



**2021 - 2022**

# **Model Arab League BACKGROUND GUIDE**

**Council of Economic Affairs Ministers**

[ncusar.org/modelarableague](http://ncusar.org/modelarableague)

**National  
Council  
on US-  
Arab  
Relations**



**Original draft by Jeremy Costa, Chair of the Council of Economic Affairs Ministers at the 2022 National University Model Arab League, with contributions from the dedicated staff and volunteers at the National Council on U.S.-Arab Relations**

Honorable Delegates,

Hello and welcome to the 2021-2022 Council of Economic Affairs Ministers. My name is Jeremy Costa and I am a second-year at Northeastern University studying Political Science and Business Administration with a concentration in Entrepreneurial Startups. This will be my second year participating in the National University Model Arab League and I am excited to say that this time I will be doing so as your chair. It will also be my first time being physically on-site at the conference in Washington D.C. and I am very excited by the opportunity to meet you all in person!

As you begin your preparation for this conference, I would like to encourage you to really dive into your research and take this as an opportunity to learn more about the fascinating issues of our world today. I find that whenever I prepare for a conference I do best when I find a niche I am passionate about that I can use to guide my research and differentiate myself in debate, so feel free to go down the rabbit hole a bit as you learn more about what interests you. You will emerge with a solid foundation of research upon which you can formulate your position. Bear in mind the importance of representing your given state to the best of your ability and remaining both diplomatic and in character for the entirety of the conference.

Once again welcome to the Council of Economic Affairs Ministers and good luck as you prepare for debate! I hope you enjoy these topics and am excited to see the creative policy solutions you come up with.

Best,  
Jeremy Costa

## **Topic I: Discussing the current level of interregional and intraregional economic integration of member states and formulating methods to increase trade and cooperation in a globalizing world.**

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

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

Economic integration describes the process by which various countries' economies become more unified as they adopt agreements that align monetary, fiscal, and especially trade policies.<sup>1</sup> As this occurs the flow of trade, capital, money, direct investment, technology, people, information, and ideas increases, ultimately going beyond economic interdependence to create a supranational economy with populations and firms operating in unison across borders.<sup>2</sup> The result is greater specialization, efficiency, cost reduction, productive capacity, good availability, free movement, and political cooperation.<sup>3</sup> Despite these benefits, increasing nationalist sentiments around the world have created a trend that has come to be known as “slowbalization,” a deceleration in the growth of trade and the economic integration process as a whole. In particular, governments seeking greater national sovereignty have implemented various forms of protectionism and have generally withdrawn from instances of international economic cooperation, exemplified by events like the US-China trade war and British exit (“Brexit”) from the European Union.<sup>4</sup> Slowbalization affects flows beyond trade as well, such as the movement of people which has declined due to increased immigration restrictions and the outbreak of COVID-19.<sup>5</sup> Foreign direct investment has fallen over time as well, dropping from 3.5% of global gross domestic product (GDP) to 1.8% from 2007 to 2018.<sup>6</sup> Despite these effects, some economists have argued that slowbalization is natural and will not last forever.<sup>7</sup> These arguments extend from Turkish economist Dani Rodrik’s “impossibility theorem,” which says that national sovereignty, democracy, and economic integration cannot all coexist on a global level, creating tensions and

---

<sup>1</sup> “Economic Integration - Overview, Stages, Benefits and Drawbacks.” *Corporate Finance Institute*, 10 Mar. 2021, [www.corporatefinanceinstitute.com/resources/knowledge/economics/economic-integration/](http://www.corporatefinanceinstitute.com/resources/knowledge/economics/economic-integration/).

<sup>2</sup> “Finance and Development.” *Finance and Development | F&D*, [www.imf.org/external/pubs/ft/fandd/2001/06/streeten.htm](http://www.imf.org/external/pubs/ft/fandd/2001/06/streeten.htm).

<sup>3</sup> “Economic Integration - Overview, Stages, Benefits and Drawbacks.” *Corporate Finance Institute*, 10 Mar. 2021, [www.corporatefinanceinstitute.com/resources/knowledge/economics/economic-integration/](http://www.corporatefinanceinstitute.com/resources/knowledge/economics/economic-integration/).

<sup>4</sup> Lashitew, Addisu, and Abdul Erumban. “Could Services Drive Globalization in the Post-COVID-19 World?” *Brookings*, Brookings, 17 June 2020, [www.brookings.edu/blog/future-development/2020/06/17/could-services-drive-globalization-in-the-post-covid-19-world/](http://www.brookings.edu/blog/future-development/2020/06/17/could-services-drive-globalization-in-the-post-covid-19-world/).

<sup>5</sup> “Finance and Development.” *Finance and Development | F&D*, [www.imf.org/external/pubs/ft/fandd/2001/06/streeten.htm](http://www.imf.org/external/pubs/ft/fandd/2001/06/streeten.htm).

<sup>6</sup> Feffer, John. “‘Slowbalization’: Is the Slowing Global Economy a Boon or Bane?” *Foreign Policy In Focus*, 16 Feb. 2021, [www.fpiif.org/slowbalization-is-the-slowng-global-economy-a-boon-or-bane/](http://www.fpiif.org/slowbalization-is-the-slowng-global-economy-a-boon-or-bane/).

<sup>7</sup> “‘Slowbalization’ Is Natural but Will Not Last Long.” *Times of India Blog*, 15 Jan. 2020, [www.timesofindia.indiatimes.com/blogs/cash-flow/slowbalization-is-natural-but-will-not-last-long/](http://www.timesofindia.indiatimes.com/blogs/cash-flow/slowbalization-is-natural-but-will-not-last-long/).

change as the world drifts towards two of these values at the cost of the third.<sup>8</sup> However, despite the challenge these tensions create in the pursuit of integration on a global or interregional scale, it does present the opportunity to focus on integration at an intraregional level.

Regional or intraregional economic integration essentially describes the same process as global or interregional integration, but on a smaller scale and generally between countries with greater similarities. Agreements at this level are known as regional trade agreements (RTAs) and have greatly increased in breadth and depth over time, with over 280 RTAs existing in 2017 compared to just 50 in 1990.<sup>9</sup> Generally, “shallow” RTAs are considered to be agreements covering tariffs and other “at-the-border” policies and “deep” RTAs are described as going beyond tariffs to outline cooperation in other “behind-the-border” areas. According to the World Bank, “deep” RTAs are essential for creating key integration institutions and infrastructure, leading to increased trade, investment, economic growth, policy cooperation, and social welfare. In fact, the World Bank reports that, among other benefits, “deep” RTAs increase the trade of goods by an average of 35%.<sup>10</sup> Through RTAs, regional integration can go through a process of seven stages, from the creation of a preferential trading area to complete economic integration.<sup>11</sup> The European Union (EU) serves as the best example of the final stage, as it has authority over members’ economic policies, a common currency, a single market, free movement, and functions as a single economic unit on the global level. The EU is the world’s largest trading power and largest single market in the world, achieving an overall GDP of \$15.59 trillion in 2019.<sup>12</sup> While integration to the extent that the EU has displayed is not essential for economic growth, there are still clear benefits to increased trade and economic cooperation.

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

Despite numerous attempts to advance economic integration in the past, Arab states remain some of the least globally and regionally integrated states in the world. This is partially attributed to a significantly small share of global trade, with the MENA region accounting for only 6.2% of world exports.<sup>13</sup> The intraregional component of MENA trade is particularly low due to a lack of export diversification, with most Arab states primarily producing the same commodities. This is

---

<sup>8</sup> “The Inescapable Trilemma of the World Economy.” *Dani Rodrik's Weblog*, [https://rodrik.typepad.com/dani\\_rodriks\\_weblog/2007/06/the-inescapable.html](https://rodrik.typepad.com/dani_rodriks_weblog/2007/06/the-inescapable.html).

<sup>9</sup> “Regional Trade Agreements.” *World Bank*, [www.worldbank.org/en/topic/regional-integration/brief/regional-trade-agreements](http://www.worldbank.org/en/topic/regional-integration/brief/regional-trade-agreements).

<sup>10</sup> IBID

<sup>11</sup> “Economic Integration - Overview, Stages, Benefits and Drawbacks.” *Corporate Finance Institute*, 10 Mar. 2021, [www.corporatefinanceinstitute.com/resources/knowledge/economics/economic-integration/](http://www.corporatefinanceinstitute.com/resources/knowledge/economics/economic-integration/).

<sup>12</sup> “European Union - Overview, History, Membership, Institutions.” *Corporate Finance Institute*, 4 Feb. 2021, [www.corporatefinanceinstitute.com/resources/knowledge/economics/european-union-eu/](http://www.corporatefinanceinstitute.com/resources/knowledge/economics/european-union-eu/).

<sup>13</sup> Rouis, Mustapha. “Regional Economic Integration in the Middle East and North Africa.” *Open Knowledge Repository*, World Bank, Washington, DC, 1 May 2013, <https://openknowledge.worldbank.org/bitstream/handle/10986/20566/780730BRI0QN950nowledge0note0series.pdf?sequence=1&isAllowed=y>.

especially true for the states of the Arabian Gulf, which are all heavily reliant on the production and export of oil.<sup>14</sup> Taking oil out of the equation, the MENA region's portion of global trade is even lower, falling to 1.8%.<sup>15</sup> Continued hesitancy by Arab states to implement liberalization policies into their economies and remove trade barriers has also limited their ability to increase both interregional and intraregional integration. Reducing tariffs in particular has been on the agenda of Arab states for decades, yet the MENA region continues to have the highest level of tariffs in the world with the exception of South Asia. Tariffs in North Africa are especially high, for example Morocco had an average import tariff of 17% in 2011.<sup>16</sup> Furthermore, nontariff measures (NTMs) are a significant barrier to Arab trade as well, with the World Bank even declaring NTMs "the most important barriers to trade in the MENA region."<sup>17</sup> These NTMs include border closures, excessive inspection and clearance processes, requirements to acquire numerous documents to move goods across borders, and other inefficiencies created by customs and border government policies and agencies. Together, tariff and nontariff measures make the MENA region the most restrictive in the world.<sup>18</sup>

The continued struggle of Arab states to achieve economic integration goes beyond the trade of goods. The trade of services has been one of the world's fastest growing economic areas, yet remains limited in the MENA region.<sup>19</sup> Lacking diversification is again a factor, with the vast majority (78%) of MENA service exports attributed to travel and transportation.<sup>20</sup> Comparatively, liberalization, privatization, and development of the information and communications, technology, and financial service sectors have more strongly contributed to economic growth and integration in other regions, particularly in parts of Asia.<sup>21</sup> Limitations on labor movement across borders also limit the export of services and broader economic growth. Despite high unemployment, the MENA region is paradoxically a net importer of labor, bringing

---

<sup>14</sup> Devarajan, Shanta. "Why Is Regional Integration so Elusive?" *Brookings*, Brookings, 6 July 2017, [www.brookings.edu/blog/future-development/2017/07/06/why-is-regional-integration-so-elusive/](http://www.brookings.edu/blog/future-development/2017/07/06/why-is-regional-integration-so-elusive/).

<sup>15</sup> Rouis, Mustapha. "Regional Economic Integration in the Middle East and North Africa." *Open Knowledge Repository*, World Bank, Washington, DC, 1 May 2013, <https://openknowledge.worldbank.org/bitstream/handle/10986/20566/780730BRI0QN950knowledge0note0series.pdf?sequence=1&isAllowed=y>.

<sup>16</sup> IBID

<sup>17</sup> "Regional Economic Integration in the Middle East and North Africa : beyond Trade Reform." *World Bank*, <https://documents1.worldbank.org/curated/en/813531468052157933/pdf/Regional-economic-integration-in-the-Middle-East-and-North-Africa-beyond-trade-reform.pdf>.

<sup>18</sup> IBID

<sup>19</sup> "MENA: Trade and Regional Integration Are Critical to Economic Recovery in the Post-Covid Era." *World Bank*, [www.worldbank.org/en/news/press-release/2020/10/19/mena-trade-and-regional-integration-are-critical-to-economic-recovery-in-the-post-covid-era](http://www.worldbank.org/en/news/press-release/2020/10/19/mena-trade-and-regional-integration-are-critical-to-economic-recovery-in-the-post-covid-era).

<sup>20</sup> Rouis, Mustapha. "Regional Economic Integration in the Middle East and North Africa." *Open Knowledge Repository*, World Bank, Washington, DC, 1 May 2013, <https://openknowledge.worldbank.org/bitstream/handle/10986/20566/780730BRI0QN950knowledge0note0series.pdf?sequence=1&isAllowed=y>.

<sup>21</sup> IBID

in workers from Asia rather than nearby Arab states due to lacking intraregional labor market integration and overly restrictive mobility laws.<sup>22</sup> Going beyond trade and the role of labor, deficient infrastructure continues to undermine Arab economic integration as well.

Transportation infrastructure such as roads, ports, and aviation facilities is particularly crucial to building economic connections across countries regionally and globally, and while it does exist to a varying extent in Arab states it currently lacks the capacity and quality to support a modern globalized economy.<sup>23</sup> As Arab states struggle to develop the necessary linkages in services, labor, and infrastructure, integration into the region and world remains stalled.

The result of lacking economic integration in Arab states is trade that is more costly and time-consuming, discouraging businesses and suppliers from operating in the MENA region despite its geographic advantage. In fact, on average it costs three times as much and takes four times as long to comply with MENA border regulations and requirements as it does in high-income countries.<sup>24</sup> Trade costs and time constraints do vary by country, with some being exceptionally high. For example, the transportation of a single shipping container imported into Algeria between a major city and its nearest port takes around 39 days and costs about \$2,000.<sup>25</sup> These costs and time constraints make it easier and more valuable to pursue trade with regions other than MENA. In fact, even countries within MENA such as those of the Maghreb find it cheaper and easier to trade with the countries of Europe than with each other, discouraging intraregional integration.<sup>26</sup> The resulting greater economic connections between Arab and European states are beneficial, yet interregional economic integration cannot be fully efficient without an intraregional backbone to support it.

