

MUN 2014

Background Guide:

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Second Committee:*

Economic and Financial

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Letter from the Director

Hello future MUNsters,

I'm a sophomore at the University of Illinois, and I have a double major in Political Science and Economics, with a minor in Philosophy. I've always been passionate about political science, so the uprisings in 2011 grabbed my attention at the start. Since then I've written a couple research papers on unrest in MENA, and I believe the years following Bouazizi's self-immolation will be studied intensely in this field as a major period in history. The Arab Spring will perhaps be one of the most important happenings in our lives. However, it has been one of the most tragic in terms of lives lost. The reason many of you come together for this conference is a shared belief in the greater good- many of you want to change the world, to end hunger, poverty, and to raise the standard of living for all. In this simulation I hope you to express your creativity and understanding to address these issues. While choosing topics I also came across ecotourism, and I believe it has great development potential given the strength of the tourism industry. But it lacks much uniformity, regulation, and oversight. In this regard I find it to be much less complex than the issues in MENA, and therefore more addressable.

My Best,

Brandon Hudspeth

Topic: Economic Stimulus in the Face of Political Unrest

Overview

Mohamed Bouazizi was a 27 year old Tunisian street vendor who, like many of his peers, struggled to find work: the local town was riddled with corruption, and had an estimated 30% unemployment rate. On December 17th, 2010, he had his electronic scales confiscated, and was spat on and slapped by police, as well as subjected to racial slurs against his deceased father. Bouazizi went to the local Governor to complain, but was refused, and subsequently committed set himself on fire in public. His self-immolation spawned a series of street demonstrations that ultimately led to the ousting of longtime Tunisian President Ben Ali, the most dramatic wave of social and political unrest in Tunisia in three decades. Bouazizi was the catalyst for the escalation of protests; he ignited the flames of turmoil in neighboring countries, notably Yemen, Egypt, Libya, Syria, and Bahrain. His woes reflected the sentiments throughout the Arab Spring: high unemployment, food inflation, corruption, lack of freedom of speech (and others), as well as poor living conditions affected the entire population while many state leaders took little to no action.

Eight months after protests began around the globe, the International Labor Organization (ILO) Chief, Juan Somavia, warned that governments must unite to create jobs or face the pressing danger posed by the massive movements being organized. His statement centers in on the basis that demonstrations are formed: the lacks of economic opportunities which frustrates citizens, notably the youth, and allows them time to express these concerns in public.

History

The Middle East, North Africa (MENA) area is not new to revolts. However, these revolts phased around national liberation from colonial rule, now the protests are inwardly redirected at the problems of Arab society.

Tunisians protested around mining areas in 2008, where rallies, sit-ins, and strikes were used. During this time only two fatalities, many wounded, and dozens of arrests quelled the unrest. In Egypt, the labor movement has been strong since 2004, with over 3,000 labor actions in the meanwhile. The Egyptian government broke the strike through infiltration and riot police, and forestalled the economic damages.

In Algeria, Wikileaks cables show that the US Ambassador Robert Ford expressed “Algeria is ‘unhappy with long-standing political alienation; that social discontent persisted throughout the country, with food strikes occurring almost every week; that were demonstrations every day somewhere in the country; and that the Algerian government was corrupt and fragile” (Ford, “AN AILING AND FRAGILE ALGERIA DRIFTS”). In Libya, protests began after discontent at the delays in building housing units, as well as with political corruption. Protesters occupied government housing still in construction, and clashed with local police (Abdel-Baky, “Libya protest over housing enters its third day”). The Libyan government responded to the unrest with a \$24 billion investment in housing and development (Reuters, “Libya sets up \$24 bln fund for housing”).

Yemeni civilians took the streets in mid-January 2011, citing unemployment, economic conditions, corruption, as well as opposition to governmental proposals to modify the constitution (BBC, “Yemen protests: People are fed up with corruption”). These protests of roughly 20,000 civilians led to the resignation of Yemeni President Ali Abdullah Saleh. Protests in Syria started on the 26 of January 2011, after police assaulted and arrested a man in public. Immediate protests weren’t fruitful, but on the sixth of March, 15 children were arrested for writing anti-government slogans which only fueled hatred of the government. Demonstrations transformed into civil war after the government responded with brute force to quell the unrest, and stormed several cities with army tanks, resulting in the death of 136 citizens (Washington Post, “Syria’s Ramadan Massacre”).

