2015 - 2016
Model Arab League

BACKGROUND GUIDE
Council of Arab Economic Affairs Ministers

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Original draft by Chloe Stowell, Chair of the Council of Arab Economic Affairs Ministers at the 2016 National University Model Arab League, with contributions from the dedicated staff and volunteers at the National Council on U.S.-Arab Relations
Honorable Delegates,

Welcome to the 2015-2016 National University Model Arab League Conference. My name is Chloe Stowell and I have the privilege of serving as your Chair of the Council of Economic Affairs Ministers. I am a junior at the University of Houston Honors College with majors in Political Science and Anthropology. Beginning my freshman year, Model Arab League has been a central component of my academic career. I have gained skills in diplomacy, public speaking, and research that have been essential to a variety of competitive applications. Additionally, the program fosters individual growth, and I am incredibly thankful. This past summer, the National Council on US-Arab Relations gave me a scholarship for an Arabic Immersion Program in Morocco! I’m excited to see what future opportunities my Model Arab League experience will lead to. Also, I know your involvement will produce similar fruit.

Throughout the duration of this Council session, you will be expected to present, defend, and make proposals in favor of the economic interests of your country and the Arab region as a whole. The following topics will be your guidelines for this session. Consider creative and effective solutions to the economic problems presented and collaborate with your fellow delegates to produce proposals reflecting the dignity of this body. A careful consideration will require diligent research and substantive knowledge of the economic affairs in the region. Take time to study and know your country. Be prepared to accurately portray the complexity of the region and the problems at hand. These topics are fun and highly relevant; I know you will enjoy them. With that in mind, I trust all of you will come ready to debate and have a good time. Let’s have a productive and exciting session, delegates. I truly look forward to facilitating this session and working with all of you.

Best wishes,

Chloe Stowell
Topic I: Addressing the implications of changes to sanctions regimes in the region, including any possible dangers to and areas of benefit for member states

I. Introduction to the Topic

A. General Background

In general, a “sanction” is a penalty imposed by one party on another. Although different types of sanctions exist, the Council will deal mostly with economic sanctions, which are defined as “the withdrawal of customary trade and financial relations for foreign and security policy purposes.” Economic sanctions might consist of “travel bans, asset freezes, arms embargoes, capital restraints, foreign aid reductions, and trade restrictions.” A sanction regime is a collection of economic sanctions, often imposed by more than one country, on a specific nation.

Nations often impose economic sanctions on other countries in order to impact their domestic policies, their type of government, or a specific situation. For example, a democratic country might employ economic sanctions against an authoritarian regime in order to encourage the government to better protect citizens’ human rights. Employing sanctions allows countries to pressure other nations while not committing to the costs of war.¹

B. History in the Arab World

Global powers often utilize sanctions against Arab states in order to influence policies. For example, the United States has imposed sanctions against Syria, a designated State Sponsor of Terrorism, for decades. The U.S. increased these sanctions in 2004 and again in 2011 when uprisings against Bashir al-Assad’s regime began. The U.S. hopes these sanctions pressure the regime into accepting a democratic transition of government.²

Today, economic sanctions against Iran constitute the most prominent sanctions regime in the Arab world. Iran agreed not to pursue the development of nuclear weapons by signing the Nonproliferation Treaty (NPT) in 1967. However, some of Iran’s policies raised U.S. concerns that the Republic was interested in manufacturing nuclear weapons covertly.³ Thus, since 1979, the United States, the European Union, Japan, the Republic of Korea, Canada, Australia, Norway, and Switzerland have imposed restrictions on diplomatic and economic activities with Iran.⁴ Economic sanctions against Iran have increased over the years, putting pressure on the nation’s economic infrastructure.

But recently, several events have suggested a possible lifting of sanctions. In August of 2015, Switzerland became the first Western country to lift sanctions against Iran. More importantly, Iran recently signed a deal agreeing to severely limit its nuclear faculties in exchange for the gradual lifting of economic sanctions. If the nuclear deal with Iran remains viable, the country’s economy will grow rapidly as jobs become available to its young workforce. With the second largest Middle Eastern economy, a sanction-free Iran will allow nearly 80 million consumers clearer access to the global economy. Neighbors and trading partners can expect a more competitive economy, as new businesses enter the market and capitalize on increased investment.