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

Interregional and intraregional integration continues to elude the MENA region in a few key areas despite past and ongoing attempts to develop stronger economic ties. Arab states' work thus far has particularly focused on so-called "shallow" or "at-the-border" policies, especially tariffs. In fact, Arab states have entered into so many multilateral and bilateral free trade agreements (FTAs) that a network best described as a "spaghetti bowl" has emerged, creating a

---

<sup>22</sup> "Regional Economic Integration in the Middle East and North Africa : beyond Trade Reform." *World Bank*, <https://documents1.worldbank.org/curated/en/813531468052157933/pdf/Regional-economic-integration-in-the-Middle-East-and-North-Africa-beyond-trade-reform.pdf>.

<sup>23</sup> IBID

<sup>24</sup> "MENA: Trade and Regional Integration Are Critical to Economic Recovery in the Post-Covid Era." *World Bank*, [www.worldbank.org/en/news/press-release/2020/10/19/mena-trade-and-regional-integration-are-critical-to-economic-recovery-in-the-post-covid-era](http://www.worldbank.org/en/news/press-release/2020/10/19/mena-trade-and-regional-integration-are-critical-to-economic-recovery-in-the-post-covid-era).

<sup>25</sup> "Regional Economic Integration in the Middle East and North Africa : beyond Trade Reform." *World Bank*, <https://documents1.worldbank.org/curated/en/813531468052157933/pdf/Regional-economic-integration-in-the-Middle-East-and-North-Africa-beyond-trade-reform.pdf>.

<sup>26</sup> IBID

multitude of inconsistencies and leading to outcomes of varying levels of success.<sup>27</sup> Notable progress includes the 1997 creation of the Pan-Arab Free Trade Area (PAFTA), or Greater Arab Free Trade Area (GAFTA), by the Arab League to encourage the gradual reduction of tariffs and other trade barriers between member states.<sup>28</sup> Although limited, PAFTA has had some success, increasing trade between member states by almost 20%.<sup>29</sup> Additionally, the Arab League has already identified the need to push PAFTA farther and reduce trade barriers further, adopting a resolution in 2018 to modernize trade and cooperation initiatives and advance the transition from PAFTA into an Arab Customs Union, the next stage of economic integration.<sup>30</sup> Going forward the Arab League needs to outline in greater detail what those updates will be and what that transition will look like. However, focusing solely on the advancement of intraregional integration bears the risk of trade diversion, which occurs when countries trade with other members of a regional trading bloc despite it being more efficient to trade with the rest of the world.<sup>31</sup> Arab states have made efforts to promote interregional integration as well, such as the 2004 creation of the Agadir Agreement by the EU, Egypt, Jordan, Morocco, and Tunisia. However, this agreement's success has been limited in part due to its inconsistencies with bilateral agreements between Arab states and the United States, contributing to the "spaghetti bowl" problem of inefficiency and inconsistency across FTAs.<sup>32</sup> Overall, the Arab League needs to continue to reduce tariffs and other trade barriers, enforce its policies, and streamline intraregional and interregional agreements in order for integration to advance.

Furthermore, Arab states must address the problem of political conflict plaguing economic integration, particularly at a subregional level. The most significant MENA subregional integration thus far has been made by the Gulf Cooperation Council (GCC), which has successfully established both a customs union and free movement since its 1981 founding.<sup>33</sup> However, conflict between GCC member states has impeded further progress, with Bahrain, the

---

<sup>27</sup> "Regional Economic Integration in the Middle East and North Africa : beyond Trade Reform." *World Bank*, <https://documents1.worldbank.org/curated/en/813531468052157933/pdf/Regional-economic-integration-in-the-Middle-East-and-North-Africa-beyond-trade-reform.pdf>.

<sup>28</sup> "GAFTA." *bilaterals.org*. <https://www.bilaterals.org/?-GAFTA->.

<sup>29</sup> Harb, Georges & Shady, Nora. "Arab Trade Dynamics after the Implementation of the Pan Arab Free Trade Area (1998–2012)." *ResearchGate*, January 2016, [https://www.researchgate.net/publication/301740410\\_Arab\\_Trade\\_Dynamics\\_after\\_the\\_Implementation\\_of\\_the\\_Pan\\_Arab\\_Free\\_Trade\\_Area\\_1998-2012](https://www.researchgate.net/publication/301740410_Arab_Trade_Dynamics_after_the_Implementation_of_the_Pan_Arab_Free_Trade_Area_1998-2012).

<sup>30</sup> Muto, Alessandra, et al. "Arab Economic Integration for Growth, Peace and Stability: UNDP in the Arab States." *UNDP*, UNDP, 6 Nov. 2019, [www.arabstates.undp.org/content/rbas/en/home/ourperspective/ourperspectivearticles/2019/arab-economic-integration-for-growth--peace-and-stability-.html](http://www.arabstates.undp.org/content/rbas/en/home/ourperspective/ourperspectivearticles/2019/arab-economic-integration-for-growth--peace-and-stability-.html).

<sup>31</sup> Devarajan, Shanta. "Why Is Regional Integration so Elusive?" *Brookings*, 6 July 2017, [www.brookings.edu/blog/future-development/2017/07/06/why-is-regional-integration-so-elusive/](http://www.brookings.edu/blog/future-development/2017/07/06/why-is-regional-integration-so-elusive/).

<sup>32</sup> "Agadir Agreement." *bilaterals.org*. <https://www.bilaterals.org/?-agadir-agreement->.

<sup>33</sup> "Regional Economic Integration in the Middle East and North Africa : beyond Trade Reform." *World Bank*, <https://documents1.worldbank.org/curated/en/813531468052157933/pdf/Regional-economic-integration-in-the-Middle-East-and-North-Africa-beyond-trade-reform.pdf>.

UAE, and Saudi Arabia boycotting economic and diplomatic relations with Qatar from 2017 to 2021 over concerns about the support of terrorist groups in the country.<sup>34</sup> Political conflict has had an even greater effect on other subregional bodies, with harsh relations between Algeria and Morocco essentially preventing the Arab Maghreb Union (AMU) from achieving any of its original goals.<sup>35</sup> The effect has been costly, with Maghreb countries losing about \$530 billion per year due to trade barriers.<sup>36</sup> With these past and ongoing subregional experiments still plagued by conflict, the Arab League must work to insulate advancements in economic cooperation from political tensions for integration to continue.

Despite the overwhelming amount of FTAs for Arab states to reconcile, there still remains a need to create “deep” agreements that address issues beyond “at-the-border” trade limitations like tariffs. In particular, Arab states need to improve trade logistics, including reforms to infrastructure, services, digitization, and other “behind-the-border” policies that have yet to be significantly addressed by prior agreements.<sup>37</sup> Each of these areas are interlinked and benefit from improvements in each. For example, the development of better and less costly transportation, telecommunications, and power infrastructure facilitates more efficient and free movement of people and digital technology. Conversely, growth and free movement in the information and communications and financial service sectors aid both infrastructure and digital market development while digitization improves efficiency in both infrastructure and services. Progress on all of these fronts needs to be done bearing in mind existing and former trade agreements and the importance of concurrent interregional and intraregional integration. Integration of economies regionally and integration globally are two complementary processes. Working within a region can develop the core connections and competition levels necessary to launch into broader global integration while working between regions incentivizes the development of an even stronger cooperative backbone closer to home.<sup>38</sup> Thus, it is essential for Arab states to devise modern solutions that advance both interregional and intraregional integration.

## II. Questions to Consider in Your Research

---

<sup>34</sup> Dudley, Dominic. “Is Time Running Out For The Gulf Cooperation Council?” *Forbes*, Forbes Magazine, 25 July 2018, [www.forbes.com/sites/dominicdudley/2018/07/25/is-time-running-out-for-the-gulf-cooperation-council/?sh=19b154a056b8](http://www.forbes.com/sites/dominicdudley/2018/07/25/is-time-running-out-for-the-gulf-cooperation-council/?sh=19b154a056b8).

<sup>35</sup> “Regional Economic Integration in the Middle East and North Africa : beyond Trade Reform.” *World Bank*, <https://documents1.worldbank.org/curated/en/813531468052157933/pdf/Regional-economic-integration-in-the-Middle-East-and-North-Africa-beyond-trade-reform.pdf>.

<sup>36</sup> Boukhars, Anouar. “Maghreb: Dream of Unity, Reality of Divisions.” *Carnegie Endowment for International Peace*, [www.carnegieendowment.org/2018/06/03/maghreb-dream-of-unity-reality-of-divisions-pub-76544](http://www.carnegieendowment.org/2018/06/03/maghreb-dream-of-unity-reality-of-divisions-pub-76544).

<sup>37</sup> “Regional Economic Integration in the Middle East and North Africa : beyond Trade Reform.” *World Bank*, <https://documents1.worldbank.org/curated/en/813531468052157933/pdf/Regional-economic-integration-in-the-Middle-East-and-North-Africa-beyond-trade-reform.pdf>.

<sup>38</sup> IBID



- To what extent is my state currently integrated into the regional and global economies in which it takes part? What major barriers and challenges exist that currently block or slow the progress of my state's economic integration?
- What is my state's position on and history with economic integration? What level of economic integration is considered acceptable to my state?
- Which major multilateral and bilateral FTAs has my state participated in? What elements of these FTAs have been successful? What elements have been unsuccessful?
- To what extent can my state benefit from greater interregional and intraregional economic integration? In which areas will advancement be most beneficial for my state?

### III. Questions a Resolution Might Answer

- How can the Arab League fulfill its commitment to upgrade and update PAFTA and develop an Arab Customs Union? What measures are necessary to ensure the participation of all member states in these endeavors?
- What can be done to reconcile the various inconsistencies in the "spaghetti bowl" of FTAs Arab states find themselves a part of? How can reconciliation of past and future FTAs lead to further reductions in tariff and nontariff trade barriers?
- How can the Arab League develop greater economic connections between member states with political tensions that have challenged previous attempts at cooperation such as the GCC and the AMU?
- What internal and external logistical developments and connections are necessary for greater economic integration of member states?

### IV. Additional Resources

#### [MENA's Economic Integration in an Era of Fragmentation](#)

*A detailed yet brief article describing past and ongoing developments in and challenges to economic integration in the MENA region.*

#### [DHL Global Connectedness Index 2020](#)

*Insightful report on the current state of global economic interconnectedness containing relevant global data as well as individualized reports on each country's depth and breadth of trade.*

#### [Regional Integration Overview](#)

*Descriptive World Bank summary of the requirements, benefits, and risks regarding regional integration.*

#### [Free Trade Area - Overview, Advantages and Disadvantages](#)

*Organized description of free trade areas that differentiates them from the other stages in the economic integration process and details their associated advantages and disadvantages.*

#### [Deep Trade Agreements \(DTAs\): Data, Tools and Analysis](#)

*World Bank database containing informative descriptions and metrics regarding deep trade agreements (DTAs). Includes a detailed map depicting the current geographical coverage of DTAs that indicates where they are most prevalent.*

## **Topic II: Evaluating the economic impacts of COVID-19 on member states and taking steps to promote economic recovery and to protect against future health crises.**

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

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

The economic ramifications of the COVID-19 pandemic have been massive, affecting the highest proportion of countries of any economic crisis since the Great Depression of the 1930s.<sup>39</sup> As of June 2021, the Johns Hopkins Coronavirus Resource Center reported that over 186 million people have contracted COVID-19 and over 4 million have died worldwide, a catastrophic blow to the everyday lives of many all around the globe.<sup>40</sup> Not only have the impacts of this pandemic been widespread, however, but also deep and long-lasting. The IMF estimates that the world economy contracted by 3.3% in 2020 and expects in 2024 that global GDP will still remain 3% lower than it would have had the pandemic not occurred.<sup>41</sup> The damage is deeper for low-income countries, which are expected to have a 6% lower 2024 GDP than they would have.<sup>42</sup> At the core of this damage is a combination of supply and demand shocks still reverberating through the world economy. On the demand side, widespread infection, loss of life, limited mobility, and falling disposable income all contributed to a collapse of consumption, crippling demand. At the same time, measures like lockdowns and social distancing as well as factory closures significantly reduced the efficiency of supply chain networks, creating a dangerous duality of economic shocks from both sides.<sup>43</sup> With failing supply and demand, businesses were forced to lay off massive portions of their workforces. The UN's International Labour Organization (ILO) estimates that 225 jobs were lost around the world in 2020, approximately four times greater than the job losses of the Great Recession of the late 2000s.<sup>44</sup> With fewer people working and even greater income lost, consumption fell farther, creating a downward economic spiral. This spiral affects the world economy in other ways as well, as global trade and investments saw a significant initial tumble, debt still soars, and impediments to education continue.<sup>45</sup> Overall

---

<sup>39</sup> Yeyati, Eduardo Levy, and Federico Filippini. "Working Paper #158: Social and Economic Impact of COVID-19." *Brookings*, June 2021,

<https://www.brookings.edu/wp-content/uploads/2021/06/Social-and-economic-impact-COVID.pdf>.

<sup>40</sup> "Coronavirus Resource Center." *Johns Hopkins*, <https://coronavirus.jhu.edu>.

<sup>41</sup> Yeyati, Eduardo Levy, and Federico Filippini. "Social and Economic Impact of COVID-19." *Brookings*, 9 June 2021, [www.brookings.edu/research/social-and-economic-impact-of-covid-19/](http://www.brookings.edu/research/social-and-economic-impact-of-covid-19/).