In terms of economics, the issue stems from the global recession that the world is still recovering from. Unemployment remains at an all-time high; according to the UN News Centre, the ILO estimates 27 million jobs were lost between 2007 and 2009. The current youth unemployment of roughly 25% is greater than any region in the world, and has enabled these movements. Populations without sufficient assets or social safety nets are falling deeper into poverty or struggling to sustain their livelihoods. Mr. Kapambwe, ECOSOC President, stressed that economic uncertainty, high food prices and unemployment have triggered widespread expressions of social discontent in many cities; in addition he recommends a “more inclusive and balanced growth strategy to boost productive capacities to promote job-rich growth” (UN News Center, “UN official calls for inclusive economic growth”).

Issues: Unemployment and Food Inflation

From the perspective of ECOFIN, the issue at hand now surrounds the ways to reduce poverty and unemployment while maintaining sustainable growth. There are several factors that propagate political unrest, and these are the same issues that leaders must address to facilitate economic growth as well as growth in living standards. The issues that cause men and women to take to the streets must be resolved in order for the political unrest to subside; as playing a heavy hand has been shown to only propagate the protests. The qualitative problems are economic: high unemployment, food inflation, wide gaps in income levels, and extreme poverty. However, corruption at the level of local governments, dictatorship or absolute monarchy and human rights violations are still important factors. These latter issues are outside the scope of the Second committee, but that doesn't exclude them from discussion on the political unrest.

High Unemployment

The youth unemployment rate in MENA is staggering: according to economists at the IMF, roughly 25%- the highest of any region in the world (Ahmed, Guillaume, Furceri, "Youth Unemployment in the MENA Region"). The recent social and political events in the region have contributed to a decline in economic activity and to increased unemployment. In most regions of the world, unemployment duration is shorter for youth than for adults, reflecting the tendency of youth to move between jobs frequently. In most MENA countries, youth unemployment appears to be the result of waiting for the right job. This means that unemployment spells are extended, especially for educated youth, who may require more time to find a job to match their skills. This is important because it is the duration of unemployment, rather than its occurrence that is detrimental to human capital accumulation (Ahmed, Guillaume, Furceri, "Youth Unemployment in the MENA Region"). As reported by the IMF, high labor force growth, skill mismatches, large public sectors, and high reservation wages have been key factors behind the large and persistent level of youth unemployment. Large declines in MENA infant mortality rates, and higher fertility rates created the current youth bulge. Labor market mismatches have been driven by the inability of the economy to create highly skilled work, but also by inappropriate content and delivery of education. MENA countries have made strides in providing edu-

cation: average schooling (for 15+) increased four-fold in the last 40 years, average years of schooling was 5.3, ahead of South Asia, and SSA (Ahmed, Guillaume, Furceri, “Youth Unemployment in the MENA Region”). However, the MENA region still lags behind others in literacy rates. In addition, entrepreneurs regularly cite the lack of suitable skills, and unemployment rates are highest among the most educated. Together, this suggests that education systems in the region fail to produce graduates with needed skills. According to the Global competitiveness Report 2011-2012, hiring and firing regulations in most MENA countries are more restrictive than those in the average emerging and developing countries. Data from enterprise surveys indicates that, worldwide, the percentage of firms citing labor regulation as a major constraint to their business operations is, on average, greater in MENA. Public sector employment (as percentage of GDP) is almost double the global average- 9.8% to 5.4% (Ahmed, Guillaume, Furceri, “Youth Unemployment in the MENA Region”). The dominant role of the public sector as an employer has distorted labor market outcomes and diverted resources away from a potentially more dynamic and sustainable private sector. The essay by the IMF calls for structural reforms for sustained high and job-creating growth, rather than a cyclical increase in output. It focuses on five main points for the MENA region as a whole:

- Improving the flexibility of the labor market
 - Reforms aimed at reducing search and hiring costs
- Improving the business climate and fostering product market competition
 - Lower barriers to entry, i.e. allowing businesses flexibility in hiring, lower licensing costs
- Addressing skill mismatches
 - Aligning curricula with private-sector needs, reforming university admission policies
- Improving public sector hiring practices and compensation policies
 - More emphasis on skills and competition and less on paper qualifications
- Reducing the size of the public sector
 - Large government sectors typically crowd out private investment and reduce the size of private sector and sustained growth over the medium term (Ahmed, Guillaume, Furceri, “Youth Unemployment in the MENA Region”)

As for regions with ongoing social and political turmoil, the IMF essay addresses the need for short term measures that also have long-term benefits. Several suggestions are provided:

