natural disasters, and environmental degradation.³⁹ In most countries, these populations are underutilized resources in

³² “Refugee Facts.” *The UN Refugee Agency*, 2020, <https://www.unrefugees.org/refugee-facts/what-is-a-refugee/>. Accessed 30 Jun. 2020

³³ “What is a refugee?” *The UN Refugee Agency*, 2020, <https://www.unhcr.org/en-us/what-is-a-refugee.html>. Accessed 30 Jun. 2020

³⁴ “Annex 2: Definitions of Labour Migrants.” *National Center for Biotechnology Information*, <https://www.ncbi.nlm.nih.gov/books/NBK379428/>. Accessed 30 Jun. 2020

³⁵ “Refugee Facts.” *The UN Refugee Agency*, 2020, <https://www.unrefugees.org/refugee-facts/what-is-a-refugee/>. Accessed 30 Jun. 2020

³⁶ “Refugee Facts.” *The UN Refugee Agency*, 2020, <https://www.unrefugees.org/refugee-facts/what-is-a-refugee/>. Accessed 30 Jun. 2020

³⁷ “Crisis migration.” *International Labour Organization*, 2020, <https://www.ilo.org/global/topics/labour-migration/policy-areas/crisis/lang--en/index.htm>. Accessed 30 Jun. 2020

³⁸ “Refugee Facts.” *The UN Refugee Agency*, 2020, <https://www.unrefugees.org/refugee-facts/what-is-a-refugee/>. Accessed 30 Jun. 2020

³⁹ “Crisis migration.” *International Labour Organization*, 2020, <https://www.ilo.org/global/topics/labour-migration/policy-areas/crisis/lang--en/index.htm>. Accessed 30 Jun. 2020

the economy. Contrary to public perception, research shows that an influx of immigrants into the labor market has little to no aggregate effect on natives' economic opportunities, including wages and employment. Rather, greater human mobility should be viewed as an opportunity to better the economy and increase economic opportunities, such as expanding growth, trade, and human capital. The receiving communities gain productive workers who contribute to the tax base, start businesses, and foster connections to diversify the economy.⁴⁰

B. History in the Arab World

Refugee populations have been shaping the MENA region, especially the region's economy, since the end of World War II. The end of World War II in 1945 led to the partition of Palestine in 1947, initiating high levels of refugee populations in the region still present today. The bulk of the refugee populations today in the MENA region have fled violence in Syria in Iraq, but there are also refugee populations fleeing Afghanistan, Libya, Somalia, Sudan, and Yemen.⁴¹ About 13 million of the world's displaced are Syrians, which depicts the higher frequency of refugee populations in the region.⁴² The current waves of refugee populations in the Levant are the result of the invasion of Iraq in 2003.⁴³ The Arab States have the highest proportion of migrant workers to local workers in the world; in 2017, the ILO estimated that the Arab States hosted 23 million migrant workers. According to the Population Division of the United Nations Department of Economic Affairs (UNDESA), as of 2019, there were 35 million international migrants in GCC countries, Jordan, and Lebanon. The migrants in the GCC States account for over 10% of all migrants globally. Saudi Arabia hosts the third largest migrant population and the UAE hosts the fifth largest. Overall, foreign nationals make up the majority of the population in Bahrain, Kuwait, Qatar, and the UAE.⁴⁴ Research and Development (RAND) released a survey to assess the conditions of migrant workers. Of the refugee population, 90% were working or willing to work, 58-88% of them were working. The survey also found that these workers most often worked in the construction and hospitality sectors.^{45,46}

⁴⁰ Bahar, Dany and Dooley, Meagan. "Refugees as assets not burdens." *Brookings*, 2019, https://www.brookings.edu/wp-content/uploads/2020/02/refugees_as_assets_not_burdens_final.pdf. Accessed 30 Jun. 2020

⁴¹ Lynch, Marc and Brand, Laurie. "Refugees and Displacement in the Middle East." *Carnegie Endowment for International Peace*, 29 Mar. 2017, <https://carnegieendowment.org/2017/03/29/refugees-and-displacement-in-middle-east-pub-68479>. Accessed 30 Jun. 2020

⁴² Culbertson, Shelly and Kumar, Krishna B.. "Jobs Can Improve the Lives of Syrian Refugees and Their Host Communities – and Support Stability in the Middle East." *Research and Development*, 11 Mar. 2019, <https://www.rand.org/blog/2019/03/jobs-can-improve-the-lives-of-syrian-refugees-and-their.html>. Accessed 30 Jun. 2020

⁴³ Lynch, Marc and Brand, Laurie. "Refugees and Displacement in the Middle East." *Carnegie Endowment for International Peace*, 29 Mar. 2017, <https://carnegieendowment.org/2017/03/29/refugees-and-displacement-in-middle-east-pub-68479>. Accessed 30 Jun. 2020

⁴⁴ "Labour Migration." *International Labour Organization*, <https://www.ilo.org/beirut/areasofwork/labour-migration/lang--en/index.htm>. Accessed 30 Jun. 2020

⁴⁵ Culbertson, Shelly and Kumar, Krishna B.. "Jobs Can Improve the Lives of Syrian Refugees and Their Host Communities – and Support Stability in the Middle East." *Research and Development*, 11 Mar. 2019, <https://www.rand.org/blog/2019/03/jobs-can-improve-the-lives-of-syrian-refugees-and-their.html>. Accessed 30 Jun. 2020

⁴⁶ "Labour Migration." *International Labour Organization*, <https://www.ilo.org/beirut/areasofwork/labour-migration/lang--en/index.htm>. Accessed 30 Jun. 2020

The MENA region presents refugees, labor migrants, and displaced persons seeking economic opportunities with unique obstacles and challenges. Due to the limited sectors available to refugee populations without documentation and the limited number of jobs within those sectors, there is often competition for the limited available jobs.⁴⁷ Also, many of the employment-seekers in these populations mismatch with locations and find it difficult to arrange transportation to that location.⁴⁸ It is common practice for governments in Arab States to leave the bulk of care provision to Non-governmental organizations (NGOs), which adds another layer to potential solutions.⁴⁹ Historically, the impacts of violence and political instability in the region spill over into neighboring states, and the economic consequences of violence and instability impact the region as a whole.⁵⁰ Additionally, the numbers of refugee populations are increasing and will be exacerbated by the continuance of violence and political instability in the region.