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

Member states must first determine how current sanctions regimes affect their economies. The Council must then discuss how changes to these regimes could impact neighboring Arab nations. It is important to realize that the lifting of a country’s economic sanctions can have both a positive and negative effect on other economies. Nations might gain another trading partner, but also face increased competition for certain goods and services. Countries might consider diversifying the goods they manufacture and trade in order to protect their economies.

Specifically, member states must be wary of Iran after the nation’s sanctions have been lifted by Western nations. A stronger Iran, while a formidable trading partner, must also be considered an economic competitor. Saudi Arabia will find new competition in its automobile sector, and Jordan’s mining sector will also have to adapt to new participants. According to the World Bank’s latest quarterly brief, Iran’s re-entry onto the crude oil market may lead to annual losses of $40 billion for Saudi Arabia and $5 billion for Libya. In a market already saturated with oil, increased supply from Iran will only push oil prices lower. This phenomenon may have a negative effect on the economies of member states dependent on oil revenue.

Resolutions drafted by this Council should consider the above possibilities and should also prepare the League for a variety of outcomes. The Council may want to analyze how past sanctions in the region have affected both individual member states and the League as a whole.

II. Questions to Consider in Your Research

- How might the lifting of economic sanctions in the region affect my country?

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• Will my country establish economic ties with countries whose economic sanctions have been lifted?
• Specifically considering Iran, how will my state be affected by the lifting of the Iranian sanctions regime?

III. Questions a Resolution Might Answer

• How can member states dependent on oil revenues counteract the negative impacts of an increased supply of oil?
• If the sanctions currently imposed on Arab countries are lifted, what sectors of the economy will those nations be most likely to enter?
• Can member states diversify their economies to avoid the negative impacts of additional players in international markets

IV. Additional Resources

• An Introduction to Economic Sanctions
• U.S. Economic Sanctions Against Syria
• Iran Post Sanction Relief
• Economic Effects of Ending Sanctions on Iran
I. Introduction to the Topic

A. General Background

The Council will define a “militant and criminal organization” as a group that uses violence and other unlawful actions to attain a set goal. These organizations set up sources of income in order to “generate funding,” or accumulate monetary resources used to support their actions. Militant groups often establish ties with legitimate organizations or individuals who “transfer funds” to the militant group in order to provide monetary support.

In October of 2002, a Council on Foreign Relations report found that al-Qaeda’s revenue sources included “charities, nongovernmental organizations, mosques, websites, intermediaries, facilitators, and banks.” The terrorist network used the Islamic pillar of almsgiving to convince religious individuals to donate to al-Qaeda regularly. By September of 2001, al-Qaeda’s annual budget was reportedly around $30 million. After the 9/11 terrorist attacks, the organization’s finances decreased significantly as individual supporters were reprimanded by the United States, Britain, and the United Arab Emirates. In 2007, the Saudi Arabian government also began targeting terror supporters. Al-Qaeda has thus become mostly self-funded, and the organization is rather decentralized compared to its earlier days. Al-Qaeda’s ability to fund operations is much less than it used to be.\(^{10}\)

B. History in the Arab World

Efforts to cripple the funding of militant and criminal organizations are crucial to the future stability of the MENA region. Today, Daesh\(^{11}\) possess possibly the greatest threat to Arab peace and stability. As of Mosul’s fall in June of 2014, the organization’s assets are estimated at $875 million. Similar to al-Qaeda, Daesh is funded through a variety of sources. Extortion and taxation in Iraq account for $600 million of the network’s finances. Daesh stole an additional $500 million from state-owned banks in Iraq. The organization also raised about $100 million from oil profits. Lastly, Daesh gained around $20 million from the ransoms of kidnapping victims.\(^{12}\) With such a diverse range of monetary sources, it is difficult to prevent the influential organization from continuing to acquire funds.

