2015 – 2016
Model Arab League

BACKGROUND GUIDE
Council of Economic Affairs Ministers
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Original draft by Miranda Beggin, Chair of the Council of Economic Affairs Ministers at the 2017 National University Model Arab League, with contributions from the dedicated staff and volunteers at the National Council on U.S.-Arab Relations.
Honorable Delegates,

Marhaban! Thank you all for choosing to participate in the 2016-17 Model Arab League Season – I have no doubt that it will be a great one. My name is Miranda, and I’m a senior at Northeastern University. I’m a Finance and Political Science combined major, with a minor in Global Social Entrepreneurship. I have the great honor of serving you all as the chair of the Economic Affairs Committee at the National University Model Arab League. I’m particularly fond of this Model Arab League committee for a number of reasons, but mostly because I find the economic development of the Arab Region to be quite fascinating. Many countries in the region have been shaped in many ways by the blessing (or curse) of wealthy resource endowments, but now we are watching the economies of the Arab League dramatically change.

My interest in the economic development of the Arab League has led me to have some really interesting study experiences that I would not have been privileged to have without my experience with Model Arab League. In January 2015, I traveled with the National Council to Saudi Arabia for 10 days, where I learned about the politics and economics of the country. I became fascinated by Saudi Arabia’s diversification efforts, as well as its efforts to build a knowledge economy based on innovation and research & development.

This interest in the economics of the region, combined with my background in business and finance, led me to study the dynamic role of entrepreneurship in the region. This fall, I am in Amman, Jordan, where I am interning at Venture Capital firm called Oasis500 that invests in Jordanian startups. Earlier this summer, I traveled to Tunisia, where I was researching the small business environment there. As much as possible, I’ve tried to embed the learnings from these experiences into the topic guides.

This is my final year of Model Arab League and my third Nationals, so it’s definitely a bittersweet MAL season. I’m incredibly excited about the topics of discussion for this year’s MAL season, and I hope you enjoy researching them too. I’ve tried to be as comprehensive as possible in these topic guides due to the multifaceted nature of the topics at hand, so I hope that you all find this topic guide to be a helpful starting place for your research. I am excited to see what innovative solutions you all come up with this year. Good luck with your preparations, and enjoy the 2016-17 Model Arab League season!

Best,

Miranda Beggin
Topic 1: Examining the economic ramifications of and formulating a response to an increased Iranian market share resulting from Iran’s accession to the 2015 Joint Comprehensive Plan of Action.

I. Introduction to the topic

A. General Background

On July 14, 2015, the P5+1, the EU, and Iran agreed upon the Joint Comprehensive Plan of Action (JCPOA), which aims to ensure the exclusive peacefulness of Iran’s nuclear program. This means that the state of Iran has committed to end any pursuit to build nuclear weapons. The plan came into effect in October of 2015, and by January 2016 it was determined by the International Atomic Energy Agency (IAEA) that Iran had complied with the requests. As a result, a decades-long sanctions regime against the state of Iran, largely led by the UN, has ended.¹

The US has imposed sanctions against Iran since the Iranian Revolution of 1979, mostly in an effort to stop the funding of terrorism. Starting in the 2000s, these sanctions mostly focused on ensuring that Iran’s nuclear program remained for civilian uses only.² And in 2006, the UN began to place sanctions due to international concerns about Iran’s nuclear program. Until the 2015 passage of the JCPOA, these sanctions had only expanded, greatly impacting the Iranian economy. Before sanctions were lifted, the UN, multilateral, and national sanctions against Iran impacted almost every area of its economy. For example, between 2011 and 2013, Iran’s crude oil exports fell to 1.1 million barrels per day from 2.5 mbd. Additionally, sanctions also resulted in $120 billion in Iranian assets being made inaccessible because they were held abroad.³

Now after years of isolation, Iran has the opportunity to reshape and strengthen its economic position in the Middle East and North Africa (MENA) region and globally through investment and trade. Before the uptick in sanctions in the mid-2000s, the energy sector comprised 20% of Iran’s GDP. In fact, Iran has the third largest proven oil reserves, following Saudi Arabia and Canada, and the second biggest natural gas resources, behind only Russia.⁴ Already, oil prices have dropped globally due to increased production in Iran.⁵ Iran is now more open to foreign direct investment, as well.