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

Refugees, labor migrants, and displaced peoples in the MENA region face great obstacles and challenges regarding their economic opportunities and livelihood. These populations are susceptible to work deficits due to their concentration in low-skilled informal employment, often in under-regulated sectors. These work conditions depend on the socio-economic conditions of the host country, legislation and policies around the protection of these populations, and their access to the labor market.⁵¹ Members of the refugee populations who seek employment often face permit fees, mobility restrictions, and discrimination. Furthermore, most lack the sufficient documentation needed to obtain licenses, permits, or the jobs themselves. In addition to the challenges these populations face to gain economic opportunities, the MENA region presents a challenging environment in which to implement solutions to this problem. Because the governments in this region leave the bulk of care provision for refugee populations to the authority of NGOs, any solutions will need to collaborate or be implemented through these

⁴⁷ “Access to Labour Markets for Refugees and Forcibly displaced persons.” *International Labour Organization*, 2020, https://www.ilo.org/africa/areas-of-work/labour-migration/thematic-areas/WCMS_680002/lang--en/index.htm. Accessed 30 Jun. 2020

⁴⁸ Culbertson, Shelly and Kumar, Krishna B.. “Jobs Can Improve the Lives of Syrian Refugees and Their Host Communities – and Support Stability in the Middle East.” *Research and Development*, 11 Mar. 2019, <https://www.rand.org/blog/2019/03/jobs-can-improve-the-lives-of-syrian-refugees-and-their.html>. Accessed 30 Jun. 2020

⁴⁹ Bahar, Dany and Dooley, Meagan. “Refugees as assets not burdens.” *Brookings*, 2019, https://www.brookings.edu/wp-content/uploads/2020/02/refugees_as_assets_not_burdens_final.pdf. Accessed 30 Jun. 2020

⁵⁰ Lynch, Marc and Brand, Laurie. “Refugees and Displacement in the Middle East.” *Carnegie Endowment for International Peace*, 29 Mar. 2017, <https://carnegieendowment.org/2017/03/29/refugees-and-displacement-in-middle-east-pub-68479>. Accessed 30 Jun.

⁵¹ “Crisis migration.” *International Labour Organization*, 2020, <https://www.ilo.org/global/topics/labour-migration/policy-areas/crisis/lang--en/index.htm>. Accessed 30 Jun. 2020

NGOs.⁵² Upon receiving an opportunity for economic gain, the means to succeed with this opportunity must also be provided, such as a means of transportation.⁵³

The ILO is one of the biggest advocates for the rights of refugee populations; it works to ensure their access to decent work and livelihoods. The ILO is most active in Turkey, Lebanon, Jordan, the Horn of Africa, and North Africa. It is mostly focused on providing access to labor markets, improving work conditions, strengthening and guiding policy and regulatory framework, intervening to create jobs and facilitate formalization while strengthening the human capital of refugees and host community.^{54,55} Although these programs enable access to labor markets, they cost the host countries a lot upfront, but come with long-term benefits; this is important to consider for any solution created and implemented. Any solutions to improving the economic opportunities for refugees, labor migrants, and displaced peoples should consider improving access to labor markets, policies for inclusive labor markets, labor rights, improving human capital, and regional cooperation.^{56,57} With the increased mobility of these populations, regional cooperation as a League will be absolutely necessary.

I. Questions to Consider in Your Research

- What is the population of refugees, labor migrants, and displaced peoples in my country? What economic opportunities do they have access to?
- What sectors in my country's economy have most of the economic opportunities for these populations?
- What challenges do the refugee populations in my country face when seeking economic opportunities?
- What NGOs in my country contribute to the care provision for the refugee populations?
- How have recent global developments, such as COVID-19, impacted the refugee populations in my country?

II. Questions a Resolution Might Answer

⁵² Bahar, Dany and Dooley, Meagan. "Refugees as assets not burdens." *Brookings*, 2019, https://www.brookings.edu/wp-content/uploads/2020/02/refugees_as_assets_not_burdens_final.pdf. Accessed 30 Jun. 2020

⁵³ Culbertson, Shelly and Kumar, Krishna B.. "Jobs Can Improve the Lives of Syrian Refugees and Their Host Communities – and Support Stability in the Middle East." *Research and Development*, 11 Mar. 2019, <https://www.rand.org/blog/2019/03/jobs-can-improve-the-lives-of-syrian-refugees-and-their.html>. Accessed 30 Jun. 2020

⁵⁴ "Crisis migration." *International Labour Organization*, 2020, <https://www.ilo.org/global/topics/labour-migration/policy-areas/crisis/lang--en/index.htm>. Accessed 30 Jun. 2020

⁵⁵ "Access to Labour Markets for Refugees and Forcibly displaced persons." *International Labour Organization*, 2020, https://www.ilo.org/africa/areas-of-work/labour-migration/thematic-areas/WCMS_680002/lang--en/index.htm. Accessed 30 Jun. 2020

⁵⁶ "The access of refugees and other forcibly displaced persons to the labour market." *International Labour Office*, 2016, <https://www.refworld.org/pdfid/58bd53f14.pdf>. Accessed 30 Jun. 2020

⁵⁷ Bahar, Dany and Dooley, Meagan. "Refugees as assets not burdens." *Brookings*, 2019, https://www.brookings.edu/wp-content/uploads/2020/02/refugees_as_assets_not_burdens_final.pdf. Accessed 30 Jun. 2020

- How can access to the labor market for refugee populations be improved across the League?
- How will access to economic opportunities be provided to refugees, labor migrants, and displaced peoples who do not have documentation?
- What economic incentives will encourage the hiring of refugee populations?
- How can NGOs, businesses, and governments cooperate to improve human capital and economic opportunities for refugee populations in the League?