Daesh controls a majority of Syria’s oil fields; the organization’s holdings are responsible for 60% of the nation’s oil production. While recent air strikes in Syria have damaged the terror network’s infrastructure and minimized funding from oil, Daesh has employed other means to counteract this loss. In Iraq, Daesh imposed a 50% income tax on government officials. Vehicles


\(^{11}\) Throughout MAL Background Guides, we have attempted to simplify and clarify word usage in reference to the group known alternately as Islamic State, ISIS, ISIL etc. by consistently labeling it ‘Daesh,’ a widely used name derived from the group’s Arabic acronym and one which the group itself despises.

transporting cargo through the region are charged a tax equivalent to 10% of the value of their cargo. Shops are also being charged an annual 2.5% tax. Together, these avenues comprise the majority of the group’s funds. Still, tracking the money that Daesh acquires is complicated. Dealing mainly in cash, Daesh economic transactions occur outside of legal channels.

Although it garners the vast majority of media attention, Daesh is certainly not the only militant terrorist network operating in the Middle East. Hezbollah, based in Lebanon, is an extremist Shi’a group known to have close ties with Iran. Originally an offshoot of al-Qaeda, Boko Haram has established itself as one of the most extreme terrorist organizations in the Islamic Maghreb. The group operates out of Nigeria and is known for kidnapping girls and women. Al-Shabaab, which translates to “the youth” in Arabic, is another extremist group based in Somalia. The Council should be mindful of this when drafting resolutions.

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

A terror network’s influence relies heavily on its accumulation of land. Controlling significant land holdings allows an organization access to numerous resources, including an increasing number of individuals from whom it can collect taxes. In order to limit a group’s resources, neighboring nations should consider tightening border security to prohibit a terrorist network from poaching each country’s resources. The Council should also consider an extremist group’s ability to infiltrate underground economies.

In addition to border security, member states should be wary of possible connections with legitimate banks that a terrorist network might utilize. For example, the Central Bank of Iraq has already instructed banks to refrain from wiring funds into regions controlled by Daesh. Other banks have even relocated their headquarters in response to Daesh’s growing financial influence. Aside from the formal banking system, terrorist networks also receive funds from “foreign money remitters” operating in border areas. Extremist groups are also taking advantage of online resources. Saudi Arabia reported that individuals associated with Daesh have contacted potential donors via Twitter and Skype.

Militant organizations gather funds creatively. Cutting the funding of terrorist organizations thus demands a multi-faceted approach; each pathway to funding should be identified and eliminated. The Council could consider establishing bodies to investigate individuals and governments that might be funding terrorist organizations. Any solutions meant to help limit the funding of

17 Almukhtar, Sarah. “ISIS Finances Are Strong.”
terrorist organizations should take into consideration how such groups have historically accrued revenue.

II. Questions to Consider in Your Research

- Does my country have a known terrorist network working within it? How is that organization acquiring funds?
- Has a terrorist organization been active in my country in the past? Did my country enact policies to limit the organization’s funding? Were these policies successful?
- How could a terrorist organization easily acquire funds in my country?

III. Questions a Resolution Might Answer

- If an organization or individual is discovered to have been funding a terrorist organization, how can a nation utilize this knowledge to increase its understanding of how the organization is funded?
- How can nations secure their borders to prevent terrorist organizations from establishing networks within their country?
- Can my country prohibit individuals from donating to a religious institution that is suspected of supporting a terrorist organization?

IV. Additional Resources

- Designated Foreign Terrorist Organizations
- Evolution of Islamic Terrorism
- The Funding of Daesh
Topic III: Investing in the knowledge economy, growing and sustaining the strength of information-based sectors, and laying the foundation for a future transition to a more diverse economy

I. Introduction to the Topic

A. General Background

In 2003, the United Nations Development Programme released a report claiming that Middle Eastern countries lacked knowledge economies. The study showed that “the Arab world lacked a commitment to science and technology, had underperforming educational systems, and generally discouraged innovation and creative expression.”