B. History in the Arab World

Among Arab League states, there is a long history of disputes with Iran that began after the Iranian revolution. These are largely political and cultural, rooted in ethnic distinctions, differences in religious sect, and preferred models of governance. A sense of historically-

³ Ibid.
⁴ Ibid.
ingrained Pan-Arab identity also plays a role in this countenance towards Iran. For example, Iraq was largely supported by Arab League states during the Iran-Iraq war in the 1980s. Recently, however, Arab League states as a whole have more mixed relations with Iran; some, like Morocco and Tunisia, even having completely normalized relations. Even so, it is significant that Saudi Arabia (among other Sunni-majority Arab States) and Iran severed ties this year. This is significant for the Arab League to address, especially when designing legislation for the League as a whole. Although this committee is mostly concerned with the economic relationship between the Arab League and Iran, these political relationships are important to acknowledge.

Members of the League of Arab States are worried that the JCPOA and lifting of sanctions showcases a strengthening relationship between Iran and the Western world, and subsequently, a weakening of the Arab world’s relationship with the West. Not only do many Sunni-majority Arab States view this as Iranian Shia expansionism, but they also fear the potential impact of another economic powerhouse in the region, as many Arab states are already struggling to compete globally, or even regionally. Iran has an annual GDP of nearly $400 billion USD, making it the second-largest economy in the MENA region after the Kingdom of Saudi Arabia. As a result, many of the concerns held by Arab countries regarding Iran’s increased participation in the regional market stem from a fear of competition. This is especially the case for Arab League member states that are largely dependent on natural resources, such as Saudi Arabia or Oman. Even for those economies that are not dependent on natural resources, concerns still remain that an increased manufacturing and human capital presence in Iran could also hurt their economies due to increased competition. Working to improve the private sector in Arab League member states is necessary to maintain competitiveness. This is even more important now, as Iran is wide open for foreign direct investment. The country has received over $4.1 billion in foreign investment since 2013, with over $2 billion coming in post-sanctions.

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

The region-wide dependence on exports of resources and manufactured goods as articulated above is largely symptomatic of less-developed knowledge economies and many years of relying

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on just a few industries with low added value. The Arab world has fallen behind in measures of innovation in recent years, evidenced by the low number of utility patents granted. According to USPTO data, in 2013, Arab states had only 403, which is about 0.1% of the world total of 277,835.\textsuperscript{11} In the past several years, members of the League of Arab States have introduced initiatives that work to encourage research and development (R&D) and innovation in the region. For example, innovation initiatives such as the Qatar Science and Technology Park and the Knowledge Economic City in Saudi Arabia are working to increase the level of innovation present in the region. Universities in the region have also begun to increase their R&D presence. American University of Beirut, for example, published over 2,000 research papers between 2009 and 2013.\textsuperscript{12} These initiatives, as well as education reform at the university level, have created a large cohort of well-educated young adults in the region. It is important that members of the League of Arab States work to match these employable college graduates with sufficiently skilled or knowledge-based work, through strong public-private partnerships that commercialize these innovation efforts and create value.\textsuperscript{13} This will encourage economic diversification and a further growth of a more competitive regional economy that is based more on services and skills that cannot be as easily replaced by other countries with influence in the region, such as Iran.

Another concern has been finding a way for Arab League states to effectively compete for foreign direct investment (FDI), something that is incredibly important for the technology and knowledge transfer needed to help fill the gap of skills, education, and innovation that has been created by years of insufficient education reforms and economic diversification. From 2008 until 2015, FDI to the Arab World has decreased from 89 billion to 40 billion.\textsuperscript{14} The most recent amendment to the Unified Agreement for the Investment of Arab Capital in the Arab States, adopted in 2013, works to stimulate intra-regional trade and investment in the region.\textsuperscript{15} Even so, encouraging FDI from outside the region is crucial, and requires that Arab states work to reform individual investment codes in order to encourage such investment. If Iran is to become an economy that is largely open and easy for foreign direct investment, it is imperative that Arab League states respond with sufficient reforms in that area as well.

II. Questions to Consider in Your Research

- What are the key reforms necessary to make Arab states more competitive?


Why is foreign investment crucial to the League of Arab States’ economic competitiveness?

How can strengthening the region’s knowledge-based economy help the region withstand regional economic shocks?

In what way might the Arab League benefit from Iran’s increased presence in the region? Are there any positives?