<sup>42</sup> IBID

<sup>43</sup> Yeyati, Eduardo Levy, and Federico Filippini. "Working Paper #158: Social and Economic Impact of COVID-19." *Brookings*, June 2021,

<https://www.brookings.edu/wp-content/uploads/2021/06/Social-and-economic-impact-COVID.pdf>.

<sup>44</sup> Larson, Nina. "225 Million Jobs Were Lost Worldwide in 2020 Thanks to the Pandemic, Report Finds." *CTV News*, 25 Jan. 2021,

[www.ctvnews.ca/health/coronavirus/225-million-jobs-were-lost-worldwide-in-2020-thanks-to-the-pandemic-report-finds-1.5281152](http://www.ctvnews.ca/health/coronavirus/225-million-jobs-were-lost-worldwide-in-2020-thanks-to-the-pandemic-report-finds-1.5281152).

<sup>45</sup> Yeyati, Eduardo Levy, and Federico Filippini. "Working Paper #158: Social and Economic Impact of COVID-19." *Brookings*, June 2021,

<https://www.brookings.edu/wp-content/uploads/2021/06/Social-and-economic-impact-COVID.pdf>.

economic damage has been significant, yet there is a wide variety in impacts across sectors. Some sectors like healthcare, pharmaceuticals, and e-commerce have actually seen growth during the pandemic, while sectors like travel and tourism, automobiles, and oil have been decimated.<sup>46</sup> Instability in oil has been particularly prevalent due to falling oil demand in the face of economic slowdown and mobility restrictions, leading to a dive in oil prices that has been particularly damaging for oil-exporting countries.<sup>47</sup> Taken together, all of these pandemic-related impacts have produced a dire global economic situation.

Although responses across countries have varied greatly, the overall global response to the pandemic has been rapid and aggressive, yet economic recovery remains incomplete. Thus far, government responses have largely been twofold: stop the spread of COVID-19 and aid households and firms affected by the crisis. Lockdowns, social distancing, and quarantines have been implemented around the world to a varying extent, and while effective against combating the virus, they do have a proven negative effect on the economy.<sup>48</sup> Mitigating the spread of the virus is of primary importance both in terms of global health and economics, with countries needing to reopen carefully in order to maximize both the safety of their people and the growth of their economies. Recognizing the need for mobility restriction measures, governments have worked to stymie the economic damage through massive fiscal spending. Globally, spending on pandemic response in 2020 was nearly \$16 trillion, or about 15% of world GDP, a significant push to keep citizens economically stable and businesses afloat during the crisis.<sup>49</sup> Despite this progress, however, greater action is necessary to end the pandemic and facilitate full economic recovery. Essential to these efforts is the distribution of vaccinations, without which the world cannot effectively recover.<sup>50</sup> Additionally, careful use of aid is necessary as governments begin to wind down high levels of spending and address their heavy debts. Crucial to this is targeted aid for those countries and populations most impacted by the COVID-19 crisis, particularly in areas with a high proportion of low-skilled labor and low technological development inhibiting the shift to remote work.<sup>51</sup> Countries with a particular dependence on migrant labor have been especially harmed by the pandemic, with mobility restrictions creating further economic damage

---

<sup>46</sup> “Impact of the coronavirus pandemic on the global economy” *Statista*, 11 June 2021, [www.statista.com/topics/6139/covid-19-impact-on-the-global-economy/](https://www.statista.com/topics/6139/covid-19-impact-on-the-global-economy/).

<sup>47</sup> Pak, Anton, et al. “Economic Consequences of the COVID-19 Outbreak: the Need for Epidemic Preparedness.” *Frontiers*, 18 May 2020, [www.frontiersin.org/articles/10.3389/fpubh.2020.00241/full](https://www.frontiersin.org/articles/10.3389/fpubh.2020.00241/full).

<sup>48</sup> Yeyati, Eduardo Levy, and Federico Filippini. “Working Paper #158: Social and Economic Impact of COVID-19.” *Brookings*, June 2021, <https://www.brookings.edu/wp-content/uploads/2021/06/Social-and-economic-impact-COVID.pdf>.

<sup>49</sup> Yeyati, Eduardo Levy, and Federico Filippini. “Social and Economic Impact of COVID-19.” *Brookings*, 9 June 2021, [www.brookings.edu/research/social-and-economic-impact-of-covid-19/](https://www.brookings.edu/research/social-and-economic-impact-of-covid-19/).

<sup>50</sup> IBID

<sup>51</sup> Yeyati, Eduardo Levy, and Federico Filippini. “Working Paper #158: Social and Economic Impact of COVID-19.” *Brookings*, June 2021, <https://www.brookings.edu/wp-content/uploads/2021/06/Social-and-economic-impact-COVID.pdf>.

in these areas.<sup>52</sup> As the world continues to work towards economic recovery, remembrance of the lessons of COVID-19 and preparation for further crises ahead is also necessary to ensure economic progress is not lost.<sup>53</sup>

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

While Arab states were generally more successful than other countries in implementing strict containment measures to slow the spread of COVID-19 at the beginning of the pandemic, many still struggle with the severe economic damage this crisis has created.<sup>54</sup> According to the World Bank, the GDP of the MENA region is expected to reach a level in 2021 that is \$227 billion lower than it would have been had the pandemic not occurred.<sup>55</sup> A surge in unemployment is significant as well, with the MENA region having lost an estimated 6 million jobs due to the pandemic.<sup>56</sup> Recovery in both regional GDP and employment is expected to some extent in the near future, however critical economic issues remain as both supply and demand are still weakened. With 45% of regional foreign direct investment inflows lost in 2020 and 8.3 million more people expected to have fallen into poverty, Arab states are likely to see great difficulty generating the necessary momentum in consumer and investor confidence for substantial economic growth.<sup>57</sup> Compounded with this has been a greater disruption of many Arab health systems despite initial success with the first wave, with succeeding infection waves creating significant strain on sanitary infrastructure, hospital capacities, personal protective equipment stores, testing capabilities, healthcare financing, medical personnel, and other essential components of pandemic response. This strain has revealed an overall lack of pandemic preparedness by many Arab states that has had a substantial impact on the region's current health and economic situation. For example, the World Health Organization (WHO) advises that states have at least about 4.45 doctors, nurses, and midwives per 1,000 people, but states like Morocco and Egypt only have proportions of 0.72 and 0.79 respectively.<sup>58</sup> With both critical health deficiencies and economic vulnerabilities remaining, prospects for recovery in Arab states remain indeterminate.

---

<sup>52</sup> Pak, Anton, et al. "Economic Consequences of the COVID-19 Outbreak: the Need for Epidemic Preparedness." *Frontiers*, 18 May 2020, [www.frontiersin.org/articles/10.3389/fpubh.2020.00241/full](http://www.frontiersin.org/articles/10.3389/fpubh.2020.00241/full).

<sup>53</sup> IBID

<sup>54</sup> "COVID-19 Crisis Response in MENA Countries." *OECD*, [www.oecd.org/coronavirus/policy-responses/covid-19-crisis-response-in-mena-countries-4b366396/#section-d1e26](http://www.oecd.org/coronavirus/policy-responses/covid-19-crisis-response-in-mena-countries-4b366396/#section-d1e26).

<sup>55</sup> "LIVING WITH DEBT: How Institutions Can Chart a Path to Recovery in the Middle East and North Africa." *World Bank*, Apr. 2021, <https://openknowledge.worldbank.org/bitstream/handle/10986/35275/9781464816994.pdf>.

<sup>56</sup> Fengler, Wolfgang, et al. "The Economic Impact of COVID-19 on the Middle East: Recession, Response, and Recovery." *Brookings*, 27 Sept. 2020, [www.brookings.edu/events/the-economic-impact-of-covid-19-on-the-middle-east-recession-response-and-recovery/](http://www.brookings.edu/events/the-economic-impact-of-covid-19-on-the-middle-east-recession-response-and-recovery/).

<sup>57</sup> "COVID-19 Crisis Response in MENA Countries." *OECD*, [www.oecd.org/coronavirus/policy-responses/covid-19-crisis-response-in-mena-countries-4b366396/#section-d1e26](http://www.oecd.org/coronavirus/policy-responses/covid-19-crisis-response-in-mena-countries-4b366396/#section-d1e26).

<sup>58</sup> IBID

Compounded with these broader macroeconomic blows have been especially harmful shocks to two of Arab state's most important sectors: oil and tourism. At the beginning of the pandemic and economic slowdown, a massive decline in oil demand caused the price of Brent oil to fall to \$20 a barrel, a decline from the oil benchmark's pre-COVID price of \$65 a barrel.<sup>59</sup> Such a dramatic shift has been especially damaging for the oil exporters of the Arab world, most of which rely on oil as a significant source of government revenue. In fact, oil and gas income losses in 2020 for countries like Iraq, Algeria, and Oman are estimated to be as high as 80%, significantly reducing the capabilities of these governments to utilize fiscal spending to promote the health and economic welfare of their people amid the COVID crisis.<sup>60</sup> Oil prices have recovered since the early stages of the pandemic, however lasting damage from the crash and continued volatility still constrain Arab oil exporters. Additionally, the crucial role of oil producers to the MENA region has meant that even non-oil producers have been substantially harmed by the oil price crash, with major economic powers such as those of the Arabian Gulf offering much lower levels of foreign direct investment, remittances, grants, and work opportunities to their Arab neighbors.<sup>61</sup> In a similar fashion, the essential halt of many Arab states' largest service sector, tourism, has been devastating for their economies. For example, tourism typically comprises approximately 12% of Tunisia's GDP, a major pillar of the country's economic function that has now been demolished.<sup>62</sup> Together, the overwhelming importance of these two sectors in undiversified Arab economies created a gaping vulnerability in economic systems, worsening the damage brought on by the pandemic in the region.

Economic damage in Arab states has been significant, yet it has not been equal. For a variety of reasons, certain countries are suffering from much greater healthcare and economic hardship than others and have seen the situation get out of control. A major example is Lebanon, which was managing the pandemic until a massive explosion in the port of Beirut destroyed half of the capital city's medical centers and left three hospitals unable to function. Cases have since soared and the economic situation has become critical, with 55% of Lebanon's population living in poverty.<sup>63</sup> Conflict-ridden Arab states have had similar experiences, with health systems lacking the capacity to stop the spread of the virus and governments lacking the capability to create and implement necessary relief measures. For example, WHO analysis of Syria indicates that only 64% of the country's hospitals are fully operational and about 70% of its health care workers

---

<sup>59</sup> "LIVING WITH DEBT: How Institutions Can Chart a Path to Recovery in the Middle East and North Africa." *World Bank*, Apr. 2021, <https://openknowledge.worldbank.org/bitstream/handle/10986/35275/9781464816994.pdf>.

<sup>60</sup> "COVID-19 Crisis Response in MENA Countries." *OECD*, [www.oecd.org/coronavirus/policy-responses/covid-19-crisis-response-in-mena-countries-4b366396/#section-d1e26](http://www.oecd.org/coronavirus/policy-responses/covid-19-crisis-response-in-mena-countries-4b366396/#section-d1e26).

<sup>61</sup> "Coping with a Dual Shock: COVID-19 and Oil Prices." *World Bank*, [www.worldbank.org/en/region/mena/brief/coping-with-a-dual-shock-coronavirus-covid-19-and-oil-prices](http://www.worldbank.org/en/region/mena/brief/coping-with-a-dual-shock-coronavirus-covid-19-and-oil-prices).

<sup>62</sup> "Coronavirus in the Arab World." *CCAS*, 8 Feb. 2021, [www.ccas.georgetown.edu/2021/02/05/coronavirus-in-the-arab-world/](http://www.ccas.georgetown.edu/2021/02/05/coronavirus-in-the-arab-world/).

<sup>63</sup> "COVID-19 Crisis Response in MENA Countries." *OECD*, [www.oecd.org/coronavirus/policy-responses/covid-19-crisis-response-in-mena-countries-4b366396/#section-d1e26](http://www.oecd.org/coronavirus/policy-responses/covid-19-crisis-response-in-mena-countries-4b366396/#section-d1e26).

have fled the country as migrants or refugees.<sup>64</sup> Going beyond states, specific segments of Arab populations have seen worse conditions as well. For example, refugees and displaced populations have had particularly limited access to water and sanitation, resulting in greater rates of infection and weaker personal financial situations. Women, youth, and migrant populations have also seen greater economic suffering in the form of disproportionately higher increases in unemployment since the pandemic began.<sup>65</sup> Without targeted aid, these groups will continue to suffer to a greater extent as economic hardships continue in Arab states.

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

Essential to the economic recovery of Arab states is the ending of the COVID-19 outbreak. From the onset of the pandemic Arab states have implemented containment measures with varying levels of success, including traditional measures like testing and social distancing, population-based distancing policies like lockdowns and closures, and travel limitations.<sup>66</sup> These measures were implemented very early, even before cases emerged within Arab states' borders. For example, Saudi Arabia halted pilgrimages to Mecca and Medina in February of 2020. Enforcement has also been very strict, with violators of mask mandates even facing potential jail time in Morocco and other states.<sup>67</sup> Strict mobility restrictions do have negative impacts on states' economies and arguments proposing to reduce COVID measures in favor of economic recovery have pervaded around the globe. However, data suggests that despite the initial harmful economic effects of containment measures, health performance and economic performance in response to the pandemic actually move together in direct relation.<sup>68</sup> With the rising prevalence of vaccinated populations and reduction in COVID-19 cases, states can begin to carefully lift restrictions and work towards growth, but only with an understanding of the fact that economic recovery is unattainable unless the pandemic remains contained. Doing so successfully requires a high level of trust in government and compliance by Arab populations at large, which has varied across countries.<sup>69</sup> Arab states can work to build trust and compliance through transparent, timely, and accurate communication of mobility restrictions, reopening measures, and the current health situation at large, creating greater clarity amongst the general public.<sup>70</sup> Ultimately, both

---

<sup>64</sup> IBID

<sup>65</sup> "COVID-19 Crisis Response in MENA Countries." *OECD*, [www.oecd.org/coronavirus/policy-responses/covid-19-crisis-response-in-mena-countries-4b366396/#section-d1e26](http://www.oecd.org/coronavirus/policy-responses/covid-19-crisis-response-in-mena-countries-4b366396/#section-d1e26).