III. Additional Resources

- [Convention and Protocol Relating to the Status of Refugees](#)
The United Nations agreement from the 1951 Geneva Convention addresses the status of refugees. This document outlines protocols to address refugee populations and how to define refugees.
- [Leveraging Economic Migration for Development](#)
The World Bank Group outlines the growing trends in migration and remittances and the global impact of these trends. It also looks ahead to ways to address these populations.
- [Report of the United Nations High Commissioner for Refugees](#)
This United Nations report is an update to the 1951 Geneva Convention document. It emphasizes operational programs, areas in need of support, and potential solutions.
- [Guiding Principles: Access of refugees and other forcibly displaced persons to the labour market](https://www.unhcr.org/3b66c2aa10.html)
The International Labour Organization publishes guiding principles outlining ways to improve displaced persons' access to the labor market.

Topic III: Addressing corruption within the League and creating economic solutions to prevent and combat corruption within Member States and its impact on Arab economies.

I. Introduction to the Topic

A. General Background

The presence and impact of corruption has increased in recent years. The most common definition of corruption is the abuse of public office for private gain.⁵⁸ The International Monetary Fund (IMF) distinguishes between corrupt public practices, or illegal activities that reduce the economic efficiency of governments, and private corruption, which is practiced on individuals and private enterprises by organized crime. As both are rooted in economic causes and produce consequences on the economy, both must be considered in this topic. Corruption is hard to measure and there is meager research. There are numerous recorded causes of corruption; many of the causes are related to government intervention in the economy or the delegation of power.⁵⁹⁶⁰ Most of the recorded causes of corruption are related to the economy, such as trade restriction, government subsidies, price controls, multiple exchange rate practices and foreign exchange allocation schemes, low wages in civil service, and heavy investment in public service with little opportunities in the private sector.⁶¹⁶² The global trend towards economic globalization has also increased the opportunities for corruption.⁶³ There are other causes of corruption that are not related to economic reasons, such as a lack of transparency and accountability, heavy investment in the public sector with few opportunities in the private sector, and a low level of education.⁶⁴

Whether the cause of corruption is related to economic or non-economic influences, corruption has a big impact on economies. At its worst, corruption can completely disrupt economic development, and even “petty” corruption can rob government revenues and hinder economic

⁵⁸ Elliott, Kimberly Anne. “Corruption as an International Policy Problem: Overview and Recommendations.” *Institute for International Economics*, https://www.piie.com/publications/chapters_preview/12/10iie2334.pdf. Accessed 30 Jun. 2020

⁵⁹ Mauro, Paolo. “Why Worry About Corruption?” *International Monetary Fund*, 1997, <https://www.imf.org/external/pubs/ft/issues6/>. Accessed 30 Jun. 2020

⁶⁰ Cartier-Bresson, Jean. “Economics of corruption.” *OECD Observer*, Apr. 2000, https://oecdobserver.org/news/archivestory.php/aid/239/Economics_of_corruption.html. Accessed 30 Jun. 2020

⁶¹ Mauro, Paolo. “Why Worry About Corruption?” *International Monetary Fund*, 1997, <https://www.imf.org/external/pubs/ft/issues6/>. Accessed 30 Jun. 2020

⁶² Hors, Irène. “Fighting corruption in the developing countries.” *OECD Observer*, 2020, https://oecdobserver.org/news/archivestory.php/aid/291/Fighting_corruption_in_the_developing_countries.html. Accessed 30 Jun. 2020

⁶³ Elliott, Kimberly Anne. “Corruption as an International Policy Problem: Overview and Recommendations.” *Institute for International Economics*, https://www.piie.com/publications/chapters_preview/12/10iie2334.pdf. Accessed 30 Jun. 2020

⁶⁴ Hors, Irène. “Fighting corruption in the developing countries.” *OECD Observer*, 2020, https://oecdobserver.org/news/archivestory.php/aid/291/Fighting_corruption_in_the_developing_countries.html. Accessed 30 Jun. 2020

decision-making.⁶⁵ Most of the effects of corruption lead to domestic economic consequences.⁶⁶ Corruption scandals have negatively impacted governments and economies in Ecuador, Brazil, Italy, and India.⁶⁷ Corruption lowers investment, hinders economic growth, misallocates talent, reduces the effectiveness of aid flows, lowers tax revenue, and creates a lower quality of infrastructure and public services.⁶⁸ Additionally, corruption can lower total investment, skew government spending and financial allocation, cause inefficiency in the allocation of resources, generate greater inequities in income distribution, increase costs, and reduce access to services.⁶⁹ Corruption does not just have a domestic economic impact; it can also impede international trade.⁷⁰

B. History in the Arab World

The revolutions and protests in the wake of the Arab Spring in 2011, along with the upheaval and political instability, in the Middle East and North Africa, exacerbate government challenges to tackle corruption. The region has long experienced failing economies, poor governance, high unemployment, low economic growth, and other indicators of opportunities for corruption to take root. Studies have shown that the perceived levels of corruption are on the rise and trust in the governments' ability to combat corruption remain low.⁷¹ A report compiled by CPI shows that out of the eighteen countries studied in the MENA region, only six have improved their rankings in that study. The Middle East, 43 points, does slightly worse than the global average, 39 points, in terms of levels of corruption. Only five MENA countries score above the 50-point mark in the report, and four of these countries are Gulf Cooperation Council (GCC) countries: the UAE, Qatar, Israel, Saudi Arabia, and Oman.⁷² In 2019, the Global Corruption Barometer (GCB) surveyed citizens' perceptions of corruption in Jordan, Lebanon, Morocco, Palestine, Sudan, and Tunisia. The citizens in all six countries felt that corruption has increased, but the actual rate of corruption tells a different story for some of the countries. In Sudan, the reported bribery rates have gone down from 48% to 25% since 2015 and from 48% to 31% in Morocco. Jordan's rate of reported bribery rates stayed at 4%. However, the rates increased from 9% to