III. Questions a Resolution Might Answer

- How should the Economic Affairs Council work to encourage investment in the region?
- In what way might the Economic Affairs Council work to promote a knowledge-based economy throughout the region?
- How can the League of Arab States work towards an amicable relationship with Iran? Are there any economic incentives to doing so?
- Why have many countries in the League of Arab States struggled to commercialize R&D? Can the League help countries develop technology transfer programs for doing so? Why is this important for the region’s economic competitiveness?

IV. Additional Resources

- ILO report on improving skills and the employability of workers in Arab States
- FDI and Economic Growth in the Arab Region: The Case of Knowledge Spillover Effects
- Toward balanced Arab regional investment regulations
- What ending sanctions on Iran will mean for the country's economy
- Economic Implications of Lifting Sanctions on Iran
- Arab Knowledge Economy Report 2014
- Education and Skills Policies for the UAE
- Assessing Arab Export Competitiveness
- Divesting from Sectarianism: Reimagining Relations between Iran and The Arab Gulf States
- Arab World Learning Barometer: Historical data on education quality in the region
Topic 2: Evaluating the economic impact of inequality and exclusion of women in certain sectors of Arab economies and establishing methods to mitigate said impacts.

I. Introduction to the topic

A. General Background

Women are disproportionately affected by economic inequality and exclusion from the workforce globally. Although this problem is traditionally described as a social issue, the worldwide economic repercussions of this disenfranchisement are becoming an increasingly pertinent discussion. For example, according to McKinsey, women generate only 37% of GDP globally, despite comprising half of the world’s working-age population. This disenfranchisement is most particularly called out in discussions of the gender wage gap in developed countries, but here we will address the workforce participation gap.

According to the World Bank, women comprise a smaller share of overall employment globally, and are more frequently employed in what are considered lower productivity sectors such as the informal economy and agricultural sectors. Global unpaid work is disproportionately completed by women, with men only doing one-quarter of global unpaid work. Not only do women comprise a smaller share of employment globally, but women are also less able to access financing in almost every country, making their ability to be financially independent or start a business rather narrow. Among the Organization for Economic Cooperation and Development (OECD) countries, on average only 26.9% of women have access to financing, while 34.7% of men have access. This discrepancy is even starker in developing countries, where the margin is as high as 50%. A major reason for this is high collateral requirements and a concurrent lack of female property ownership. Another gap that exists disproportionately in developing countries is the number of women in top-management roles as compared to men, which demonstrates a lack of inclusion in more highly-skilled work. According to OECD, top-management jobs are only held by women 27% of the time in developing countries, with some countries having rates as low as 15%.

As countries globally move towards building knowledge-based economies, the most important resource possessed by a country is a strong base of human capital. Empirical studies have shown the importance of a population’s cognitive ability for economic growth and productivity in

21 Ibid.
developing countries, and thereby the importance of closing gaps in education and employment.\textsuperscript{22, 23} Although the gender gap is only one of these aforementioned gaps, it is often deemed the most valuable for sustainable global economic growth. According to the World Economic Forum, improvements in one development variable, girls’ education, has a significant multiplier effect when it comes to improving the productive potential of economies.\textsuperscript{24} Gender gaps in education have been determined to result in a global loss anywhere between $16 and $30 billion annually.\textsuperscript{25} And just last year, the McKinsey Global Institute quantified this negative impact of gender workforce participation inequality, determining that closing this gap (defined as having as many women employed as there are men) could add $28 trillion to global GDP growth in 2025.\textsuperscript{26}

B. History in the Arab World

In Arab states, this problem is felt more acutely, as long-standing legal barriers have prevented women from joining the workforce, or at the very least, specific industries. While other developing regions, such as Latin America, have seen significant declines in the gender workforce participation gap, Arab states have struggled to do the same. For example, Costa Rica and Chile’s gender participation gaps have fallen from over 50% in 1990 to roughly 30% in 2014. Meanwhile, Egypt and Morocco’s gaps have remained around roughly 50% during that same period.\textsuperscript{27} According to McKinsey Global Institute’s Gender Parity Score (GPS) the Middle East and North Africa, along with South Asia, have the worst scores for gender inequality. The economic impact of equal female labor market participation in the MENA region could result in a 47% growth in regional GDP over the next decade.\textsuperscript{28}