<sup>66</sup> Falah Hasan, Hasan. "Legal and Health Response to COVID-19 in the Arab Countries." *Risk Management and Healthcare Policy*, Dove, 16 Mar. 2021, [www.ncbi.nlm.nih.gov/pmc/articles/PMC7981159/](http://www.ncbi.nlm.nih.gov/pmc/articles/PMC7981159/).

<sup>67</sup> "COVID-19 Crisis Response in MENA Countries." *OECD*, [www.oecd.org/coronavirus/policy-responses/covid-19-crisis-response-in-mena-countries-4b366396/#section-d1e26](http://www.oecd.org/coronavirus/policy-responses/covid-19-crisis-response-in-mena-countries-4b366396/#section-d1e26).

<sup>68</sup> Diwan, Ishac, and Joelle M. Abi-Rached. "Covid-19, trust and rising economic challenges in the Arab world." *Economic Research Forum*, 22 Dec 2020, <https://theforum.erf.org.eg/2020/12/20/covid-19-trust-rising-economic-challenges-arab-world/>.

<sup>69</sup> IBID

<sup>70</sup> Falah Hasan, Hasan. "Legal and Health Response to COVID-19 in the Arab Countries." *Risk Management and Healthcare Policy*, Dove, 16 Mar. 2021, [www.ncbi.nlm.nih.gov/pmc/articles/PMC7981159/](http://www.ncbi.nlm.nih.gov/pmc/articles/PMC7981159/).

Arab states and their populations will have to recognize the remaining necessary health measures and their financing needs and economic impacts if reopening and recovery are to be successful.

Also relevant to the ongoing trend for health and economic success to occur together has been the implementation of strong fiscal stimulus programs by the same governments that have implemented successful containment and healthcare measures. Most Arab states have thus far recognized that while mobility restrictions are necessary to stop the spread of COVID-19, they can work to alleviate economic hardships through stimulus, leading to unprecedented fiscal spending in support of households and firms.<sup>71</sup> For example, the UAE has allocated \$27 billion in stimulus to boost the economy and Qatar has elected to spend \$23 billion to incentivize private sector growth.<sup>72</sup> These programs and others have been successful in creating an economic rebound to an extent, however, Arab states will have to continue to increase fiscal spending on stimulus for citizens and businesses as long as the pandemic and necessary mobility restrictions continue.<sup>73</sup> Tying together data-driven analysis of the current health and economic situation, policies on lifting containment measures, and timing of fiscal spending may prove effective in promoting the development of Arab states as the pandemic comes to a close. Also necessary for economic recovery is greater cooperation of Arab states facilitated by the Arab League, which has thus far failed to coordinate any significant economic response to the pandemic.<sup>74</sup> As a result, states have continued to implement almost exclusively national programs, leading to significant disparities in Arab states' success due to their wide variety in level of economic and financial resources. For example, while countries like the UAE are capable of providing \$27 billion in stimulus to their populations, others like Egypt can only commit less than a fourth of that amount.<sup>75</sup> In order to alleviate these disparities and promote economic recovery of all Arab states, the Arab League must facilitate greater cooperation and the creation of targeted short-term stimulus to the most vulnerable states and populations in the MENA region.

Beyond the health measures and stimulus programs necessary for Arab economies in the short term, the Arab League must work to alleviate the long-term economic effects of the COVID crisis and prepare for health crises in the future. The most significant long-term effect Arab states

---

<sup>71</sup> "COVID-19 Crisis Response in MENA Countries." *OECD*, [www.oecd.org/coronavirus/policy-responses/covid-19-crisis-response-in-mena-countries-4b366396/#section-d1e26](http://www.oecd.org/coronavirus/policy-responses/covid-19-crisis-response-in-mena-countries-4b366396/#section-d1e26).

<sup>72</sup> "COVID-19 Pandemic: UNDP in the Arab States." *UNDP*, 11 July 2021, [www.arabstates.undp.org/content/rbas/en/home/coronavirus.html](http://www.arabstates.undp.org/content/rbas/en/home/coronavirus.html).

<sup>73</sup> "MENA Economies Face Rapid Accumulation of Public Debt." *World Bank*, [www.worldbank.org/en/news/press-release/2021/04/02/strong-institutions-will-be-key-to-mena-recovery-amid-rapid-accumulation-of-public-debt](http://www.worldbank.org/en/news/press-release/2021/04/02/strong-institutions-will-be-key-to-mena-recovery-amid-rapid-accumulation-of-public-debt).

<sup>74</sup> "COVID-19: Middle East and the Arab League." *London School of Economics and Political Science*, [www.lse.ac.uk/international-relations/centres-and-units/global-south-unit/COVID-19-regional-responses/Middle-East-and-COVID-19](http://www.lse.ac.uk/international-relations/centres-and-units/global-south-unit/COVID-19-regional-responses/Middle-East-and-COVID-19).

<sup>75</sup> "COVID-19 Pandemic: UNDP in the Arab States." *UNDP*, 11 July 2021, [www.arabstates.undp.org/content/rbas/en/home/coronavirus.html](http://www.arabstates.undp.org/content/rbas/en/home/coronavirus.html).



face is debt. Accounting for only the healthcare investments and fiscal spending thus far, government debt has already substantially risen in the MENA region, rising from an average of 46% to 54% of countries' GDP from 2019 to 2021.<sup>76</sup> Considering the necessity of further spending to ensure both the full containment of the pandemic and short-term economic recovery, this debt is only going to increase further. Arab states have already started to experience the negative effects of high debt, with liability payments eating away at financial assets necessary for economic development. Additionally, continuously rising debt only becomes more expensive and makes economic initiatives harder to finance, with some Arab states forced to accept exceptionally high interest rates and others being locked out of markets entirely as their economic prospects diminish.<sup>77</sup> Also adding to the problem has been limited government planning with regards to the pandemic, with many Arab states drawing from extra-budgetary funds or executive decrees to finance emergency fiscal spending rather than outlining detailed budgets.<sup>78</sup> Lastly, lost oil revenues and continued oil price fluctuations limit non-debt sources for fiscal spending and further worsens Arab states' creditworthiness, forcing them to take on more expensive debt.<sup>79</sup> As a whole, a continued overabundance of debt threatens Arab states' ability to use fiscal spending to boost economic recovery both now and in the event of future crises. Little progress has been made on this long-term issue by Arab states thus far, but coordinated efforts to improve access to low-interest financing options, greater transparency, and stronger governance are necessary to improve the current state of debt.<sup>80</sup> More broadly, Arab states need to evaluate the economic impacts of COVID-19 and create solutions to better prepare for health crises in the future. Investments in research and development, personal protective equipment, healthcare infrastructure, education, digital and data systems, and other areas are all necessary to mitigate the economic devastation of future pandemics.<sup>81</sup>

## II. Questions to Consider in Your Research

- To what extent has my state been impacted by the COVID-19 pandemic, both in terms of the health of the population and the economy?
- What efforts have been made by my state to mitigate the effects of the pandemic? To what extent have these efforts been successful? To what extent have they failed?

---

<sup>76</sup> "MENA Economies Face Rapid Accumulation of Public Debt." *World Bank*, [www.worldbank.org/en/news/press-release/2021/04/02/strong-institutions-will-be-key-to-mena-recovery-amid-rapid-accumulation-of-public-debt](https://www.worldbank.org/en/news/press-release/2021/04/02/strong-institutions-will-be-key-to-mena-recovery-amid-rapid-accumulation-of-public-debt).

<sup>77</sup> "LIVING WITH DEBT: How Institutions Can Chart a Path to Recovery in the Middle East and North Africa." *World Bank*, Apr. 2021, <https://openknowledge.worldbank.org/bitstream/handle/10986/35275/9781464816994.pdf>.

<sup>78</sup> "COVID-19 Crisis Response in MENA Countries." *OECD*, [www.oecd.org/coronavirus/policy-responses/covid-19-crisis-response-in-mena-countries-4b366396/#section-d1e26](https://www.oecd.org/coronavirus/policy-responses/covid-19-crisis-response-in-mena-countries-4b366396/#section-d1e26).

<sup>79</sup> "LIVING WITH DEBT: How Institutions Can Chart a Path to Recovery in the Middle East and North Africa." *World Bank*, Apr. 2021, <https://openknowledge.worldbank.org/bitstream/handle/10986/35275/9781464816994.pdf>.

<sup>80</sup> IBID

<sup>81</sup> Najib, Dalal. "COVID-19 and the Arab World – Between a Rock and Hard Place." *Science & Diplomacy*, 22 Jan. 2021, [www.sciencediplomacy.org/article/2021/covid-19-and-arab-world-between-rock-and-hard-place](https://www.sciencediplomacy.org/article/2021/covid-19-and-arab-world-between-rock-and-hard-place).

- What sectors are most important to my state's economy and how have those sectors been affected by the COVID-19 pandemic? What sectors are most important to my state's greatest economic partners and how have those sectors been affected by the COVID-19 pandemic? How have the oil and tourism sectors in particular played a role in my state?
- What segments of my state's population have been most impacted by the COVID-19 pandemic economically? What attempts have been made to provide aid to these segments thus far?

### III. Questions a Resolution Might Answer

- What containment and healthcare investment measures are still necessary to stop the spread of COVID-19? What are the economic implications of these measures? What financing is necessary for these measures to be successfully enacted and where can that financing be drawn from?
- How can the Arab League utilize fiscal spending to aid economic recovery in the short term as mobility restrictions are slowly and carefully eased? In what ways can this fiscal spending be targeted to be most effective in aiding households and firms in Arab states?
- What measures can the Arab League take to reduce the long-term burden of debt upon Arab states as they struggle to manage health crises now and in the future?
- In what ways can Arab states take steps to prepare for future health crises? How can Arab states cooperate to insulate their economies from shocks like pandemics?

### IV. Additional Resources

[The Economic Impact of COVID-19 on the Middle East: Recession, Response, and Recovery](#)

*Insightful article summarizing the discussion of economic impacts of COVID-19 on Arab states by a panel of scholars and experts.*

[Socio-economic Impact of COVID-19 | UNDP in the Arab States](#)

*Brief description of economic implications of the pandemic in the Arab world that contains a comprehensive list of country-specific reports on economic conditions and responses by Arab states.*

[UNDP Response by Country | UNDP in the Arab](#)

*An organized collection of brief summaries of economic implications of COVID-19 by country for Arab states that contains information regarding the response of the United Nations Development Programme in those states.*

[The World Bank. "The Global Economic Outlook During the COVID-19 Pandemic: A Changed World."](#)

*World Bank article summarizing global economic developments due to the pandemic.*

### **Topic III: Examining the opportunities and challenges facing the foodservice industry in member states and devising means to promote foodservice growth.**

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

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

Foodservice remains as one of the global industries most impacted by the COVID-19 pandemic, with lockdowns slashing global foodservice sales by 20% and reducing total visits by 21% in 2020.<sup>82</sup> By definition, the industry includes all actors responsible for preparing food outside of the home, such as restaurants, catering firms, cafes, delivery services, and even noncommercial establishments like hospitals and schools.<sup>83</sup> Furthermore, restaurants can be categorized as either full-service, including both casual and fine dining, or as limited-service, which refers to both quick-service giants like McDonald's and rapidly growing fast-casual players like Chipotle.<sup>84</sup> Amid a global economic shutdown, a freeze on tourism, and home-confinement of consumers and employees alike, firms across the foodservice industry saw a massive decline in their demand and operating capabilities, especially those offering primarily in-person services. However, even with increasing vaccinations allowing the pandemic to subside, restaurants and other establishments face a long road to recovery as they struggle to manage weakened supply chains that cannot match renewed demand. This is known as the bullwhip effect, in which business-to-consumer (B2C) companies attempt to swiftly recover their operations as demand begins to recover from a downturn, placing significant strain on suppliers and creating industry-wide instability in the price and availability of key goods.<sup>85</sup> For example, a global shortage in chicken parts has critically reduced restaurant's capability to meet customers' demands, crippling businesses like Boston-based food truck Just Wingin' It, which has had to raise the price of its wings as the cost of acquiring chicken rises.<sup>86</sup> The other significant challenge in the industry that has emerged from COVID-19 concerns labor. The World Bank finds that the food system, including everything from agriculture to foodservice, is crucial for

---

<sup>82</sup> "Challenges Facing Global Foodservice Industry in 2020 Spurred Significant Growth in Off-Premises Services, Reports The NPD Group." NPD Group, 16 June 2021, [www.npd.com/news/press-releases/2021/challenges-facing-global-foodservice-industry-in-2020-spurred-significant-growth-in-off-premises-services--reports-the-npd-group/](http://www.npd.com/news/press-releases/2021/challenges-facing-global-foodservice-industry-in-2020-spurred-significant-growth-in-off-premises-services--reports-the-npd-group/).

<sup>83</sup> "FOODSERVICE AROUND THE WORLD." *SIAL Canada*, Aug. 2019, [www.sialcanada.com/en/article/foodservice-around-world/](http://www.sialcanada.com/en/article/foodservice-around-world/).

<sup>84</sup> "Restaurant Industry." *Aaron Allen & Associates, Global Restaurant Consultants*, 9 July 2020, [www.aaronallen.com/restaurant-industry](http://www.aaronallen.com/restaurant-industry).