⁶⁵ Elliott, Kimberly Anne. "Corruption as an International Policy Problem: Overview and Recommendations." *Institute for International Economics*, https://www.piie.com/publications/chapters_preview/12/10iie2334.pdf. Accessed 30 Jun. 2020

⁶⁶ Elliott, Kimberly Anne. "Corruption as an International Policy Problem: Overview and Recommendations." *Institute for International Economics*, https://www.piie.com/publications/chapters_preview/12/10iie2334.pdf. Accessed 30 Jun. 2020

⁶⁷ Elliott, Kimberly Anne. "Corruption as an International Policy Problem: Overview and Recommendations." *Institute for International Economics*, https://www.piie.com/publications/chapters_preview/12/10iie2334.pdf. Accessed 30 Jun. 2020

⁶⁸ Mauro, Paolo. "Why Worry About Corruption?" *International Monetary Fund*, 1997, <https://www.imf.org/external/pubs/ft/issues6/>. Accessed 30 Jun. 2020

⁶⁹ "Combatting Corruption." *The World Bank*, 2020, <https://www.worldbank.org/en/topic/governance/brief/anti-corruption>. Accessed 30 Jun. 2020

⁷⁰ Elliott, Kimberly Anne. "Corruption as an International Policy Problem: Overview and Recommendations." *Institute for International Economics*, https://www.piie.com/publications/chapters_preview/12/10iie2334.pdf. Accessed 30 Jun. 2020

⁷¹ Schoeberlein, Jennifer. "Corruption in the Middle East & North Africa." *Transparency International*, 10 Dec. 2019, https://www.transparency.org/files/content/pages/2019_GCB_MENA_country_profiles.pdf. Accessed 30 Jun. 2020

⁷² Mauro, Paolo. "Why Worry About Corruption?" *International Monetary Fund*, 1997, <https://www.imf.org/external/pubs/ft/issues6/>. Accessed 30 Jun. 2020

18% in Tunisia, from 28% to 37% in Lebanon, and 13% to 17% in Palestine. All six of these countries experienced the effects of the Arab Spring in 2011 and experience corruption in various forms. Jordan has experienced protests demanding law reforms for greater checks and balances and an increase in transparency, Lebanon has witnessed a corrupt distribution of jobs and vote-buying, Morocco has seen positions of power and public service being used for personal enrichment, Palestine has experienced a power monopoly within the political elite, Sudan has witnessed public officials taking advantage of the private sector, and Tunisia has seen corruption become more decentralized, which makes it more difficult to combat.⁷³ All six countries have made efforts to combat corruption, but the majority are not enforced or sufficient to successfully combat all levels of corruption in the region. The region is specifically at risk for corruption due to the trend of an increased threat of corruption during the transition.^{74,75} Many of the countries in the region are experiencing or implementing political or economic transition, which leaves them vulnerable to corrupt actions.

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

A first step for the League to combat corruption would be defining corruption. Without clear parameters, it could be difficult to launch initiatives against corruption. The effects of corruption on economic development and political stability can spill over into neighboring countries. While creating solutions to combat corruption, each State must identify the sources and impact of corruption in their own State as well as where corruption has the most influence.⁷⁶ Although many countries in the region have passed laws to combat corruption, most are not enforced, which makes them insufficient.⁷⁷ Because the political solution route has been explored and is not completely successful, economic solutions must be explored. Solutions for this topic must consider that corruption comes in different forms and at different levels of society and government. Additionally, addressing corruption successfully will require collaboration between governments and businesses. An assessment of the current status of corruption within the League would be beneficial, but it must be a political and economic assessment to have a comprehensive view of the causes and impact of corruption.^{78,79} In addition to these considerations, solutions

⁷³ Schoeberlein, Jennifer. "Corruption in the Middle East & North Africa." *Transparency International*, 10 Dec. 2019, https://www.transparency.org/files/content/pages/2019_GCB_MENA_country_profiles.pdf. Accessed 30 Jun. 2020

⁷⁴ Elliott, Kimberly Anne. "Corruption as an International Policy Problem: Overview and Recommendations." *Institute for International Economics*, https://www.piie.com/publications/chapters_preview/12/10iie2334.pdf. Accessed 30 Jun. 2020

⁷⁵ Hors, Irène. "Fighting corruption in the developing countries." *OECD Observer*, 2020, https://oecdobserver.org/news/archivestory.php/aid/291/Fighting_corruption_in_the_developing_countries.html. Accessed 30 Jun. 2020

⁷⁶ Elliott, Kimberly Anne. "Corruption as an International Policy Problem: Overview and Recommendations." *Institute for International Economics*, https://www.piie.com/publications/chapters_preview/12/10iie2334.pdf. Accessed 30 Jun. 2020

⁷⁷ Schoeberlein, Jennifer. "Corruption in the Middle East & North Africa." *Transparency International*, 10 Dec. 2019, https://www.transparency.org/files/content/pages/2019_GCB_MENA_country_profiles.pdf. Accessed 30 Jun. 2020

⁷⁸ "Combatting Corruption." *The World Bank*, 2020, <https://www.worldbank.org/en/topic/governance/brief/anti-corruption>. Accessed 30 Jun. 2020

⁷⁹ Hors, Irène. "Fighting corruption in the developing countries." *OECD Observer*, 2020, https://oecdobserver.org/news/archivestory.php/aid/291/Fighting_corruption_in_the_developing_countries.html. Accessed 30 Jun. 2020

must acknowledge what has been attempted and failed in the past. Conventional approaches are no longer sufficient when combatting corruption, especially democratization, which has been the most popular solution in the past. The candidates running under a more democratic campaign continue to take advantage of investment in businesses and other advantages, which contribute to corruption.⁸⁰

