



2009 - 2010 Model Arab League

BACKGROUND GUIDE

Council of Arab Economic Affairs Ministers

National Model Arab Leagues

(i.e., the National University or National High School MAL, Spring '10, in Washington, DC)

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National
Council
on US-
Arab
Relations



1. Assessing the role of Islamic Finance and informal financial mechanisms in regional economic structures and development

What's the Issue?

Increasingly Islamic Finance is forming a larger part of the global financial system.¹ As such, it is important to understand the nuances that distinguish Islamic Finance and the informal financial mechanisms common in the Arab world from the economic practices in other parts of the world. Islamic Finance refers to the system of banking which upholds the principals of Sharia law. Under Islamic law several practices common in the financial structures of the western world are prohibited, including but not limited to issuance of interest fees for loans and the investment in businesses, goods, or services that are not consistent with other Islamic laws. Many business transactions also fall under the category of Hawala, which refers to the informal financial transactions based on trust or the transfer of debt to a third party who owes a debt.²

Relevance to the Arab World

The incongruence in business practices between the Arab world and other states can only be resolved by integrating Sharia Finance into western financial systems and applying those western practices which are not in violation of these principals. The Islamic Finance Qualification, which certifies bankers as having received training in the structure of Islamic finance, is one tool that may facilitate greater cooperation between the Arab World and the rest of the world.³ Greater access to capital would increase the capacity for development.

While Hawala is most popular in the Middle East, this region is not unique in the use of informal structures. All states should consider how to reconcile how the absence of a paper trail might deter potential foreign investors with the traditions that make this a viable option for Arab investors.

Questions to Consider -- *from your nation's unique perspective*

- What are the leading impediments to spreading the practice of Islamic Finance?
- What steps can be taken to promote this financial system?
- What programs have already been put into place to integrate western and Islamic financing methods– what has worked and what has not?
- How does your country remain consistent with Sharia while engaging in international transactions?
- What are the potential positive and negative effects these limitations have access to capital for development?
- Why is Hawala something that this body should address?

¹ http://www.thomasmore.org/downloads/sb_thomasmore/-AnnouncementonIslamicFinance.pdf

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http://www.google.com/search?hl=en&defl=en&q=define:hawala&ei=IJ3bSszSDc3g8Qa3zcG3BQ&sa=X&oi=glossary_definition&ct=title&ved=0CAcQkAE

³ <http://www.sii.org.uk/web5/infopool.nsf/html/qintifq>

2. Strengthening and rebuilding local economies and small business, especially after conflicts and natural disasters

What's the Issue?

Conflict and natural disasters have similar negative effects on economies. Infrastructure that previously contributed to the capacity to support trade and a thriving economy might be destroyed. The work force maybe technologically underequipped or educated due to displacement or might be significantly diminished in population. The concern of this body should be to address the financing mechanisms in conjunction with programs that reverse these trends and other means to rebuild after disasters. Though access is sometimes restricted there are varying finance options available to states. Foreign Direct Investment is a bilateral agreement between states, or a private company making a capital investment abroad, between states or businesses that can be utilized to engage in sustainable development projects. States might also benefit from providing incentives to investors. Microloans and microcredit are small-scale financing options that are granted to individual entrepreneurs. Typically these options consist of no more than a few hundred dollars, but can be helpful in covering some initial project costs.⁴ Grants from regional development banks are also potential source of funding. For example, the African Development Bank, the Arab Monetary Fund, the International Monetary Fund, and the Asian Development Bank all seek to provide funds to states to promote progress.

Relevance to the Arab World

The Arab States acknowledge that war and subsequent plagues such as destruction of commodity exported trade, misallocation of resources for refugee encampments, lack of basic human necessities, and discouragement for private investors are serious obstacles to sustainable development. The League of Arab States is committed to improving the socio-economic status of the region as a whole by addressing the challenges of infra- structure rehabilitation in economies affected by conflict, specifically Palestine, through the promotion of domestic, regional and international cooperation.

For example, Algeria, Egypt, and three other African States formed the New Partnership for Africa's Development (NEPAD), to maintain the progress of rehabilitation. The main focus of this organization and its initiative -- Short Term Action Plan for Infrastructure (STAP)⁵ "seek to bring a new vigor to accelerate the response to familiar problems and to implement tested policies and good practices, founded on the African leadership's collective determination to urgently mobilize and harness all resources available to speed up economic growth and social development, thus eradicating poverty."⁶ This body should evaluate the scope of what NEPAD provides and analyze how a similar initiative might contribute to the progress of the Arab world, in locations where rehabilitation is needed. Are there currently initiatives within the region that strive to create stability and rebuild economies that have suffered? This is an important question, as the creation of unnecessary bureaucracy should be avoided. This committee is urged to use currently existing programs, like NEPAD, and promote them as channels for aid from developing states.