<sup>85</sup> Smith, Jennifer, and Paul Page. "WSJ News Exclusive | Food Supply Chains Are Stretched as Americans Head Back to Restaurants." *The Wall Street Journal*, Dow Jones & Company, 21 May 2021, [www.wsj.com/articles/food-supply-chains-are-stretched-as-americans-head-back-to-restaurants-11621589405?mod=searchresults\\_pos3&page=1](http://www.wsj.com/articles/food-supply-chains-are-stretched-as-americans-head-back-to-restaurants-11621589405?mod=searchresults_pos3&page=1).

<sup>86</sup> "Here's How Continued Food Shortages Are Affecting Local Restaurants." *Boston.com*, The Boston Globe, 16 June 2021, [www.boston.com/food/food-news/2021/06/16/shortages-continue-to-affect-local-restaurants/?s\\_campaign=bcom:socialflow:twitter&amp=1&\\_\\_twitter\\_impression=true](http://www.boston.com/food/food-news/2021/06/16/shortages-continue-to-affect-local-restaurants/?s_campaign=bcom:socialflow:twitter&amp=1&__twitter_impression=true).

global employment, with the majority of employed people in developing countries working somewhere within this system.<sup>87</sup> Yet despite their importance, foodservice jobs have been disproportionately affected by the pandemic, with the International Labor Organization finding that accommodation and foodservice together saw the greatest job losses.<sup>88</sup> With the world reopening, the industry has struggled to regain the employees it had lost, inhibiting recovery. However, urbanization and rising per capita income in developing countries around the world are expected to provide new work opportunities in foodservice for years to come, particularly for global youth.<sup>89</sup>

Despite pandemic-related setbacks, the foodservice industry is expected to see massive growth in the near future, with projections estimating the global foodservice market to grow from \$3.5 trillion in 2020 to \$4.2 trillion in 2027.<sup>90</sup> Growth in the industry has been and will continue to be driven by a few key trends, including increased preferences by working millennials to spend time socializing in commercial foodservice environments and try new and customizable menu options that match varying tastes.<sup>91</sup> Consumers have also displayed increasing desires for convenience, speed, digital access, fresh and healthy ingredients, and corporate social responsibility, all of which have shaped the extent and direction of foodservice growth in the industry.<sup>92</sup> However, these foodservice opportunities have been coupled with two challenges that must be managed in order to see continued growth: cannibalization and adaptation. Cannibalization of an industry essentially means that it is “eating itself” to grow, with the development of some industry segments happening at the cost of others. Foodservice trends have contributed to the explosive growth of fast-casual restaurant dining and delivery services, but at the cost of other segments like full-service casual restaurants, limiting the overall economic benefits of industry growth on GDP per capita and employment.<sup>93</sup> Furthermore, changing trends and technological developments have continued to prove that those who do not adapt will be left behind. Foodservice has a history of slowness when it comes to the adoption of new technologies, but

---

<sup>87</sup> “The Future of Food: Shaping the Food System to Deliver Jobs.” *World Bank*, [www.worldbank.org/en/topic/agriculture/publication/the-future-of-food-shaping-the-food-system-to-deliver-jobs](http://www.worldbank.org/en/topic/agriculture/publication/the-future-of-food-shaping-the-food-system-to-deliver-jobs).

<sup>88</sup> Larson, Nina. “225 Million Jobs Were Lost Worldwide in 2020 Thanks to the Pandemic, Report Finds.” *Coronavirus*, CTV News, 25 Jan. 2021,

[www.ctvnews.ca/health/coronavirus/225-million-jobs-were-lost-worldwide-in-2020-thanks-to-the-pandemic-report-finds-1.5281152](http://www.ctvnews.ca/health/coronavirus/225-million-jobs-were-lost-worldwide-in-2020-thanks-to-the-pandemic-report-finds-1.5281152).

<sup>89</sup> “The Future of Food: Shaping the Food System to Deliver Jobs.” *World Bank*, [www.worldbank.org/en/topic/agriculture/publication/the-future-of-food-shaping-the-food-system-to-deliver-jobs](http://www.worldbank.org/en/topic/agriculture/publication/the-future-of-food-shaping-the-food-system-to-deliver-jobs).

<sup>90</sup> “Global Food Service Industry Market Trajectory & Analytics 2020-2027.” *PRNewswire*, 21 Dec. 2020, [www.prnewswire.com/news-releases/global-food-service-industry-market-trajectory--analytics-2020-2027-301196708.html](http://www.prnewswire.com/news-releases/global-food-service-industry-market-trajectory--analytics-2020-2027-301196708.html).

<sup>91</sup> “Global Food Service Market By Sector, By System, By Geographic Scope And Forecast.” *Verified Market Research*, 18 Aug. 2020, [www.verifiedmarketresearch.com/product/food-service-market/](http://www.verifiedmarketresearch.com/product/food-service-market/).

<sup>92</sup> “Restaurant Trends Reshaping the Global Foodservice Industry.” *Aaron Allen & Associates, Global Restaurant Consultants*, 13 Nov. 2020, [www.aaronallen.com/restaurant-trends](http://www.aaronallen.com/restaurant-trends).

<sup>93</sup> “10 Trends Reshaping the Restaurant Industry.” *Aaron Allen & Associates, Global Restaurant Consultants*, 15 Apr. 2020, [www.aaronallen.com/blog/10-trends-reshaping-the-restaurant-industry](http://www.aaronallen.com/blog/10-trends-reshaping-the-restaurant-industry).

developments in automation, drone delivery, digital technology, and more will only lead to growth if the industry can conquer the ongoing challenge of keeping up.<sup>94</sup> COVID-19 has only accelerated the pace of these challenges, so foodservice actors must quickly differentiate themselves and adapt to change in order to ensure sustainable industry-wide growth.

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

As with the rest of the world, the global economic slowdown resulting from extended lockdowns, disrupted supply chains, reduced tourism, and widespread fear of COVID-19 infection crippled the foodservice industry in Arab states.<sup>95</sup> Particularly challenging for Arab foodservice businesses has been a lack of short-term liquidity. International foodservice research and consulting firm Aaron Allen & Associates found in 2020 that 63% of major publicly traded Middle Eastern foodservice businesses have critically low levels of working capital, meaning that the majority of these businesses have more debt due within a one-year period than they are able to cover with their liquid assets, placing them at risk of bankruptcy.<sup>96</sup> Thus, with major foodservice firms in the region at risk of failure, the industry itself faces potentially disastrous contraction and job loss in Arab states. However, vaccinations and reductions in mobility restrictions have been incredibly promising for foodservice growth in the region, with demand for restaurants alone in the Middle East and North Africa (MENA) predicted to hit \$70 billion in 2025.<sup>97</sup> Especially exciting is growth in online foodservice, which is expected to quadruple in market size between 2018 and 2025, jumping from \$3.5 billion to \$15 billion.<sup>98</sup> Despite the continued effects of the COVID-19 pandemic, the MENA region sees some of the fastest overall foodservice growth of any market around the world, creating plentiful economic opportunities.<sup>99</sup>

While many forces affect foodservice growth and development globally, they follow distinct trends in Arab states. Among these trends is significant population growth in the Arab world, especially in the states of the Gulf Cooperation Council (GCC). In fact, the combined population of these states has doubled in the past 20 years, creating incredible upward movement for consumer spending and foodservice demand in the region.<sup>100</sup> This growth has also resulted in a regional population that is significantly younger, particularly again in the GCC where 6.9% of

---

<sup>94</sup> “Restaurant Technology.” *Aaron Allen & Associates, Global Restaurant Consultants*, 1 July 2021, [www.aaronallen.com/restaurant-technology](http://www.aaronallen.com/restaurant-technology).

<sup>95</sup> “Jabs, Mobility Relaxations Drive Restaurant Recovery in MENA.” *Arabian Business*, 2 June 2021, [www.arabianbusiness.com/travel-hospitality/464222-jabs-mobility-relaxations-drive-restaurant-dining-in-mena](http://www.arabianbusiness.com/travel-hospitality/464222-jabs-mobility-relaxations-drive-restaurant-dining-in-mena).

<sup>96</sup> “Exclusive: COVID-19 Effects on the Region's Foodservice Industry.” *Hospitality News Magazine*, 1 July 2020, [www.hospitalitynewsmag.com/exclusive-covid-19-effects-on-the-regions-foodservice-industry/](http://www.hospitalitynewsmag.com/exclusive-covid-19-effects-on-the-regions-foodservice-industry/).

<sup>97</sup> “Jabs, Mobility Relaxations Drive Restaurant Recovery in MENA.” *Arabian Business*, 2 June 2021, [www.arabianbusiness.com/travel-hospitality/464222-jabs-mobility-relaxations-drive-restaurant-dining-in-mena](http://www.arabianbusiness.com/travel-hospitality/464222-jabs-mobility-relaxations-drive-restaurant-dining-in-mena).

<sup>98</sup> IBID

<sup>99</sup> “MENA Restaurant Industry Insights.” *Aaron Allen & Associates, Global Restaurant Consultants*, 18 Mar. 2020, [www.aaronallen.com/blog/mena-restaurant-industry](http://www.aaronallen.com/blog/mena-restaurant-industry).

<sup>100</sup> “QSR in the Middle East: A Land Of Opportunity.” *Aaron Allen & Associates, Global Restaurant Consultants*, 10 Mar. 2020, [www.aaronallen.com/blog/middle-east-qsr-chains-growth](http://www.aaronallen.com/blog/middle-east-qsr-chains-growth).

people are between 15 and 19 years old.<sup>101</sup> As a result, the distinctive presence of massive youth populations in Arab states compounds with a global trend for Millennial and Gen-Z populations to dine out more than other age groups, further fueling foodservice demand in the region. Additionally, the industry benefits from Arab states' geographic location, which serves as a hub for tourism, culture, East-West trade, and a variety of international tastes. For example, the United Arab Emirates (UAE) has a population of over 200 nationalities and welcomes an increasing number of tourists each year.<sup>102</sup> The MENA region also benefits from above-average operating margins in the foodservice industry, however these regional margins are rapidly shrinking.<sup>103</sup> For example, the net income of foodservice businesses in Saudi Arabia fell 40% from 2013 to 2018 as a result of rising food and labor costs.<sup>104</sup> Lastly, the MENA region is experiencing above-average urbanization and technological development, especially in the GCC. In fact, the United Nations predicts 90% of the GCC will be urbanized by 2050.<sup>105</sup> Consumer usage of the newest technology is also among the highest globally, with 76% of the GCC's population already using mobile phones.<sup>106</sup>

Foodservice in the MENA region is also greatly affected by Arabic culture and the varying role of Islam in Arab states. For example, the consumption of certain foods like pork and alcohol are forbidden under Islam and made illegal by states strictly enforcing Sharia law, such as Saudi Arabia.<sup>107</sup> Thus, with bars and similar establishments generally not prevalent in various Arab states, the types of foodservice businesses that emerge in this region are different from those in other parts of the world. Another component of Sharia and a continued cultural norm foodservice firms must consider is the prevention of women and men from working side-by-side, which affects employment practices of businesses in the region.<sup>108</sup> Foodservice in the MENA region is also juxtaposed with a time-honored tradition of Arabic hospitality known as Karam, which is

---

<sup>101</sup> "How Foodservice Leaders Can Adapt to - and Thrive in - the Middle East's New Normal." *Aaron Allen & Associates, Global Restaurant Consultants*, 24 May 2021, [www.aaronallen.com/blog/foodservice-industry-middle-east](http://www.aaronallen.com/blog/foodservice-industry-middle-east).

<sup>102</sup> "The Middle East Food Market Is Ripe with Growth Opportunities." *Gulfood 2020*, 1 Jan. 2020, [www.gulfood.com/insights/the-middle-east-food-market-is-ripe-with-growth-opportunities-bn14](http://www.gulfood.com/insights/the-middle-east-food-market-is-ripe-with-growth-opportunities-bn14).

<sup>103</sup> "How Foodservice Leaders Can Adapt to - and Thrive in - the Middle East's New Normal." *Aaron Allen & Associates, Global Restaurant Consultants*, 24 May 2021, [www.aaronallen.com/blog/foodservice-industry-middle-east](http://www.aaronallen.com/blog/foodservice-industry-middle-east).

<sup>104</sup> "Restaurant Margins Are Shrinking in the Middle East. Here's How to Respond." *Aaron Allen & Associates, Global Restaurant Consultants*, 16 Mar. 2020, [www.aaronallen.com/blog/restaurant-margins-shrinking](http://www.aaronallen.com/blog/restaurant-margins-shrinking).

<sup>105</sup> "QSR in the Middle East: A Land Of Opportunity." *Aaron Allen & Associates, Global Restaurant Consultants*, 10 Mar. 2020, [www.aaronallen.com/blog/middle-east-qsr-chains-growth](http://www.aaronallen.com/blog/middle-east-qsr-chains-growth).

<sup>106</sup> "Restaurant Margins Are Shrinking in the Middle East. Here's How to Respond." *Aaron Allen & Associates, Global Restaurant Consultants*, 16 Mar. 2020, [www.aaronallen.com/blog/restaurant-margins-shrinking](http://www.aaronallen.com/blog/restaurant-margins-shrinking).

<sup>107</sup> "Restaurant Regulations in the Middle East to Consider Before Expanding." *Aaron Allen & Associates, Global Restaurant Consultants*, 13 Mar. 2020, [www.aaronallen.com/blog/restaurant-regulations-in-the-middle-east](http://www.aaronallen.com/blog/restaurant-regulations-in-the-middle-east).

<sup>108</sup> IBID

widely considered to be the best hospitality in the world.<sup>109</sup> These and other religious and cultural traditions must be factored into considerations of the foodservice industry in Arab states.