Various international organizations have taken action in the region to combat corruption. The OECD works to deter and punish transnational bribery.⁸² The World Bank and the World Trade Organization also have ongoing initiatives and programs in the region.⁸³ The World Bank Group considers corruption a major challenge to its goal of ending extreme poverty by 2030, and it works at the country, regional, and global levels to build capable, transparent, and accountable institutions and in the public and private sector. Furthermore, Transparency International seeks to combat global corruption on all levels, and it has dedicated research and resources to the MENA region to combat corruption.⁸⁴ Individual States in the region have taken the policy and law reform route to combat corruption, but not all of them are enforced.⁸⁶ In 2015, Lebanon committed to a ten-year national strategy to counter corruption, established a national committee, and reformed anti-corruption agencies.⁸⁷

Economic solutions for combatting corruption in the MENA region should focus on what creates opportunities for corruption, such as the increase of flow of goods and capital, the misuse of resources for developing countries, government procurement, and policies.⁸⁸ Other indicators

⁸⁰ Schoeberlein, Jennifer. "Corruption in the Middle East & North Africa." *Transparency International*, 10 Dec. 2019, https://www.transparency.org/files/content/pages/2019_GCB_MENA_country_profiles.pdf. Accessed 30 Jun. 2020

⁸¹ "Combatting Corruption." *The World Bank*, 2020, <https://www.worldbank.org/en/topic/governance/brief/anti-corruption>. Accessed 30 Jun. 2020

⁸² Elliott, Kimberly Anne. "Corruption as an International Policy Problem: Overview and Recommendations." *Institute for International Economics*, https://www.piie.com/publications/chapters_preview/12/10iie2334.pdf. Accessed 30 Jun. 2020

⁸³ "Combatting Corruption." *The World Bank*, 2020, <https://www.worldbank.org/en/topic/governance/brief/anti-corruption>. Accessed 30 Jun. 2020

⁸⁴ Langton, James. "Corruption an ongoing issue across Middle East, new survey finds." *The National*, 11 Dec. 2019,

<https://www.thenational.ae/world/mena/corruption-an-ongoing-issue-across-middle-east-new-survey-finds-1.950112>. Accessed 30 Jun. 2020

⁸⁵ "Combatting Corruption." *The World Bank*, 2020, <https://www.worldbank.org/en/topic/governance/brief/anti-corruption>. Accessed 30 Jun. 2020

⁸⁶ Mauro, Paolo. "Why Worry About Corruption?" *International Monetary Fund*, 1997, <https://www.imf.org/external/pubs/ft/issues6/>. Accessed 30 Jun. 2020

⁸⁷ Schoeberlein, Jennifer. "Corruption in the Middle East & North Africa." *Transparency International*, 10 Dec. 2019, https://www.transparency.org/files/content/pages/2019_GCB_MENA_country_profiles.pdf. Accessed 30 Jun. 2020

Transparency International, 10 Dec. 2019, https://www.transparency.org/files/content/pages/2019_GCB_MENA_country_profiles.pdf. Accessed 30 Jun. 2020

⁸⁸ Elliott, Kimberly Anne. "Corruption as an International Policy Problem: Overview and Recommendations." *Institute for International Economics*, https://www.piie.com/publications/chapters_preview/12/10iie2334.pdf. Accessed 30 Jun. 2020

⁸⁹ Mauro, Paolo. "Why Worry About Corruption?" *International Monetary Fund*, 1997, <https://www.imf.org/external/pubs/ft/issues6/>. Accessed 30 Jun. 2020

of corruption include a lack of transparency, weakness or total absence of institutions, systems, and processes that block capital leakages, and pervasiveness of impunity. Just an increase of US \$4,400 per capita income and an increase in exposure to competition can improve a country's ranking on a corruption index.⁹⁰ Potential solutions could include reforms to liberalize the economy and increase competition, building institutions and State capacity, and supporting internal reforms; however, all solutions must work to increase credibility, competition, and reform.⁹¹ Current corrupt actions must be addressed, but institutional systems and incentives to prevent corruption must also be implemented.^{92,93}

I. Questions to Consider in Your Research

- How does my country define corruption?
- How does corruption affect my country's economy?
- How has my country combatted terrorism in the past?
- What is my country's ranking in regards to a corruption index?

II. Questions a Resolution Might Answer

- What is the League's definition of corruption?
- How can the League support internal economic reforms?
- How can the League combat corruption through developing institutions and Member States' capabilities?
- How can the League provide economic incentives to prevent corruption?

III. Additional Resources

- [Global Corruption Barometer Middle East & North Africa 2019](#)
Transparency International conducted a study on citizens' views and experiences of corruption in their countries. This report analyzes the results of this study on six countries in the MENA region.
- [Helping Countries Combat Corruption: The Role of the World Bank](#)
This article outlines the World Bank's definitions of different types of corruption. The article also emphasizes economic solutions to combat corruption.
- [Corruption Perceptions Index](#)
Transparency.org provides data on the perceived corruption in individual countries from 2011 to 2019. This provides a starting point for understanding the perceived level of corruption in a country.

⁹⁰ Cartier-Bresson, Jean. "Economics of corruption." *OECD Observer*, Apr. 2000, https://oecdobserver.org/news/archivestory.php/aid/239/Economics_of_corruption.html. Accessed 30 Jun. 2020

⁹¹ Elliott, Kimberly Anne. "Corruption as an International Policy Problem: Overview and Recommendations." *Institute for International Economics*, https://www.piie.com/publications/chapters_preview/12/10iie2334.pdf. Accessed 30 Jun. 2020

⁹² "Combatting Corruption." *The World Bank*, 2020, <https://www.worldbank.org/en/topic/governance/brief/anti-corruption>. Accessed 30 Jun. 2020

⁹³ Cartier-Bresson, Jean. "Economics of corruption." *OECD Observer*, Apr. 2000, https://oecdobserver.org/news/archivestory.php/aid/239/Economics_of_corruption.html. Accessed 30 Jun. 2020

Topic IV: Analyzing the economic risks and opportunities associated with Member State integration into China’s Belt and Road Initiative, or One Belt, One Road, with special attention to ramifications for regional development and trade relations.