One reason for this is a societal reliance on women remaining in the home, seen by the fact that men spend seven times less time on unpaid work than women in the region. Long-standing patriarchal legal barriers in many Arab states have formalized the role of women as the dependent spouse, such as unequal inheritance rights and requiring spousal approval to pursue


\textsuperscript{25} Ibid.


employment. Other barriers include a labor market that is highly segmented by gender, a frequency of employment in the formal sector, and barriers to entrepreneurship. It is important to note that although the region as a whole receives the lowest score on the SIGI Gender Index, the Arab states showcase extremely varied results on a number of indicators pertaining to gender equality. For example, 32% of women in Algeria are affected by early marriage, while none are affected in Qatar. The Arab World faces a massive shortage of highly skilled human capital, and only employing 25% of women in the workforce exacerbates this problem. As women in the Arab World become the majority of college graduates, the countries in the region should work to transfer this knowledge into a strong workforce by empowering them to join all sectors of the economy.

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

Problems associated with gender inequality have long plagued the Arab League, especially in education. Efforts by Arab League states to improve education equality have allowed the ratio of females to males enrolled in education at the university level to grow to 112% in 2010 from where it was in 1975. Although most members of the League of Arab States have reduced the gender gap by 90% or more in the area of education, this hasn’t necessarily translated to improved inclusion in the workforce and economic empowerment. In 2003, the Arab Women’s Organization (AWO) was established within the League of Arab States. Additionally, The Arab Labor Organization and the Women’s Committee work together to promote economic empowerment of women in the region. It’s important to evaluate the success of these programs and understand how best to improve them.

In some countries, female employment has increased in the public sector, yet the private sector still lags behind. The League of Arab States could consider encouraging hiring incentives and legal reforms to aid in this area. Some successes we’ve seen have been recent reforms in Saudi Arabia, which has one of the lowest participation rates of women in the workforce. Despite

nearly doubling since 2010, the participation rate of women in the workforce was a mere 16% in 2015.\textsuperscript{36} Recently, reforms have begun to allow women to pursue roles in fields from which they were previously banned, such as retail, hospitality, or even practicing law.\textsuperscript{37} Working to increase the hiring of women in less traditional sectors will be important to expanding their participation in the workforce and increasing their labor market mobility.\textsuperscript{38}

Efforts like the New Work Opportunities for Women, introduced in Jordan in 2010, which empower women through training and skill development, while also incentivizing employers to hire recent college graduates, could potentially be scalable throughout the region.\textsuperscript{39} Additionally, encouraging female entrepreneurship by removing barriers to finance, such as collateral requirements, could have a ripple effect of increased autonomy – developing policies to support women in these endeavors could be highly beneficial. Egypt’s Women’s Business Development Center initiative has also been a leader in the Arab region in providing women with expertise to help them start businesses.\textsuperscript{40}

\section*{II. Questions to Consider in Your Research}
\begin{itemize}
  \item What factors contribute most heavily to the gender gap in the Arab World?
  \item Why have reductions in the education gap not translated to reductions in the employment gap?
  \item What sectors are dominated by male workers in the region? What specific barriers exist that prevent women from working in these sectors?
  \item Have entrepreneurship initiatives in Arab states improved labor inclusion? Do they have the potential to do so?
  \item In what ways might the economic empowerment of women contribute to region-wide economic growth?
\end{itemize}

\section*{III. Questions a Resolution Might Answer}
\begin{itemize}
  \item What pressures might Arab League member states place on the private sector in order to encourage the hiring of female employees?
  \item How can Arab League states work to train women for gainful employment?
\end{itemize}

What can be done to improve credit accessibility to women in the region, especially for women entrepreneurs? Are banking reforms necessary?

Are there ways to improve education programs for Arab women to help them get placed in full-time employment? How might apprenticeship programs be beneficial?

What Public-Private Partnerships might help reduce this gender workforce participation gap?