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

Foodservice in the MENA region has enormous potential for growth, but Arab states face numerous challenges that must be overcome in order to reap the full economic benefits this industry can provide. These challenges mirror those of the global foodservice industry but must be considered with a regional focus. The first major obstacle to foodservice growth is reduced demand in a post-COVID world, particularly for in-person foodservice operations that have not recovered their pre-pandemic levels of foot traffic and revenue.<sup>110</sup> However, even pre-pandemic levels of demand are still not sustainable for growth to continue into the future, so Arab states must find ways to encourage greater foodservice consumption if the industry is to thrive. Past and ongoing efforts by Arab states to improve foodservice demand are largely indirect through the promotion of tourism. For example, Saudi Arabia has taken on infrastructure projects such as the expansion of the Grand Mosque at Mecca and the construction of the entertainment hub Qiddiya to attract both religious and nonreligious visitors and support demand in industries directly related to tourism, such as foodservice.<sup>111</sup> The efforts are predicted to increase tourism in upcoming years, but the foodservice industry could see greater growth through the implementation of more targeted foodservice demand promotion and development initiatives alongside tourist attraction tactics.<sup>112</sup>

Addressing critical issues within crippled supply chains is also crucial for developing the region's foodservice industry. The MENA region is more import-dependent than any other region in the world, with a particular reliance on food. Thus, small inefficiencies cost Arab foodservice firms millions in USD while major shocks like worldwide pandemics cause widespread business failure.<sup>113</sup> Added to these vulnerabilities are rising food supply prices and a tendency for Arab foodservice firms to produce excess food waste in an attempt to be hospitable, slashing margins and straining supply chains.<sup>114</sup> Past and ongoing efforts within the MENA region to address these issues have particularly focused on the development of local food

---

<sup>109</sup> Dsouza, Alfie, et al. "Arabic Hospitality, Which Is The Best In The World, the GUEST Always Comes FIRST!" *Mangalorean.com*, 7 Aug. 2020,

[www.mangalorean.com/arabic-hospitality-which-is-the-best-in-the-world-the-guest-always-comes-first/](http://www.mangalorean.com/arabic-hospitality-which-is-the-best-in-the-world-the-guest-always-comes-first/).

<sup>110</sup> "Jobs, Mobility Relaxations Drive Restaurant Recovery in MENA." *Arabian Business*, 2 June 2021, [www.arabianbusiness.com/travel-hospitality/464222-jobs-mobility-relaxations-drive-restaurant-dining-in-mena](http://www.arabianbusiness.com/travel-hospitality/464222-jobs-mobility-relaxations-drive-restaurant-dining-in-mena).

<sup>111</sup> "How Foodservice Leaders Can Adapt to - and Thrive in - the Middle East's New Normal." *Aaron Allen & Associates, Global Restaurant Consultants*, 24 May 2021, [www.aaronallen.com/blog/foodservice-industry-middle-east](http://www.aaronallen.com/blog/foodservice-industry-middle-east).

<sup>112</sup> IBID

<sup>113</sup> "Opportunities and Challenges Facing Middle East Restaurant Operators." *Aaron Allen & Associates, Global Restaurant Consultants*, 24 May 2021, [www.aaronallen.com/blog/middle-east-restaurant-operators-challenges](http://www.aaronallen.com/blog/middle-east-restaurant-operators-challenges).

<sup>114</sup> IBID

supplies, such as the creation of large-scale farming infrastructure by GCC governments.<sup>115</sup> Reducing the Arab states' extensive food import dependency can be useful, however addressing supply issues will require a more comprehensive approach that might also include developing supply chain infrastructure, data-based logistics, and managing food waste levels.

Also crucial to foodservice growth is an adequate, well-trained labor force. However, a history of low labor costs in the MENA region has caused foodservice operators to opt to hire extra employees rather than invest in proper training programs, leading to excess and avoidable costs through greater food waste and higher labor turnover rates.<sup>116</sup> These costs of insufficient training are now being compounded with rising labor costs, particularly due to the emergence of quota-based labor nationalization programs like Saudization and Qatarization, which force foodservice firms to employ more national employees at higher salaries and wages.<sup>117</sup> Further challenges include high youth unemployment, the separation of men and women in the workplace, and a widespread false perception that foodservice jobs lead to a dead-end career.<sup>118</sup> Past efforts regarding foodservice labor have been minimal in Arab states, however other countries such as the United States have successfully dealt with similar issues in the past by investing in training and leaning into hospitality, which already has a long history in the MENA region.<sup>119</sup>

Lastly, Arab states must grapple with the challenges of cannibalization and adaptation that emerge as the foodservice industry continues to grow and develop. Cannibalization in the MENA region has been particularly characterized as a clash between Western chains and local restaurants, with increasing incentives for consolidation and foreign direct investment shifting the advantage to chains.<sup>120</sup> For Arab states to see sustainable growth in the foodservice industry, global and local operations must learn to coexist by continuing to innovate and differentiate their offerings. However, chains and independent businesses in the MENA region alike are still struggling to adapt to the vast changes in technology and tastes reshaping the industry. Partially responsible is an industry-wide hesitancy to be the first to pioneer and implement new

---

<sup>115</sup> "How Foodservice Leaders Can Adapt to - and Thrive in - the Middle East's New Normal." *Aaron Allen & Associates, Global Restaurant Consultants*, 24 May 2021, [www.aaronallen.com/blog/foodservice-industry-middle-east](http://www.aaronallen.com/blog/foodservice-industry-middle-east).

<sup>116</sup> IBID

<sup>117</sup> "Opportunities and Challenges Facing Middle East Restaurant Operators." *Aaron Allen & Associates, Global Restaurant Consultants*, 24 May 2021, [www.aaronallen.com/blog/middle-east-restaurant-operators-challenges](http://www.aaronallen.com/blog/middle-east-restaurant-operators-challenges).

<sup>118</sup> "How Foodservice Leaders Can Adapt to - and Thrive in - the Middle East's New Normal." *Aaron Allen & Associates, Global Restaurant Consultants*, 24 May 2021, [www.aaronallen.com/blog/foodservice-industry-middle-east](http://www.aaronallen.com/blog/foodservice-industry-middle-east).

<sup>119</sup> "Arabic Hospitality Can Solve Saudi Arabia's Unemployment Crisis." *Aaron Allen & Associates, Global Restaurant Consultants*, 10 Mar. 2020, [www.aaronallen.com/blog/arabic-hospitality-unemployment-crisis](http://www.aaronallen.com/blog/arabic-hospitality-unemployment-crisis).

<sup>120</sup> "How Foodservice Leaders Can Adapt to - and Thrive in - the Middle East's New Normal." *Aaron Allen & Associates, Global Restaurant Consultants*, 24 May 2021, [www.aaronallen.com/blog/foodservice-industry-middle-east](http://www.aaronallen.com/blog/foodservice-industry-middle-east).



technologies and models.<sup>121</sup> Lacking standardization and clarity in foodservice laws and regulations across the region also contribute to slowed adaptation, with restaurants and other operations balancing inconsistent policies created by local municipalities, national governments, and sub-regional bodies like the GCC Food Safety Committee.<sup>122</sup> It will take both incentives for businesses to innovate and implement new technologies such as the use of data and digital platforms as well as clearer regional standards in order for Arab states to develop a growing foodservice industry that can continue to adapt successfully in the future.

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

- What are the greatest opportunities in the foodservice industry of my state? How can these opportunities be promoted and utilized on a regional level?
- Which of the major challenges in the foodservice industry are most prevalent in my state? What initiatives has my state taken to address these challenges and how successful have these initiatives been?
- How is the foodservice industry in my state uniquely shaped by national legislation and regulations, local culture, religious influences, economic conditions, and other relevant factors?
- To what extent has my state created policies to promote targeted growth in a specific economic industry? What level and types of economic intervention are considered legitimate policies by my state?

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

- What strategies can the Arab League implement to improve foodservice demand beyond pre-COVID levels? What global and regional consumer trends can be promoted as a catalyst for growth?
- How can world-renowned Arab hospitality be used to differentiate local foodservice operations and challenge widely held perceptions of foodservice as an industry of dead-end jobs?
- How can the Arab League create greater regional foodservice efficiency in both its supply chain structure and regulatory systems?
- What incentives are necessary to encourage foodservice operators to continue to adopt the latest industry innovations in areas such as digital and data technology, convenience, employee training, and food sustainability?

## **IV. Additional Resources**

[Restaurant Industry Insights from Aaron Allen & Associates](#)

---

<sup>121</sup> IBID

<sup>122</sup> “Restaurant Regulations in the Middle East to Consider Before Expanding.” *Aaron Allen & Associates, Global Restaurant Consultants*, 13 Mar. 2020, [www.aaronallen.com/blog/restaurant-regulations-in-the-middle-east](http://www.aaronallen.com/blog/restaurant-regulations-in-the-middle-east).

*Comprehensive list of research and works from consulting firm Aaron Allen & Associates. Some insights from this collection have been previously referenced, however this list offers a much wider array of global, regional, and country-specific research, data, and insights into the foodservice industry.*

[Slowing Restaurant Growth, Owners Must Innovate with AI, JLL 2020 trends](#)

*An article that summarizes some of the global and regional foodservice trends affecting the industry today.*

[Gen Z Will Have 'Seismic' Impact on the Food Industry, Prioritizing Convenience and Functionality, Says NPD Group](#)

*A publication that details ongoing and future foodservice trends resulting from Gen Z populations coming of age, relevant to regions like MENA with particularly young populations.*

[Who Supplies the Middle East's Increasing Demand for Fresh Produce](#)

*A summary of factors affecting food supply in the MENA region with a particular focus on GCC states. Provides data regarding imports and sources.*

## **Topic IV: Assessing the availability of funding for sustainable development and creating avenues to encourage businesses to adopt sustainable practices.**

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

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

While definitions of sustainability vary across business and political bodies in the international community, it is generally considered to be composed of three major pillars: the planet (the environment), people (society), and profit (the economy).<sup>123</sup> Applying sustainability to state development and business practices thus involves a careful and firm commitment to environmental protection, social development, and economic growth. Of the three pillars, the environment is usually the one that first comes to mind regarding sustainability, with pervading issues such as climate change, environmental conservation, renewable energy, and water scarcity critically impactful on the long-term development of the international system. Equally important to sustainability are social issues, particularly those regarding human rights and inequalities in quality of life, healthcare, and education across age, gender, ethnic, and racial groups around the world.<sup>124</sup> Lastly, supporting both of the other two pillars is the economy, with issues regarding unequal distribution of wealth and resources as well as the lack of economic resilience in undiversified and debt-reliant economies limiting the capabilities of developing states to advance sustainability through any of the three pillars.<sup>125</sup> Each of these pillars is interlinked and the boundaries between them are often indistinct. Thus, all three must be considered even when considering largely economic issues of funding and business practices. Currently, the most notable ongoing effort by the international community to pursue sustainability has surrounded efforts to achieve the 17 Sustainable Development Goals (SDGs) adopted by all members of the United Nations in 2015 as a part of the 2030 Agenda for Sustainable Development.<sup>126</sup> The pursuit of these goals has been guided by the Addis Ababa Action Agenda (AAAA), which outlines a strong framework for financing the achievement of the SDGs and the many facets of sustainability they address.<sup>127</sup> Recognizing the guidance of and ongoing efforts surrounding both the SDGs and AAAA is crucial when considering the funding of sustainable development and the incentivization of sustainable business practices.

---

<sup>123</sup> “Center for Sustainable Business Practices.” *UNF*, [www.unf.edu/coggin/csbp/](http://www.unf.edu/coggin/csbp/).

<sup>124</sup> “Sustainable Development Goals.” ACCIONA, [www.accionacom/our-purpose/sustainability/sustainable-development-goals/?\\_adin=02021864894](http://www.accionacom/our-purpose/sustainability/sustainable-development-goals/?_adin=02021864894).

<sup>125</sup> Impppola, Jorma Jaakko. “Global Economy and Its Sustainability in the Globalized World.” *SHS Web of Conferences*, EDP Sciences, 10 Jan. 2020, [https://www.shs-conferences.org/articles/shsconf/pdf/2020/02/shsconf\\_glob2020\\_04008.pdf](https://www.shs-conferences.org/articles/shsconf/pdf/2020/02/shsconf_glob2020_04008.pdf).

<sup>126</sup> “THE 17 GOALS | Sustainable Development.” *United Nations*, <https://sdgs.un.org/goals>.

<sup>127</sup> “Third International Conference on Financing for Development.” *Food and Agriculture Organization of the United Nations*, [www.fao.org/sustainable-development-goals/overview/means-of-implementation-and-the-third-international-conference-on-financing-for-development/ffd3/en/](http://www.fao.org/sustainable-development-goals/overview/means-of-implementation-and-the-third-international-conference-on-financing-for-development/ffd3/en/).