I. Introduction to the Topic

A. General Background

The Chinese Belt and Road Initiative (BRI), also known as the One Belt, One Road Initiative and the New Silk Road, was launched in 2013 by President Xi Jinping.⁹⁴ It is currently the world’s largest emerging platform for international business collaboration.⁹⁵ It consists of two main parts: the overland Silk Road Economic Belt and the Maritime Silk Road. Specifically, the Maritime Silk Road will accommodate expanding maritime trade traffic through port development along the Indian Ocean from South East Asia to parts of Europe. It, also, incorporates various economic corridors. President Xi Jinping’s vision includes a network of railways, energy pipelines, highways, streamlined border crossings, telecommunications links, ports, airports, and industrial development zones.^{96,97} In addition to this infrastructure, there are plans to build fifty economic zones modeled after the Shenzhen Special Economic Zone. The vast majority of these networks would stretch from East Asia to Europe.⁹⁸ There is no official list of participants; however, as of March 2020, the number of countries that have joined the BRI by signing a Memorandum of Understanding with China includes 138 countries.⁹⁹ The model of the BRI is reminiscent of the original Silk Road, which arose during the Han Dynasty between 206 BCE and 22 CE. It created trade networks throughout modern-day Afghanistan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Uzbekistan, India, Pakistan, and into Europe. It was the first connection of eastern and western markets of its size.¹⁰⁰

⁹⁴ Chatzky, Andrew and McBride, James. “China’s Massive Belt and Road Initiative.” *Council on Foreign Relations*, 28 Jan. 2020, <https://www.cfr.org/backgroundunder/chinas-massive-belt-and-road-initiative>. Accessed 30 Jun. 2020

⁹⁵ Freeman, Chas W.. “The Geoeconomic Implications of China’s Belt and Road Initiative.” *Middle East Policy Council*, <https://mepc.org/speeches/geoeconomic-implications-chinas-belt-and-road-initiative>. Accessed 30 Jun. 2020

⁹⁶ Chatzky, Andrew and McBride, James. “China’s Massive Belt and Road Initiative.” *Council on Foreign Relations*, 28 Jan. 2020, <https://www.cfr.org/backgroundunder/chinas-massive-belt-and-road-initiative>. Accessed 30 Jun. 2020

⁹⁷ Freeman, Chas W.. “The Geoeconomic Implications of China’s Belt and Road Initiative.” *Middle East Policy Council*, <https://mepc.org/speeches/geoeconomic-implications-chinas-belt-and-road-initiative>. Accessed 30 Jun. 2020

⁹⁸ Chatzky, Andrew and McBride, James. “China’s Massive Belt and Road Initiative.” *Council on Foreign Relations*, 28 Jan. 2020, <https://www.cfr.org/backgroundunder/chinas-massive-belt-and-road-initiative>. Accessed 30 Jun. 2020

⁹⁹ “Countries of the Belt and Road Initiative (BRI).” *Green Belt and Road Initiative Center*, Mar. 2020, <https://green-bri.org/countries-of-the-belt-and-road-initiative-bri?cookie-state-change=1594511986267>. Accessed 30 Jun. 2020

¹⁰⁰ Chatzky, Andrew and McBride, James. “China’s Massive Belt and Road Initiative.” *Council on Foreign Relations*, 28 Jan. 2020, <https://www.cfr.org/backgroundunder/chinas-massive-belt-and-road-initiative>. Accessed 30 Jun. 2020

China has fully committed to this enormous project; it is estimated that China's overall expenses could reach USD \$1.2 to \$1.3 trillion by 2027, and China has set a goal of \$2.5 trillion in trade with BRI partner countries by 2025.¹⁰¹ The main source of funding for the BRI projects are the Chinese development banks, the USD 40 billion Silk Road Fund, and state-owned commercial banks.¹⁰² Reasons for the initiation of this initiative are traced to the rocky trade relations with the United States (US), which pressured the country to open new markets for its goods, expanding the international use of Chinese currency, and creating greater Asian connectivity. The BRI is seen as a new way to develop new investment opportunities, cultivate export markets, and boost Chinese incomes and domestic consumption. There are various benefits for countries to join the list of BRI countries, including to increase the speed of transport and telecommunications, to lower costs, to create jobs, to increase trade and investment, to create free trade zones, to enhance financial co-operation in the region to fund infrastructure, to gain access to natural resources, to strengthen transport infrastructure, and to deepen cultural exchanges in the region.¹⁰³¹⁰⁴¹⁰⁵ A study published by the World Bank Group highlighted three main opportunities for countries participating in the BRI: tremendous size and scope, unexploited potential, and improved connectivity. The BRI economies account for one-third of global GDP and trade and two-thirds of the world population, which will make the initiative, and its participants, very influential in the global economy. The trade of many BRI economies is below potential due to inadequate infrastructure, policy, and other gaps, and involvement in the BRI would improve them. That study focused on an assessment of current connectivity gaps in BRI countries, an assessment of potential economic effects of proposed BRI infrastructure, and identification of complementary policies and institutions that will enhance the development benefits for BRI countries.¹⁰⁶

B. History in the Arab World

¹⁰¹ Freeman, Chas W.. "The Geoeconomic Implications of China's Belt and Road Initiative." *Middle East Policy Council*, <https://mepc.org/speeches/geoeconomic-implications-chinas-belt-and-road-initiative>. Accessed 30 Jun. 2020

¹⁰² "China's Belt and Road Initiative in the Global Trade, Investment and Finance Landscape." *Organisation for Economic Co-operation and Development*, 2018, <https://www.oecd.org/finance/Chinas-Belt-and-Road-Initiative-in-the-global-trade-investment-and-finance-landscape.pdf>. Accessed 30 Jun. 2020

¹⁰³ Chatzky, Andrew and McBride, James. "China's Massive Belt and Road Initiative." *Council on Foreign Relations*, 28 Jan. 2020, <https://www.cfr.org/background/chinas-massive-belt-and-road-initiative>. Accessed 30 Jun. 2020