The “knowledge economy” is defined as “the contemporary post-agricultural, post-industrial global marketplace.” A nation with a highly developed knowledge economy emphasizes research in science and technology, freedom of expression, and well-rounded education. Most nations today are adapting their educational systems and general cultural norms to reflect the fact that one’s ability to participate in the world economy is contingent on the knowledge one possesses.

In a knowledge economy, information-based sectors make up the majority of the nation’s economy. “Information-based sectors” are those in which knowledge is the “primary raw material and source of value.” Countries desiring economic prosperity place emphasis on the knowledge needed to compete in today’s competitive economy.

B. History in the Arab World

According to a report by the Arab Organization for Education, Science and Culture (ALECSO), the Arab illiteracy rate has increased to 19.73%. This translates to approximately 96,836,000 illiterate Arabs. The Middle East also possesses one of the highest primary education dropout rates in the world.

As the above statistics suggest, education is still not widely disseminated throughout the Arab world. In other words, the Middle East is not developing a knowledge economy as quickly as other regions. A large sector of the Middle East’s economy is still agriculture-based and the region has yet to industrialize to the same degree as others. Social and economic data places the

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region far behind the rest of the world in digital infrastructure and economy, and in publicly funded research.\textsuperscript{23}

Although the region as a whole lacks dedication to the knowledge economy, Saudi Arabia’s King Abdullah Economic City and Lebanon’s Beirut Central District are two examples of physical economic clusters designed to encourage the innovation and development needed for a knowledge economy. The Council could choose to invest in these large-scale projects by supporting infrastructure to assist the economy, education to train new employees, updated legal codes corresponding to new technology, and more government research as to how these clusters will interact with the international intellectual community.\textsuperscript{24}

\textbf{C. Finding a Solution to the problem: Past, Present, Future}

According to the 2003 Arab Human Development Report, the Middle East can begin to develop a knowledge economy by guaranteeing the key freedoms of opinion, speech and assembly through good governance bounded by law, disseminating high quality education to all, embedding and ingraining science, and building and broadening the capacity for research and development across society, shifting rapidly towards knowledge-based production in Arab socioeconomic structures, [and] developing an authentic, broadminded and enlightened Arab knowledge model.\textsuperscript{25}

These principles must be implicit in any approach to supporting the development of a knowledge society in the Middle East. Keeping these guidelines in mind, there are several tangible ways in which these suggestions can be implemented. Physical economic clusters, such as Saudi Arabia’s King Abdullah Economic City and Lebanon’s Beirut Central District mentioned above, are examples of one option. These massive projects utilize a top-down approach and seem to require more assistance at the local and regional levels.

On the other hand, the Council might choose to support a bottom-up approach. A knowledge economy does not appear rapidly, nor does it thrive simply because it exists. An efficient knowledge economy requires a culture that values intellectual creativity, innovation and challenges to the status quo. This is known as “soft infrastructure.” The Council’s responsibility is not to create this culture, but to invest in the newest generation. Grassroots efforts and entrepreneurialism among the youngest Arabs will lead to a culture in which a knowledge economy can thrive.\textsuperscript{26}

Delegates will have to find a balance between the social changes that a knowledge economy demands and the traditional Arab culture that many member states hope to conserve. The

diversity created by an increasingly open culture will challenge national identities and social norms. This situation occurs in any society that chooses to move towards a knowledge economy. The Council should find a middle ground that can accommodate both tradition and progress. The knowledge economy will not solve all of the region’s economic problems, and the Middle East would not benefit from completely abandoning its older economic sectors. However, member nations must consider a knowledge economy a step towards economic success.

II. Questions to Consider in Your Research

- Logistically, how would a knowledge economy fit into my country’s already existing economic structure?
- In my country, who would be the largest proponents of a knowledge economy and who would be the largest opponents?
- What are the most controversial aspects of implementing a knowledge economy?
- Can a knowledge economy successfully coexist with a traditional Middle Eastern economy?