Funding and business action are essential to any attempt to achieve sustainable development, be that focused on the environmental, social, or economic pillar. Critical financing gaps remain in the international system's capability to achieve SDGs, especially after the outbreak of the COVID-19 pandemic. In what is known as the "scissoring effect," the economic downturn has contributed to both an increase in sustainability financing needs and a decrease in funding availability, increasing the annual gap from an already high \$2.5 trillion to now \$4.2 trillion.<sup>128</sup> Despite this dramatic change, it appears rather insignificant compared to the \$378.9 trillion and growing total financial assets held by banks and institutional investors, of which only 1.1% is necessary to fill the SDG annual financing gap.<sup>129</sup> Thus the funding of sustainable development is not a question of whether the money exists in the international system, but rather one of accessibility and proper use. The sources of funding to promote sustainability vary greatly, yet domestic resources are notably the most reliable and sustainable sources of financing in the long term, with tax revenue being the largest and most important. However, many developing countries lack the institutional capacity and financial systems to collect the necessary levels of taxes and thus require greater international cooperation to promote sustainability.<sup>130</sup> A key development in this area is the recent commitment by 130 countries to institute a minimum tax rate of at least 15% on multinational corporations, allowing developing countries with low rates to increase their tax revenue without risking the loss of foreign direct investment.<sup>131</sup> Beyond cooperation on domestic revenue raising systems, the international community has also created a variety of funding avenues including official development assistance (ODA), the World Bank Group Partnership Fund for the Sustainable Development Goals, the Joint Sustainable Development Goals (SDG) Fund, and more.<sup>132</sup> Also crucial to sustainability are the actions of businesses, and many firms around the world have begun to adopt policies that make their operations more sustainable.<sup>133</sup> Currently, increased consumer and investor preference for sustainability, reduced costs of renewable energy, brand image benefits, positive media coverage, and pressure from powerful actors in supply chains all motivate internal and external sustainable

---

<sup>128</sup> "Global Outlook on Financing for Sustainable Development 2021 : A New Way to Invest for People and Planet." *OECD*, [www.oecd-ilibrary.org/sites/e3c30a9a-en/index.html?itemId=/content/publication/e3c30a9a-en&\\_csp\\_=8cdd8991f371dde0be547aab4112527a&itemIGO=oecd&itemContentType=book](http://www.oecd-ilibrary.org/sites/e3c30a9a-en/index.html?itemId=/content/publication/e3c30a9a-en&_csp_=8cdd8991f371dde0be547aab4112527a&itemIGO=oecd&itemContentType=book).

<sup>129</sup> IBID

<sup>130</sup> IBID

<sup>131</sup> Hannon, Paul, and Kate Davidson. "U.S. Wins International Backing for Global Minimum Tax." *The Wall Street Journal*, Dow Jones & Company, 1 July 2021, [www.wsj.com/articles/u-s-wins-international-backing-for-global-minimum-tax-11625153698?mod=article\\_inline](http://www.wsj.com/articles/u-s-wins-international-backing-for-global-minimum-tax-11625153698?mod=article_inline).

<sup>132</sup> "Official Development Assistance (ODA)." *OECD*, [www.oecd.org/dac/financing-sustainable-development/development-finance-standards/official-development-assistance.htm](http://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/official-development-assistance.htm).

"Partnership Fund for the Sustainable Development Goals." *World Bank*, [www.worldbank.org/en/programs/partnership-fund-for-the-sustainable-development-goals/overview](http://www.worldbank.org/en/programs/partnership-fund-for-the-sustainable-development-goals/overview).

"Who We Are." *Joint SDG Fund*, [www.jointsdgfund.org/who-we-are](http://www.jointsdgfund.org/who-we-are).

<sup>133</sup> "Credits and Incentives Provide Green for Going Green." *Deloitte United States*, 18 Feb. 2021, <https://www2.deloitte.com/us/en/pages/tax/articles/credits-and-incentives-provide-green-for-going-green.html>.

business actions like employee training in sustainability, conservation of resources, careful purchasing and selection of suppliers and vendors, recycling, and much more.<sup>134</sup> This progress is promising, yet greater incentives are necessary to ensure firms around the globe maintain a commitment to the environment, social equity, and universal economic development.

Governments and intergovernmental bodies currently and can continue to utilize target taxes, subsidies, and other tools to encourage and discourage specific actions to promote sustainable development.<sup>135</sup> Additionally, government work to quantify the existing benefits of sustainability by providing metrics like consumer demand for sustainable products, lowered costs of energy efficiency, and more further encourages businesses to adopt sustainable practices and promote sustainable development.<sup>136</sup>

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

Arab states face numerous obstacles for each of the pillars of sustainable development. Starting with the environment, especially arid conditions and high water scarcity make the MENA region one of the areas expected to be most negatively impacted by climate change as droughts become longer and more frequent.<sup>137</sup> Already 51 million people in the Arab world lack access to basic drinking water services, a major problem that will only be exacerbated as global temperatures rise.<sup>138</sup> At the same time, Arab states continue to face worsened air quality from a globally high amount of gaseous emissions and still have a weakened energy infrastructure incapable of supporting a modern society and economy. Insufficient energy infrastructure in particular has vast implications for social development as well, with the poorest Arab populations, especially women, having to spend as much as six hours a day collecting combustible materials for heating and cooking, forfeiting time that could be spent earning greater income.<sup>139</sup> More broadly, women as well as youth in the Arab world face higher rates of unemployment regardless of their qualifications, limiting their access to socioeconomic mobility. Meanwhile, continued disparities in income, health, human rights, and education across the Arab world restrict broader social development.<sup>140</sup> Limited income, high unemployment, and increasing poverty in the region all

---

<sup>134</sup> Milano, Steve. "The Definition of Sustainable Business Practices." *Chron.com*, 22 June 2021, <https://smallbusiness.chron.com/definition-sustainable-business-practices-18748.html>.

<sup>135</sup> "Financial Benefits of an Eco-Friendly Business." *Green Business Bureau*, 17 June 2019, [www.greenbusinessbureau.com/blog/financial-benefits-of-an-eco-friendly-business/](http://www.greenbusinessbureau.com/blog/financial-benefits-of-an-eco-friendly-business/).

<sup>136</sup> Frazee, Gretchen. "4 Reasons It's Hard to Become a Sustainable Business." *PBS*, 23 Sept. 2019, [www.pbs.org/newshour/economy/making-sense/4-reasons-its-hard-to-become-a-sustainable-business](http://www.pbs.org/newshour/economy/making-sense/4-reasons-its-hard-to-become-a-sustainable-business).

<sup>137</sup> "Better Business Better World." *Business and Sustainable Development Commission*, Dec. 2017, <http://s3.amazonaws.com/aws-bsdc/BSDC-MENA-Report-Final.pdf>.

<sup>138</sup> "Financing Sustainable Development in Arab Countries." *Arab Forum for Environment and Development*, 2018, <https://www.greengrowthknowledge.org/sites/default/files/downloads/resource/AFEDReport-financingSDinArabCountries2018-.pdf>.

<sup>139</sup> Zafar, Salaman. "Sustainable Development and the Arab World." *EcoMENA*, 21 Feb. 2020, [www.ecomena.org/introduction-sustainable-development/](http://www.ecomena.org/introduction-sustainable-development/).

<sup>140</sup> "Better Business Better World." *Business and Sustainable Development Commission*, Dec. 2017, <http://s3.amazonaws.com/aws-bsdc/BSDC-MENA-Report-Final.pdf>.

continue to lower economic development as well. Poverty in the Arab world has historically been especially troubling, with the region being the only one in the world to have increasing poverty (at least prior to the outbreak of COVID-19).<sup>141</sup> Aging systems of patronage and corruption have only exacerbated these issues, limiting growth in jobs and overall economic development.<sup>142</sup> Together these obstacles create a significant burden on the pursuit of sustainable development, yet they affect Arab states to a widely varying extent.<sup>143</sup> Conflict-torn states struggle with sustainable development in particular. For example, a measure of moderate poverty in Syria estimates that 55.4% of the population fell below the poverty line from 2010 to 2016, significantly reducing prospects for sustainability.<sup>144</sup> Overall, the costs of sustainability continue to rise as various challenges across the region pervade, dimming Arab states' prospects for the achievement of the SDGs and other sustainability goals in the near future.<sup>145</sup>

An estimated \$100 billion annually has been given for the cost of achieving the SDGs in Arab states, a cost that is only expected to rise as conflicts, instability, and the COVID-19 pandemic continue to obstruct environmental, social, and economic progress.<sup>146</sup> Matching this cost of sustainable development requires a great deal of funding, which Arab states have continuously struggled to acquire. This is particularly attributed to the gradual collapse of the rentier model utilized by many Arab states, a model traditionally associated with oil but also applied to other resources such as the Suez Canal by Egypt. Essentially, the rentier model is a method of financing in which a state receives payments from international actors to use its natural resources and then utilizes the generated revenue to support the vast majority of its budget. With low and volatile oil prices, increasing global competition and Arab populations, and greater environmental concern over the use of fossil fuels, rentier models are no longer able to support Arab governments' actions, including advancements in sustainability.<sup>147</sup> As a result, Arab states

---

<sup>141</sup> "Sustainable Development." *UNDP*,

[www.arabstates.undp.org/content/rbas/en/home/sustainable-development/in-depth.html](http://www.arabstates.undp.org/content/rbas/en/home/sustainable-development/in-depth.html).

<sup>142</sup> Bahout, Joseph, and Perry Cammack. "Arab Political Economy: Pathways for Equitable Growth." *Carnegie Endowment for International Peace*,

[www.carnegieendowment.org/2018/10/09/arab-political-economy-pathways-for-equitable-growth-pub-77416](http://www.carnegieendowment.org/2018/10/09/arab-political-economy-pathways-for-equitable-growth-pub-77416).

<sup>143</sup> Wahba, Mourad. "Can the Arab Region Meet the Sustainable Development Goals by 2030?" *The Cairo Review of Global Affairs*, 19 July 2021,

[www.thecairoreview.com/midan/can-the-arab-region-meet-the-sustainable-development-goals-by-2030/](http://www.thecairoreview.com/midan/can-the-arab-region-meet-the-sustainable-development-goals-by-2030/).

<sup>144</sup> "Financing Sustainable Development in Arab Countries." *Arab Forum for Environment and Development*, 2018, <https://www.greengrowthknowledge.org/sites/default/files/downloads/resource/AFEDReport-financingSDinArabCountries2018-.pdf>.

<sup>145</sup> Wahba, Mourad. "Can the Arab Region Meet the Sustainable Development Goals by 2030?" *The Cairo Review of Global Affairs*, 19 July 2021,

[www.thecairoreview.com/midan/can-the-arab-region-meet-the-sustainable-development-goals-by-2030/](http://www.thecairoreview.com/midan/can-the-arab-region-meet-the-sustainable-development-goals-by-2030/).

<sup>146</sup> "Financing Sustainable Development in Arab Countries." *Arab Forum for Environment and Development*, 2018, <https://www.greengrowthknowledge.org/sites/default/files/downloads/resource/AFEDReport-financingSDinArabCountries2018-.pdf>.

<sup>147</sup> Bahout, Joseph, and Perry Cammack. "Arab Political Economy: Pathways for Equitable Growth." *Carnegie Endowment for International Peace*,

[www.carnegieendowment.org/2018/10/09/arab-political-economy-pathways-for-equitable-growth-pub-77416](http://www.carnegieendowment.org/2018/10/09/arab-political-economy-pathways-for-equitable-growth-pub-77416).

have begun to shift towards greater uses of taxation to make up necessary budgetary needs, yet tax-to-GDP share remains low in most. In particular, low-income and conflict-ridden Arab states with weakened institutions have failed to raise significant revenues in taxes, creating extremely tight budgets and little room to fund sustainable development.<sup>148</sup> Lacking the necessary domestic capabilities, Arab states have turned to the international community for help financing development. This aid includes funding from governments and intergovernmental organizations, however, this type of aid has historically been inconsistent over time. For example, under the Trump administration, the United States withdrew \$65 million in aid to the United Nations Relief and Works Agency for Palestine refugees (UNRWA) in 2018 but later reversed that decision in 2021 under the Biden administration.<sup>149</sup> Thus, despite the importance of the international community, political developments abroad make external public monetary flows an unreliable source of funding for sustainability. Furthermore, foreign aid from governments is not only unpredictable, it is also insufficient. For example, official development assistance (ODA) provided to the MENA region was only \$142 billion, indicating the inability of the public sector to finance sustainable development on its own.<sup>150</sup> What remains to fulfill financing needs is the private sector, however, the Arab region is collectively a net exporter of capital, with greater FDI, loans, and remittances flowing out of the region and in. For example, for every \$1 in FDI into Arab states, \$1.8 exits either through FDI outflows or repatriation of profits on inflows.<sup>151</sup> Ultimately, instability and a lack of confidence in financial infrastructure have prevented the MENA region from attracting the necessary capital to fund sustainable development.

Beyond financing government initiatives, the private sector plays a role in Arab states' sustainability through the adoption of sustainable practices by businesses. Historically, the role of businesses and the private sector as a whole have been viewed largely in economic terms, focusing on contributions of businesses to growth in jobs, tax revenue, and the overall economy. However, there is increasing advocacy in the Arab world for businesses to go beyond their economic role and play a part in all three pillars of sustainability, leading to greater

---

<sup>148</sup> "Financing Sustainable Development in Arab Countries." *Arab Forum for Environment and Development*, 2018, <https://www.greengrowthknowledge.org/sites/default/files/downloads/resource/AFEDReport-financingSDinArabCountries2018-.pdf>.

<sup>149</sup> "Arab League: US cutting UNRWA funds to erase Palestinian refugees." *The Times of Israel*, 17 Jan. 2018, <https://www.timesofisrael.com/arab-league-us-cutting-unrwa-funds-to-erase-palestinian-refugees/>.  
Donati, Jessica. "Biden Administration to Restore Aid to Palestinians." *The Wall Street Journal*, Dow Jones & Company, 7 Apr. 2021, [www.wsj.com/articles/biden-administration-restoring-aid-to-palestinians-11617819667?mod=article\\_inline](https://www.wsj.com/articles/biden-administration-restoring-aid-to-palestinians-11617819667?mod=article_inline).

<sup>150</sup> Mohieldin, Mahmoud. "A sustainable economy for the Arab world." *Economic Research Forum*, 3 Apr. 2018, <https://theforum.erf.org.eg/2018/04/03/sustainable-economy-arab-world/>.