¹⁰⁴ "China's Belt and Road Initiative in the Global Trade, Investment and Finance Landscape." *Green Belt and Road Initiative Center*, Mar. 2020, <https://green-bri.org/countries-of-the-belt-and-road-initiative-bri?cookie-state-change=1594511986267>. Accessed 30 Jun. 2020

¹⁰⁵ Freeman, Chas W.. "The Geoeconomic Implications of China's Belt and Road Initiative." *Middle East Policy Council*, <https://mepc.org/speeches/geoeconomic-implications-chinas-belt-and-road-initiative>. Accessed 30 Jun. 2020

¹⁰⁶ Ruta, Michele. "Three Opportunities and Three Risks of the Belt and Road Initiative." *World Bank Blogs*, 04 May 2018, <https://blogs.worldbank.org/trade/three-opportunities-and-three-risks-belt-and-road-initiative>. Accessed 30 Jun. 2020

China's Belt and Road Initiative is widely supported and welcomed by the Arab League.¹⁰⁷ Almost all members of the Arab League are official participants or have expressed interest in participating.¹⁰⁸¹⁰⁹ China and the Arab world have strong economic and political ties. China is the Arab world's second largest trading partner and has established strategic partnerships with twelve Arab States.¹¹⁰ In 2018, the bilateral trade volume between China and the Arab countries reached US \$244.3 billion, an annual increase of 28%.¹¹¹ In July 2019, the China-Arab States Cooperation Forum (CASCF) Ministerial Meeting convened China and Arab countries to sign three documents: the Beijing Declaration, the Action Plan for 2018-2020, and the Declaration of Action on China-Arab States Belt and Road Cooperation.¹¹² When it comes to the presence of the BRI in the MENA region, China has a particular interest in the MENA due to the region's unique assets. The MENA region offers the prospects of road, rail, and port access to major markets. The initiative could also help with the reconstruction of Syria and Iraq.¹¹³ Many experts and researchers claim that China's interest in the BRI in the MENA region is linked to the region's ports and energy resources, as evidenced by infrastructure like the world's largest oil-fired power station in Yanbu, Saudi Arabia.¹¹⁴ ¹¹⁵

China has invested in significant infrastructure in Member States of the Arab League. China has set up US \$15 billion of special loans to support industrialization in the Middle East and US \$10 billion in concessional loans.¹¹⁶ Additionally, railways and rail freight lines have been constructed in Turkey. Syria is of particular interest to the initiative because it can provide an alternative route to Europe other than the Suez Canal. Furthermore, the BRI plans to reconstruct the Tripoli-Homs Railway as part of a Special Economic Zone.¹¹⁷ The BRI has implemented infrastructure cooperation to create the Algeria central port, Egypt's 10th of Ramadan suburban railway, the Egyptian main power grid transmission line, the Egyptian glass fiber production line, and the Egyptian small satellite assembly test center. The BRI has also utilized cooperation

¹⁰⁷ "China Arab Economic and Trade Cooperation Under the Background of Belt & Road Initiative." *World Energy*, 20 Sept. 2019, <https://www.world-energy.org/article/2371.html>. Accessed 30 Jun. 2020

¹⁰⁸ "Countries of the Belt and Road Initiative (BRI)." *Green Belt and Road Initiative Center*, Mar. 2020, <https://green-bri.org/countries-of-the-belt-and-road-initiative-bri?cookie-state-change=1594511986267>. Accessed 30 Jun. 2020

¹⁰⁹ Devonshire-Ellis, Chris. "China's Belt & Road Initiative In The Middle East." *Silk Road Briefing*, 21 Jun. 2019, <https://www.silkroadbriefing.com/news/2019/06/21/chinas-belt-road-initiative-middle-east/>. Accessed 30 Jun. 2020

¹¹⁰ Yang, Yi. "Spotlight: How the BRI is bolstering China-Arab ties." *Xinhua Net*, 10 Jul. 2019, http://www.xinhuanet.com/english/2019-07/10/c_138214422.htm. Accessed 30 Jun. 2020

¹¹¹ "China: 'Belt and Road' Project to Encompass 18 Arab Countries." *Tele Sur*, 13 Jul. 2019, <https://www.telesurenglish.net/news/China-Belt-and-Road-Project-to-Encompass-18-Arab-Countries-20190713-0004.html>. Accessed 30 Jun. 2020

¹¹² "China Arab Economic and Trade Cooperation Under the Background of Belt & Road Initiative." *World Energy*, 20 Sept. 2019, <https://www.world-energy.org/article/2371.html>. Accessed 30 Jun. 2020

¹¹³ Devonshire-Ellis, Chris. "China's Belt & Road Initiative In The Middle East." *Silk Road Briefing*, 21 Jun. 2019, <https://www.silkroadbriefing.com/news/2019/06/21/chinas-belt-road-initiative-middle-east/>. Accessed 30 Jun. 2020

¹¹⁴ Yang, Yi. "Spotlight: How the BRI is bolstering China-Arab ties." *Xinhua Net*, 10 Jul. 2019, http://www.xinhuanet.com/english/2019-07/10/c_138214422.htm. Accessed 30 Jun. 2020

¹¹⁵ Rakhmat, Muhammad Zulfikar. "The Belt and Road Initiative in the Gulf: Building 'Oil Roads' to Prosperity." *Middle East Institute*, 12 Mar. 2019, <https://www.mei.edu/publications/belt-and-road-initiative-gulf-building-oil-roads-prosperity>. Accessed 30 Jun. 2020

¹¹⁶ "China Arab Economic and Trade Cooperation Under the Background of Belt & Road Initiative." *World Energy*, 20 Sept. 2019, <https://www.world-energy.org/article/2371.html>. Accessed 30 Jun. 2020