IV. Additional Resources

- Social Institutions & Gender Index 2014 Synthesis Report
- Women's Economic Role in MENA
- OECD-MENA Women’s Business Forum Annual Meeting 2012 (Conclusions)
- First Jobs for Young Women in MENA: Expectations & Reality
- Women's economic empowerment and inclusive growth: labor markets and enterprise development
- Arab League Regional Strategy: Protection of Arab Women
- WEF Gender Gap 2015 Rankings
I. Introduction to the Topic

A. General Background

Micro-small-and-medium-enterprises (MSMEs) provide the economic base for most developing economies. According to the International Finance Corporation (IFC), 45% of employment and 33% of GDP comes from formally-registered MSMEs in developing countries. It is understood that sustainable economic development is reliant on building a business-enabling environment in developing countries that allows for the growth of these businesses, including adequate financing, streamlined administrative procedures, and sound legal guidelines for starting a business. Although MSMEs do comprise the majority of firms in developing countries, these firms often exist outside of the more-transparent formal economy, which makes firm productivity a difficult metric to quantify. In fact, when also considering the size of the informal economy, MSME contribution to employment grows to nearly 62%.

The informal nature of many MSMEs is largely the result of poor public banking and legal infrastructure as well as a lack of a culture of bookkeeping and financial reporting. Especially in family-owned businesses, owners, managers, and investors are often one in the same, resulting in less-than-sound management and accounting practices. Poor business governance is one problem, but a lack of proper bookkeeping can lead to problems like tax evasion and an inability for banks to adequately evaluate risk when giving bank loans. Without properly transparent bookkeeping, access to credit can be hard to attain. Moreover, without a system that enforces transparency amongst MSMEs, the problem of credit inaccessibility for MSMEs will persist. In countries that face bank liquidity problems, a culture of risk aversion, and high levels of financial exclusion, alternative financing mechanisms such as microfinance have stepped in to fill financing gaps. Microfinance institutions (MFIs) often fill the financing needs of MSMEs.

B. History in the Arab World

Small businesses have made up a large portion of the economy in many Arab countries for years, and will continue to do so well into the future. By IFC estimates, up to 90% of all businesses in the MENA region are MSMEs. However, Arab states are not immune to the challenges that confront the pursuit of a strong MSME environment. In non-GCC countries in the MENA region, up to 67% of the workforce is employed in the informal sector. This means that these businesses are not paying taxes to the government, and these businesses are not eligible for financing from traditional financial institutions, like banks. A related issue is the fact that a large number of people are “unbanked” or do not possess bank accounts. As a result, only 8% of bank

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42 Ibid.
lending throughout the region goes to MSMEs. Instead, banks target a small number of large companies for financing. As these unbanked entrepreneurs struggle to start businesses and access financing, incentivizing them to join the banking sector is a necessary step.

Across the Arab region, the banking sector is largely underdeveloped. Many banks do not have specific MSME financing strategies or products, nor do they understand the financial structures of most MSMEs. Not only does the banking sector fail to create an enabling environment for MSME financing, bureaucratic challenges also make it difficult to encourage MSMEs to move into the formal sector. In the region, greater than four out of five loans have a collateral requirement more than double the loan amount. The frequency of informality in the Arab region makes it challenging for MSMEs to grow, as they are often inhibited by the inaccessibility of financing. It is estimated that the financing gap for MSMEs is nearly $240 billion.

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

It is imperative that Arab League states work to promote institutional reforms that encourage small business creation within the formal sector and the utilization of the banking sector. This largely relies on banking sector reforms and capacity building, but Arab League states must also enforce policies surrounding business bookkeeping and governance. MSME owners need to be incentivized to join the formal sector, so policymakers in the region should work on improving the value-add of joining the formal sector. MSMEs in Arab states will continue to have minimal growth potential as long as they remain disconnected from the financial sector, while low levels of financial inclusion will continue to make it harder for Arab states to maintain monetary and fiscal stability. As long as Arab states continue to face high levels of unemployment, determining best practices for financing MSMEs, the largest source of employment throughout the region, is imperative.

In the meantime, the success of microfinance in Tunisia showcases a potential model for financing outside of the formal banking sector. Tunisia is a good model of microfinance implementation in the region, with a diverse base of private MFIs and diverse borrowers. After passing a law to increase the maximum loan amount that can be given, microfinance has grown immensely. This has helped to meet the financing needs of a range of MSMEs in various

43Ibid.
45Ibid.
sectors. Additionally, MFIs in the country have worked to help MSMEs formally register their businesses, often using formalization as a minimum requirement for loan distribution.49

II. Questions to Consider in Your Research

- Why is a transparent and easily-accessible small business registration system so important for economic development in the region?
- How can banks improve their risk assessment processes to better meet the needs of MSMEs in the region?
- Is traditional banking the best way to finance the needs of MSMEs? What alternative methods of financing are there, and might they work in the Arab region?
- How can MSMEs be incentivized to join the formal sector? What reasons are there for them to join as it stands?
- Could the Tunisian microfinance model be replicated in other Arab States? Why has it been so successful? It’s only been around for a few years – is it sustainable?
- What are some banking best practices that can be utilized to promote MSME lending? On a related note, how can credit reporting systems be improved for MSMEs?