<sup>151</sup> "Financing Sustainable Development in Arab Countries." *Arab Forum for Environment and Development*, 2018, <https://www.greengrowthknowledge.org/sites/default/files/downloads/resource/AFEDReport-financingSDinArabCountries2018-.pdf>.

environmental and social development.<sup>152</sup> In response, Arab businesses and business leaders have begun to recognize the importance of incorporating sustainability into their practices, with 86% of 219 surveyed MENA executives and corporate leaders displaying an understanding of corporate social responsibility (CSR).<sup>153</sup> Despite this progress, however, the actual implementation of sustainable business practices has varied greatly across states. For example, observation of firms in the UAE shows an increasingly strong commitment to sustainability while firms in Lebanon have largely focused on boosting public relations rather than taking concrete action.<sup>154</sup> Further complicating Arab business action has been confusion surrounding the difference between sustainability and the principle of Zakat, a requirement in Islam to donate to philanthropic causes. While charitable efforts are certainly positive, the culture of Zakat has created a widespread view in Arab populations that sustainability is a form of philanthropy, rather than something to pursue as a part of business strategy, limiting the adoption of sustainable practices.<sup>155</sup> However, those Arab businesses that have implemented sustainable business practices on a deeper level have begun to see significant gains as new opportunities for innovation, greater efficiency, and improved reputations lead to a better bottom line.<sup>156</sup>

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

Central to any attempt at sustainable development is funding from domestic government revenue sources. Historically, rentier models in many Arab states have successfully supported numerous government created development initiatives and public works projects, but the collapse of this model requires significant diversification both in Arab economies and sources of government revenue. Moving away from oil-related revenues in particular is essential for creating more consistency in Arab states' budgets due to the high volatility of oil prices.<sup>157</sup> A handful of oil-reliant national governments in the MENA region have already launched massive plans for economic diversification and sustainable development, with key examples including Saudi Arabia's Vision 2030 and the UAE's Vision 2021, which have pursued both modernization of

---

<sup>152</sup> Mohieldin, Mahmoud, and Svetlana Klimenko. "The Private Sector and the SDGs" *Project Syndicate*, 6 Feb. 2017,

[www.project-syndicate.org/commentary/financial-markets-sustainable-development-by-mahmoud-mohieldin-and-svetlana-klimenko-1-2017-02](http://www.project-syndicate.org/commentary/financial-markets-sustainable-development-by-mahmoud-mohieldin-and-svetlana-klimenko-1-2017-02).

<sup>153</sup> "Corporate Social Responsibility (CSR) in the MENA Region." *Sustainability Knowledge Group*, 8 Apr. 2021, [www.sustainabilityknowledgegroup.com/corporate-social-responsibility-csr-in-the-mena-region/](http://www.sustainabilityknowledgegroup.com/corporate-social-responsibility-csr-in-the-mena-region/).

<sup>154</sup> Diab, Lama. "4 Responses to CSR Perspectives for the Middle East." *EcoMENA*, 1 Sept. 2020, [www.ecomena.org/csr-middle-east/](http://www.ecomena.org/csr-middle-east/).

<sup>155</sup> IBID

<sup>156</sup> Mohieldin, Mahmoud. "A sustainable economy for the Arab world." *Economic Research Forum*, 3 Apr. 2018, <https://theforum.erf.org.eg/2018/04/03/sustainable-economy-arab-world/>.

<sup>157</sup> "Financing Sustainable Development in Arab Countries." *Arab Forum for Environment and Development*, 2018, <https://www.greengrowthknowledge.org/sites/default/files/downloads/resource/AFEDReport-financingSDinArabCountries2018-.pdf>.



infrastructure and expansion of renewable energy supplies.<sup>158</sup> However, challenging these diversification efforts and obstructing sustainable development are critical ongoing inefficiencies and inequalities in tax systems across Arab states, which require significant corrective measures and greater alignment with goals of equity and environmental protection.<sup>159</sup> Some progress has been made to improve taxation systems' strength and consistency on a subregional level, with member states of the GCC agreeing to implement a value-added tax to increase revenues.<sup>160</sup> Even so, diversification and taxation development efforts have yet to fulfill the financing needs of sustainability, so further commitments to improve revenue streams by Arab states are necessary. This issue is further complicated by a large prevalence of tax evasion, money laundering, and illicit flows of capital in Arab states, limiting the effectiveness of new tax and capital regulations. Addressing these challenges could be extremely profitable for Arab states, with the Arab Forum for Environment and Development (AFED) estimating a potential annual gain of \$100 billion in the region from fighting corruption.<sup>161</sup> This metric matches the previously predicted \$100 billion in annual financing necessary for SDG progress in Arab states, however, those needs were expected to have grown due to ongoing crises in the region. Formulating solutions to these and other weaknesses in domestic revenue sources are crucial to financing sustainable development in the region.

Alongside domestic reforms, the mobilization of both public and private foreign financing is necessary in order to fill persistent funding gaps as national systems continue to struggle to evolve. Although it remains inconsistent and insufficient, there are numerous existing sources of public aid to developing states from national governments and international organizations, including the United Nations, the World Bank, OPEC, the European Bank for Reconstruction and Development (EBRD), the Islamic Development Bank (IsDB), and more.<sup>162</sup> Some of this aid is specifically targeted towards sustainable development, with groups like the United Nations Development Programme (UNDP) taking an active role in the region.<sup>163</sup> These and other organizations have had positive effects on Arab states' development, but greater cooperation and commitment are necessary to make substantial progress on sustainability. Commitments from the private sector are necessary as well, which has trillions of dollars at its disposal to advance

---

<sup>158</sup> "Sustainability 2021: a vital shift in the Middle East." *Arabian Business*, 30 Mar. 2021, <https://www.arabianbusiness.com/wealth-management/461038-sustainability-2021-vital-shift-in-the-middle-east>.

<sup>159</sup> "Financing Sustainable Development in Arab Countries." *Arab Forum for Environment and Development*, 2018, <https://www.greengrowthknowledge.org/sites/default/files/downloads/resource/AFEDReport-financingSDinArabCountries2018-.pdf>.

<sup>160</sup> "GCC to Implement 5% Value Added Tax (VAT)." *FGX*, 30 Apr. 2019, [www.fgx.com/gcc-countries-vat-tax/](http://www.fgx.com/gcc-countries-vat-tax/).

<sup>161</sup> "Financing Sustainable Development in Arab Countries." *Arab Forum for Environment and Development*, 2018, <https://www.greengrowthknowledge.org/sites/default/files/downloads/resource/AFEDReport-financingSDinArabCountries2018-.pdf>.

<sup>162</sup> IBID

<sup>163</sup> "Sustainable Development." *UNDP*, [www.arabstates.undp.org/content/rbas/en/home/sustainable-development/in-depth.html](http://www.arabstates.undp.org/content/rbas/en/home/sustainable-development/in-depth.html).

sustainable development.<sup>164</sup> Currently, Arab states have failed to implement measures to attract the necessary amount of FDI and other capital flows into the region, with greater cooperative efforts required to create greater political and regulatory stability and inspire confidence in the international private finance community about the security of their assets in the region.<sup>165</sup> Furthermore, creating new, innovative private financing tools and measures tied to sustainability will be essential for progress, such as green bonds, blended finance, results-based financing, and Islamic financing. Implementation of these tools has already begun in the Arab region, with the National Bank of Abu Dhabi in 2017 becoming the first in the region to issue a green bond.<sup>166</sup> Still, the widespread use of new sustainable financing measures remains to be seen, with the issue of “greenwashing” posing a significant challenge as capital allocated for so-called sustainable projects is ultimately used improperly.<sup>167</sup>

Beyond serving as a provider of capital for others advancing sustainability, the private sector must be encouraged to change its own practices in order to become more sustainable as well. Particularly important for both profitability and broader sustainability is for businesses to incorporate sustainable missions and practices into their central purpose and strategies, maximizing their impact.<sup>168</sup> Some businesses have begun to take this action on their own, but others require government action to lead the way. Creating the proper incentives for businesses to participate is crucial, such as preferential taxes, subsidies, and other benefits for businesses that meet government sustainability requirements. One country that has been particularly successful is the UAE, which has implemented innovative reward systems, public-private partnership programs, and an official CSR UAE label that is only applied to verified sustainable firms.<sup>169</sup> Verification is crucial to ensure incentives are being used effectively to encourage real change in business practices and requires the development of broader regulatory frameworks that set clear targets, outline methods for transparent reporting and monitoring progress, and create greater accountability.<sup>170</sup> However, encouraging greater clarity and less corruption in business is

---

<sup>164</sup> Mohieldin, Mahmoud. “A sustainable economy for the Arab world.” *Economic Research Forum*, 3 Apr. 2018, <https://theforum.erf.org.eg/2018/04/03/sustainable-economy-arab-world/>.

<sup>165</sup> “Financing Sustainable Development in Arab Countries.” *Green Growth Knowledge Platform*, 2 Nov. 2020, [www.greengrowthknowledge.org/research/financing-sustainable-development-arab-countries](http://www.greengrowthknowledge.org/research/financing-sustainable-development-arab-countries).

<sup>166</sup> “Financing Sustainable Development in Arab Countries.” *Arab Forum for Environment and Development*, 2018, <https://www.greengrowthknowledge.org/sites/default/files/downloads/resource/AFEDReport-financingSDinArabCountries2018-.pdf>.

<sup>167</sup> Kaushal, Sunil. “How the Middle East is shifting to a sustainable future.” *World Economic Forum*, 27 Mar. 2020, <https://www.weforum.org/agenda/2020/03/middle-east-sustainable-finance-renewable-energy/>.

<sup>168</sup> “2030 Purpose: Good business and a better future.” *Deloitte*, Jan. 2017, <https://www2.deloitte.com/content/dam/Deloitte/global/Documents/About-Deloitte/gx-2030-purpose-report.pdf>.

<sup>169</sup> “Corporate Social Responsibility (CSR) in the MENA Region.” *Sustainability Knowledge Group*, 8 Apr. 2021, [www.sustainabilityknowledgegroup.com/corporate-social-responsibility-csr-in-the-mena-region/](http://www.sustainabilityknowledgegroup.com/corporate-social-responsibility-csr-in-the-mena-region/).

<sup>170</sup> Mohieldin, Mahmoud, and Svetlana Klimenko. “The Private Sector and the SDGs” *Project Syndicate*, 6 Feb. 2017, [www.project-syndicate.org/commentary/financial-markets-sustainable-development-by-mahmoud-mohieldin-and-svetlana-klimenko-1-2017-02](http://www.project-syndicate.org/commentary/financial-markets-sustainable-development-by-mahmoud-mohieldin-and-svetlana-klimenko-1-2017-02).

difficult when governments face those challenges within their own institutions, creating a necessity for governments to set a better example that creates a more open business environment overall.<sup>171</sup> Additionally, governments not only need to create an environment that encourages a sustainable shift in existing firms but also supports the development of innovative startups. New small businesses have enormous potential to create sustainable development in Arab states given the proper capital, support, and encouragement to get off the ground, leading to the invention of new environmentally friendly methods and creating an avenue for underprivileged groups like youth and women to advance in society and the economy.<sup>172</sup> Significant reforms have been made to encourage entrepreneurship in the region, reducing the average number of days it takes to open a business. For example, Kuwait's implementation of an online business registry and digital resources access has been especially helpful for startup creation.<sup>173</sup> Even so, much greater international action is necessary to promote the adoption of sustainable practices and the development of new sustainable businesses in Arab states in order to meet the environmental, social, and economic demands of a modern world.

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

- What are the primary issues of sustainability in an environmental, social, and economic sense that have affected or currently affect my state?
- What are the major sources of government revenue in my state? How stable are these sources of revenue and how have they been utilized in the past to promote sustainable development?
- What forms of financial assistance does my state receive from foreign governments, international bodies, and global private investors? How stable are these sources of revenue and how have they been utilized in the past to promote sustainable development?
- To what extent have businesses committed to sustainability in my state? Have they followed through on these commitments? Has the government played a role in encouraging or supporting these commitments?

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

- How can the Arab League strengthen the domestic institutions of member states responsible for revenue raising and sustainable development initiatives? How can the

---

<sup>171</sup> "Better Business Better World." *Business and Sustainable Development Commission*, Dec. 2017, <http://s3.amazonaws.com/aws-bsdc/BSDC-MENA-Report-Final.pdf>.

<sup>172</sup> "European Investment Bank & World Bank Group Partner to Support Entrepreneurs in the Middle East & North Africa." *World Bank*, [www.worldbank.org/en/news/press-release/2016/10/17/european-investment-bank-and-world-bank-group-partner-to-support-entrepreneurs-in-mena](http://www.worldbank.org/en/news/press-release/2016/10/17/european-investment-bank-and-world-bank-group-partner-to-support-entrepreneurs-in-mena).

<sup>173</sup> "Better Business Better World." *Business and Sustainable Development Commission*, Dec. 2017, <http://s3.amazonaws.com/aws-bsdc/BSDC-MENA-Report-Final.pdf>.

League work to address a lack of diversification and a high presence of corruption in domestic capital flows?

- In what ways can the Arab League better coordinate the flow of public funding from itself and other international institutions into member states? How can this funding be made more consistent and substantial?
- How can Arab states work to attract greater private financial investment into sustainable development in their communities? What impediments to private financial flows must be removed?
- What incentives must be created and what frameworks must be developed in order for Arab businesses to adopt sustainable practices? How can Arab states support the growth of sustainable businesses, especially sustainable startups?

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

[Shift Toward Sustainable Business Models in Middle East & North Africa Could Unlock More Than US\\$600 Billion by 2030](#)

*Insightful article summarizing the economic benefits of adopting sustainable practices, ongoing developments in sustainability, and potential financing.*

[Arab Sustainable Development Report 2020](#)

*Navigation page for the Arab Sustainable Development Report containing summaries of each of the 17 SDGs in relation to Arab states and links to specific SDG-related chapters.*

[Why All Businesses Must Embrace Sustainability](#)

*Article detailing the current state of global sustainable business practices, gaps in sustainability, and recommendations for businesses moving forward.*

[Addis Ababa Action Agenda](#)

*Text of the Addis Ababa Action Agenda, passed by the United Nations to outline financing for sustainable development.*