¹¹⁷ Devonshire-Ellis, Chris. "China's Belt & Road Initiative In The Middle East." *Silk Road Briefing*, 21 Jun. 2019, <https://www.silkroadbriefing.com/news/2019/06/21/chinas-belt-road-initiative-middle-east/>. Accessed 30 Jun. 2020

to create the Sino-Egyptian Suez Economic and Trade Cooperation Zone, the Sino-Arab Industrial Park in Oman, the Industrial Agglomeration Zone in Saudi Arabia, and the United Arab Emirates Capacity Cooperation Demonstration Park in China.¹¹⁸ Two projects in Morocco, Chinese-built solar power plants, created more than 13,000 job opportunities for local residents over three years. There are more joint future projects planned in the region related to the BRI; for example, China and Arab States are also building a “Space Silk Road” with the application of China’s Beidou Navigation Satellite System in Tunisia, Algeria, Kuwait, and Sudan to facilitate agriculture, telecommunications, maritime monitoring, and disaster relief among other fields.¹¹⁹

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

According to the Council on Foreign Relations, eight RI countries are vulnerable to debt crises, including Djibouti. Some countries participating in the BRI take on large amounts of debt to fund infrastructure upgrades or take low-interest loans as opposed to aid grants. Debt to China surpasses 20% of GDP in some countries; however, as costs increase, there is increased opposition to the initiative. The Malaysian prime minister, Mahathir bin Mohamad, campaigned against the BRI for being overpriced and which partially redirected funds to be controlled by his predecessor. He, later, changed his mind. There have been mass protests in Kazakhstan against the construction of Chinese factories.¹²⁰ A study by the World Bank Group highlighted three risks to joining the initiative: policy barriers and political differences create obstacles and thick borders, risks involved with major infrastructure, projects, environmental, social, and corruption risks, and macro risks that lead to debt.¹²¹ Various other risks accompany the BRI. Some of the infrastructure projects were retroactively labeled BRI projects and other projects that were initially labeled BRI projects were later changed to local projects. Chinese firms, both state-owned and private have taken advantage of this initiative. Since the start of this project, there has been no publicly stated KPI, no overarching institutionalization, no formal membership protocols, no founding charters, and a vague timeline. Overall, this project is accompanied with a lot of inconsistency and fluidity.¹²² The Member States of the Arab League need to consider all risks and ramifications of joining the BRI. Member States should also consider how the initiative would align with States’ economic visions and plans. Any countries considering participating must also consider any financial risks. Member States could encourage dialogue and consultation

¹¹⁸ “China Arab Economic and Trade Cooperation Under the Background of Belt & Road Initiative.” *World Energy*, 20 Sept. 2019, <https://www.world-energy.org/article/2371.html>. Accessed 30 Jun. 2020

¹¹⁹ Yang, Yi. “Spotlight: How the BRI is bolstering China-Arab ties.” *Xinhua Net*, 10 Jul. 2019, http://www.xinhuanet.com/english/2019-07/10/c_138214422.htm. Accessed 30 Jun. 2020

¹²⁰ Chatzky, Andrew and McBride, James. “China’s Massive Belt and Road Initiative.” *Council on Foreign Relations*, 28 Jan. 2020, <https://www.cfr.org/backgrounder/chinas-massive-belt-and-road-initiative>. Accessed 30 Jun. 2020

¹²¹ Ruta, Michele. “Three Opportunities and Three Risks of the Belt and Road Initiative.” *World Bank Blogs*, 04 May 2018, <https://blogs.worldbank.org/trade/three-opportunities-and-three-risks-belt-and-road-initiative>. Accessed 30 Jun. 2020

¹²² Shepard, Wade. “How China is Losing Support for its Belt and Road Initiative.” *Forbes*, 28 Feb. 2020, <https://www.forbes.com/sites/wadeshepard/2020/02/28/how-beijing-is-losing-support-for-its-belt-and-road-initiative/#60112c532199>. Accessed 30 Jun. 2020

through the CASCF to exchange bilateral development strategies and policies.¹²³¹²⁴ The League needs to consider guidance with business activities, risk evaluation, risk control, and legitimate rights.¹²⁵

II. Questions to Consider in Your Research

- What is my country's interaction with the Belt and Road Initiative (BRI)?
- What is the history of Chinese and Arab economic relations? How have these relations evolved?
- Are there, or will there be, any BRI projects in my country?
- How can my country benefit from joining the BRI? How can the League benefit from joining the BRI?

III. Questions a Resolution Might Answer

- What are the risks that accompany the BRI? Is my country particularly susceptible to any of these risks?
- How could the League support the BRI impact regional economic development and trade relations?
- How would the BRI align with Member States' economic visions and plans, such as the Saudi Vision 2030 plan?
- How can the League avoid the predicted debt risks with the BRI projects?

I. Additional Resources

- [The Belt and Road Initiative](#)
Lehman Brown lists and describes the corridors of the BRI and the opportunities for participating countries. It also lists the countries involved in the BRI and explains their level of involvement.
- [Approved Projects](#)
The Asian Infrastructure Investment Bank keeps a running list of approved BRI projects throughout the world. Each approved project is accompanied with more detail regarding the project type, funding, and timeline.
- [Belt and Road Tracker](#)
The Council on Foreign Relations maintains a Belt and Road Tracker to track the changes in participating countries' bilateral economic relationships with China. The website also includes individual country profiles to outline that country's economic relations with China.

¹²³ "China Arab Economic and Trade Cooperation Under the Background of Belt & Road Initiative." *World Energy*, 20 Sept. 2019, <https://www.world-energy.org/article/2371.html>. Accessed 30 Jun. 2020

¹²⁴ Chatzky, Andrew and McBride, James. "China's Massive Belt and Road Initiative." *Council on Foreign Relations*, 28 Jan. 2020, <https://www.cfr.org/backgroundunder/chinas-massive-belt-and-road-initiative>. Accessed 30 Jun. 2020

¹²⁵ "China Arab Economic and Trade Cooperation Under the Background of Belt & Road Initiative." *World Energy*, 20 Sept. 2019, <https://www.world-energy.org/article/2371.html>. Accessed 30 Jun. 2020

- [Examining the Debt Implications of the Belt and Road Initiative from a Policy Perspective](#)

This report by the Center for Global Development provides a more in-depth analysis of the debt implications of the BRI. It also provides specific focus on eight countries with high debt vulnerability and recommendations to avoid debt.