⁴ <http://www.businessdictionary.com/definition/microcredit.html>

⁵ [Nepad.org http://nepad.org/2005/files/inbrief.php](http://nepad.org/2005/files/inbrief.php)

⁶ <http://nepad.org/2005/files/documents/114.pdf>

Questions to Consider -- *from your nation's unique perspective*

- What steps have been taken to rehabilitate economies after conflict and natural disasters in the past? What has worked and what has not?
- Should funding for rehabilitation be repaid to donor states or be restricted to aid?
- Have Arab States supported and cooperated with IGOs and NGOs to the fullest extent possible in regards to this issue?
- Should specific states receive special consideration?

3. Enhancing women's role in economic growth and diversification in the Arab marketplace

What's the Issue?

Women play an important part in trade and economic development. The more citizens that are involved in business, the broader the economy can become. In order to further economic stability domestically and become more desirable international trading partners, it is imperative to recognize women's employment in the market as fundamental. Expanding the work force will not only provide jobs domestically, but contribute to an increase overall in regional productivity, while promoting gender equality. In this way the international community would greatly benefit from a non-sexist work force. While there is still much progress to be made as far as women involved in the economic sector of Arab States, it is essential to continue to make great effort in the fight for gender equality in the economy.

Relevance to the Arab World

Economic independence is seemingly becoming more important amongst the women of the world today. There are other benefits that come along with the economic independence of women such as the empowerment of women within their household.⁷ Like traditions accepted by many peoples of varying cultures and religions around the world, some Islamic principles support the traditional segregation of men and women which has in turn led to a clearly defined separation of men and women within the labor force. Recently, women of the Islamic World have been progressively taking a more active role with many leadership roles and the economy overall.⁸

Domestic measures should be taken to ensure that the gap between men and women is closed. Arab States simultaneously strongly believe that women are the axis of family life, and their first job is in the family. That said women are encouraged to become a part of the workforce.

Questions to Consider -- *from your nation's unique perspective*

- What are the leading impediments to gender equality in the country that I represent?
- What steps can be taken to maintain the values, while including women in the economy?
- What programs have already been put into place to include and integrate women into the work force– what has worked and what has not?
- Does your country support women in the workforce?
- What are the potential positive and negative effects of gender equality?

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⁷ <http://countrystudies.us/iran/65.htm>

⁸ <http://www0.un.org/womenwatch/daw/followup/beijing+5stat/statments/confislam9.htm>

4. Expanding employment opportunities among rapidly growing populations, particularly for young people entering the workforce

What's The Issue?

As the global population grows, states must aptly equip their economies to prevent drastic changes in unemployment rates. It is especially pivotal to assess this issue at a time when external factors, the financial crisis specifically, are driving up unemployment. At a joint meeting of the Arab Labour Organization (ALO) and International Labor Organization (ILO), Director- General of the ILO Juan Somavia said, “[p]revious indications that the Arab economies would be relatively immune to the contagious effects of the crisis have proven wrong.... As in other regions, many ordinary working men and women in the Arab world have lost their jobs, as enterprises face falling demand and investment is postponed”.⁹

Relevance to the Arab World

According to economists “the Arab world is experiencing an economic boom spurred by surging energy prices, reinforced by reform. But most Arabs do not live in major oil-producing countries, and the region has the world’s lowest employment rate – less than half of adults are formally employed”¹⁰. In order to maintain Arab unemployment rates at the global norm 55-70 million jobs will have to be created between now and 2020.¹¹ Education does not automatically exclude people from unemployment in many cases. In fact unemployment is much higher among college graduates, in Syria, Egypt, and Algeria.¹²

Questions to Consider -- *from your nation’s unique perspective*

- Prior to the economic and financial crisis, what were the leading causes of unemployment in the state I represent?
- What steps can be taken to integrate young people and recent graduates into the work force?
- What programs have already been put into place to transition young people and recent graduates into the work force– what has worked and what has not?
- As a region, what labor policies/agreements are in place?
- What are the potential positive and negative effects of labor migration in the context of unemployment?

⁹ http://www.ilo.org/global/About_the_ILO/Media_and_public_information/Press_releases/lang--en/WCMS_115776/index.htm

¹⁰ <http://www.voxeu.org/index.php?q=node/1496>

¹¹ World Bank, Middle East and North Africa Region, *2007 Economic Developments and Prospects*, Washington: World Bank, 2007.

¹² Mustapha K. Nabli, Carlos Silva-Jáurequi, and Sara Johansson de Silva, “Job Creation in a High Growth Environment: The MENA Region,” Middle East and North Africa Working Paper Series No. 47, Washington: World Bank, December 2007, Table 4.