III. Questions a Resolution Might Answer

- Do all Middle Eastern nations need to invest in knowledge economies?
- How does a knowledge economy diversify a country’s economy?
- What is the relationship between a country’s knowledge economy and its cultural norms?

IV. Additional Resources

- Knowledge Economy Benefits the Gulf States
- Shifting to a Knowledge Economy
- 2003 Arab Human Development Report
- Innovation and the Knowledge Economy in the Gulf
Topic IV: Evaluating the economic effects of refugee populations within member states and developing economic provisions for displaced people

I. Introduction to the Topic

A. General Background

The Council will define a “refugee population” as a group of people living outside its country of origin or habitual residence. Individuals within this population, known as “refugees,” have left their home countries due to violent conflict, human rights abuses or racial, religious or political persecution. “Displaced individuals” are those who have fled their homes for similar reasons but have not crossed an international border.

By the end of 2014, the Middle East was home to a record 19.5 million refugees. Forced out of their homes by political instability and violent conflict, refugees often relocate to neighboring countries. Huge influxes of refugees cause economic problems for host countries. According to a report by the International Monetary Fund, Middle Eastern conflicts lead to “a contraction in growth, higher inflation, large fiscal and current account deficits, loss of reserves, and a weakened financial system.” Additionally, an Arab host country’s infrastructure is rarely able to accommodate such a large increase in population. Middle Eastern refugees and displaced people are often left hungry, unemployed, and homeless in their new host countries or towns.

B. History in the Arab World

Since the start of the Syrian conflict in March of 2011, the number of displaced persons has increased dramatically in the MENA region. As of this June, Syria houses 7.6 million internally displaced individuals. Additionally, 4 million Syrians have sought refuge in neighboring nations. Jordan alone hosts about 616,000 refugees and 500,000 of these individuals live outside of refugee camps. According to a report by the International Labor Organization, the Syrian refugee population in Jordan makes up around 10% of the Jordanian population prior to the Syrian civil war. The influx of refugees has negatively affected Jordan’s economy, especially the nation’s labor market. In Jordanian cities housing large numbers of refugees, unemployment rose from 14.5% to 22.1% between 2011 and 2014. While some Syrian refugees are employed by Jordanian businesses, most are working outside of Jordan’s formal economy. Syrian refugees often work more than their Jordanian counterparts, have more children in the labor force, and receive less pay.

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Although the above numbers relate specifically to Syrian refugees residing in Jordan, these statistics reflect a general trend. Whether displaced internally or in a neighboring state, refugee populations are drastically altering the economies of Arab League member states.

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

Policymakers are currently proposing solutions to stabilize host country economies and provide for refugee populations. In order to join in these efforts, delegates should have a clear understanding of the most pressing problems refugees face. Refugee populations often lack access to nutritional foods, clean drinking water, and stable housing. Refugees also struggle to enter the legitimate economies of their host countries.

In seeking a solution to counteract the economic effects of refugees, the Council could focus on increasing refugee access to the formal labor markets of host countries. Delegates could attempt to maximize the number of jobs available to refugees, while also ensuring safe working conditions and acceptable wages.

Post-conflict recovery depends on the economic and institutional development of the host country as well as its economic infrastructure. Resolutions could include remedies for the effects of large refugee populations, addressing both the refugees themselves and the citizens of their host countries.

II. Questions to Consider in Your Research

- Does my country house a large number of refugees?
- What impact has this population had on my country’s economy?
- What problems do refugees face in regards to economic provisions?
- Has my country instituted any programs to mitigate the negative effects of large refugee populations?

III. Questions a Resolution Might Answer

- How can host countries expand their economies at a rate that is able to accommodate an influx of refugees?
- How can host countries improve refugee access to formal economies?
- How can host countries use their increased labor force to benefit their own economies?
- Can host countries ensure job security for refugees?

IV. Additional Resources

- Number of Middle East Refugees Reaches All Time High
- Syrian Refugees Strain Jordanian Labor Market
- Arab League Summit
- Daesh Economic Impact on Kurdistan