III. Questions a Resolution Might Answer

- How can the League of Arab States encourage institutional banking reforms? What organizations might be able to support this endeavor in Arab States?
- Could capacity-building programs for MSME owners be helpful in bringing them into the formal economy?
- What reforms in banking culture might also be necessary? How can we prevent banks in the region from offsetting, instead of mitigating their financial risks?
- How do we bring the “unbanked” into the formal banking system? Why are they incentivized to remain outside? Can technology solutions help in this?
- How might expanding financial inclusion help promote financial stability?

IV. Additional Resources

- Bank Financing for SMEs around the World
- Status of Bank Lending to SMES in MENA
- Overcoming Constraints to SME Development in MENA Countries and Enhancing Access to Finance
- Financial Exclusion - Overview, Policy Suggestions
- Financial Inclusion and Development
- Snapshot of Financial Inclusion in Tunisia

Topic 4: Addressing the benefits and challenging trends associated with migrant workers in the Arab world, particularly regarding citizen unemployment and remittances.

I. Introduction to the Topic

A. General Background

Globally, migrant labor is caused by an insufficient match of employment opportunities and labor in a domestic economy. This can be due to a skill mismatch or a labor shortage. It is most prevalent in countries where the labor force does not match the skill requirements of major industries within that country, or where the labor force isn’t big enough to meet the needs of a major industry. Recently, however, migrant labor is often caused by more unconventional migration, such as wars or human rights abuses that force people to pursue a livelihood in another country. Major examples of this are Palestinian or Syrian migration to other countries in the Levant such as Lebanon or Jordan. Although the distinctions between terms such as expatriate, immigrant, and migrant worker are blurry, the term “migrant workers” refers most often to low-skilled workers of lower socioeconomic status who have come to a country to fill a specific labor gap caused by one of the aforementioned skill mismatches. These workers obtain a different status upon entering the countries wherein they will work, as outlined by the United Nations’ International Migration Policies Report.

Although migrant labor is a basic economic response to globalization and the free movement of labor amongst open economies, it can be problematic when a sector, or even an entire economy, is dependent on migrant workers. The legality of these workers, as well as their treatment in the countries where they find work, often raises concerns. An example of this is the dependence of American farmers on migrant labor from Latin American countries, largely Mexico, in parts of the United States. Another significant feature of economies heavily based on migrant labor is the role of remittances on the economy.

Forced migrant labor, often seen in situations of human trafficking, child labor, or the employment or refugees, is a significant human rights concern that such a labor dependence can cause. According to the International Labor Organization, forced labor victimized an estimated 20.9 million people in 2012. Not only are people often critical of the poor treatment of migrant workers globally, which often can be seen as violating basic human rights, residents of countries that depend heavily on migrant labor can often possess animosity towards migrant workers if they feel as if they are contributing to high domestic unemployment numbers. Effective integration policies for these migrant workers can be a good way to resolve this problem.

B. History in the Arab World

Due to regional instability, the Arab world has the greatest number of refugees and otherwise displaced populations in the world. Most of these people have been displaced within the region. The Arab world also has a high level of migrant workers who move within the region, in large part due to this high level of displacement. Other motivations for this mobility are high domestic unemployment or a lack of well-paying jobs. Because migrant workers move throughout the region for a myriad of reasons, it has been challenging for the Arab League to develop an adequate strategy to address the problem. In 2013, there were nearly 30.3 million migrants hosted by Arab states.53

One of the major influences on migrant labor growth in the Arab region is the heavy reliance of GCC and Maghreb countries on foreign labor to work in natural resource industries such as oil and gas. In fact, looking at all migrant labor from within and outside of the Arab region, Gulf countries are the primary destination for both high and low-skilled sectors. The banking and finance sector in the GCC is also a frequent driver for high-skilled migrant work. The rapid development of these industries, as well as their small domestic labor base, led to an influx of labor from other Arab countries (23% of migrant workers in 2013), but the majority have come from Asian countries such as Bangladesh (14%), Pakistan (13%), and India (30%).54 In the Maghreb (largely Libya and Algeria), 83% of migrant workers have come from other Arab countries.55

Some Gulf countries have migrant worker populations greater than 85% of the entire population.56 GCC countries have long been concerned about the economic significance of remittances sent to migrant workers’ home countries, which is money not being invested in the country where they are working. In 2013, 23% of the world’s official remittances, $400 billion dollars, came from the GCC. For remittances coming from the GCC, the country receiving the largest amount is India. However, more than 98% of remittances coming from Maghreb countries are going to other Arab Countries, with Egypt receiving the highest amount.57 As oil and gas prices continue to decline and GCC countries face increasingly tight balance sheets (after years of surpluses), host countries are beginning to reassess their remittance policies. Countries facing budget deficits, such as Saudi Arabia, are considering taxing foreign remittances to help make up their $38.6 billion deficit caused by low oil prices. The suggestion of taxing foreign remittances has received backlash, especially given the low wages that many of these migrant workers receive.58


55 Ibid.

56 Ibid.

57 Ibid.

Other Arab countries that border major sources of refugee populations, such as Jordan and Lebanon, also face problems with refugees who look for meaningful employment upon receiving refugee status elsewhere. In Jordan, for example, most refugees are employed in the informal economy, and are often found taking lower wages and working in worse conditions than Jordanians due to a lack of oversight. Jordan, and other Arab states hosting displaced populations, must balance decisions to offer Syrian and Palestinian refugees work permits with other competing economic issues such as high domestic unemployment.59

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

The League of Arab States has addressed the issues of migration and mobility in the region since the 1957 Agreement on Arab Economic Unity. Since then, the League has continued to work towards greater labor mobility in the region. In 2013, the League of Arab States and the Arab Labor Organization (ALO), along with UN agencies and NGOs, established the Working Group on International Migration in the Arab Region with the goal of improving information sharing and identifying best practices related to international migration.60

Arab States that have long been reliant on migrant labor began reassessing their policies regarding migrant workers and incentivizing domestic employment long before the recent dip in oil prices. These policies, such as Saudi Arabia’s Nitaqat policy, also known as “Saudization,” have been rooted in desires to become more economically diverse and less reliant on migrant labor. Oman and Qatar have followed suit, as GCC countries try to halt the exodus of highly skilled labor that has been occurring for years by shifting their economies to rely more on domestic human capital. Some GCC countries are reassessing their Kafala, or sponsorship, systems and considering ways to make it harder for companies to rely exclusively on migrant labor. However, this switch to domestic labor reliance has had its growing pains, such as mass deportations.61 Despite the economic woes of many host countries, it will be important to consider the importance of labor mobility for the region, especially during a period of such high displacement. Countries will need to develop policies that encourage domestic economic growth and diversification, while also keeping in mind the negative repercussions for the region as a whole of forcing migrant workers to return to unstable home countries, where their ability to contribute productively to society may be limited.62


II. Questions to Consider in Your Research

- What is the best way for the League to address the high level of labor mobility in the region?
- How can member states develop inclusive migrant labor policies without significantly damaging employment opportunities for domestic workers?
- How are migrant worker policies changing in countries trying to diversify their economies?
- How should countries with large refugee populations address employment needs, especially those with high domestic unemployment?
- What do you think would happen if the major host countries in the region drastically changed their policies towards migrant labor? How can the region maintain stability in these situations?

III. Questions a Resolution Might Answer

- How can the League as a whole work to promote the employment of Arab workers throughout the region?
- What is the best way to approach the granting of asylum and work permits to refugees?
- What is the most effective policy towards migrant labor for regional economic development? Should workers be encouraged to move freely throughout the region?
- Should the League have a consistent policy towards migrant labor and remittance policies? If so, what might that look like?

IV. Additional Resources

- IMF Regional Economic Outlook - MENAP
- IOM Global Migration League of Arab States Presentation
- IOM Global Migration League of Arab States Brochure
- 2015 Situation Report on International Migration - Arab Region
- Remittance tax could cost members economies in the long run
- Labor Migration in the United Arab Emirates: Challenges and Responses