- Turn Infrastructure Investment into a Vehicle for Employment Generation
 - Extrapolated numbers from Latin America suggests that 1% of GDP spent on infrastructure could generate in the short term as many as 87,000 new jobs in Egypt and 18,000 in Tunisia
- Support Private-Sector Activity through Macro Policies
 - I.e. giving tax incentives or providing credit guarantees to viable labor intensive small and medium enterprises- as was done in emerging markets and transition economies during the recent financial crisis.
 - Removing impediments to access to credit will also help
- Scale up Promising Training Programs based on Past Successes in the Region
 - The Education for Employment Foundation (EFE) operates in several countries in the region- including Egypt, Jordan, and Morocco. The EFE works with corporations and industries to assess demand for skills and to provide corresponding tailored training programs for youth. 85% of graduates in Jordan and Morocco were placed in jobs after training. (Ahmed, Guillaume, Furceri, “Youth Unemployment in the MENA Region”)

Food Inflation

According to the World Bank, the MENA region is the largest wheat importer in the world, and wheat prices have doubled since the end of 2005. Increase in domestic food prices has average 40% in the region since January 2007. Some countries spend as much as 3.5% of GDP on food subsidies. Many countries have attempted reforms, the lasting changes being consumer prices subsidies. In addition, domestic factors such as inflexible procurement methods, poor logistics, inadequate stockpiling practices and insufficient use of financial instruments and planning techniques, have also played a major role in explaining domestic food inflation in nearly all MENA countries.(Ianchovichina, “How exposed are MENA households to global food price increases?”).

Current Status

Juan Somavia, Director-General of the ILO (a separate, but specialized agency of the UN), maintains that the current globalized system, which places macroeconomic policies over socio-economic ones, must be restructured because it has led to greater inequality, an imbalance between the real economy and the financial economy, and high levels of unemployment. He calls for a return to a technical rather than ideological framework for growth, and informs states that the present period should be seen as an opportunity, the policy space available for exercising creativity and innovation has never been bigger. Somavia calls for a restructuring of the global economy by moving from investment in the financial economy to the real one, and for the UN to take a more active role in (economic) policy leadership (UN News Center, “UN official calls for inclusive economic growth”).

UN Assistant Secretary-General for ECOSOC, Jomo Kwame Sundaram, says sustained investment is an absolute requirement, while underscoring the need for innovative thinking. Promoting renewable energy should be cross-subsidized as well, as he states there is no way to lift people’s living standards without increasing the generation of renewable energy (UN News Center, “UN official calls for inclusive economic growth”). Sustained investment wouldn’t include short term solutions such as infrastructure investment, but centers around ideas such as reforming curricula, reforming hiring practices, and tax incentives for small and medium sized businesses to promote growth in the private sector.

The Group of LDCs is also trying to double their share of world merchandise trade by 2020 in accordance with the Istanbul Programme of Action (its current level is just 1%). This requires strong international measures, market access, removing subsidies, etc. Allowing MENA countries to participate in protective measures while decreasing those barriers in industrialized countries would give infant industries an advantage in trade that encourages growth.

- Should MENA counties institute shared economic and financial policies created in UN resolutions?
- Is protectionism allowable for counties undergoing food inflation?
- Can education and or financial reforms substantially help the economic situation in the MENA region?

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Topic: Developing Ecotourism

Overview

The International Ecotourism Society (TIES) defined the activity (Ecotourism) as “Responsible travel to natural areas that conserves the environment and improves the well-being of local people”. By “natural areas,” TIES means pristine, untouched habitats that are valued for their flora, fauna, local culture and geography. The activity, done in a responsible manner, is widely promoted by environmentalists, conservationists, those who hold cultural diversity dearly, and recently, local governments. There are many reasons for supporting ecotourism, to name a few from Ecotourism.org: to provide funds for ecological conservation, to benefit the economic development and political empowerment of local communities, and to foster respect for different cultures. The ideology of ecotourism advocates a style of life that places importance of the return to nature- which gives us insight into our ecological impacts as humans. In addition, Ecotourism is supposed to give us a greater appreciation of our own natural habitat.

History

Ecotourism is a relatively new concept (the term coined within the last 50 years), but its popularity and potential have attracted many academics to write on the issue. According to a press release by the UN World Tourism Organization (UNWTO), the tourism industry surpassed US\$1 trillion in 2011 (3.8% increase since 2010), and ecotourism has experienced the fastest growth of all sub-sectors of tourism. In addition, Francesco Anselmi, of the University of Palermo, Italy, shows that ecotourism is growing annually by 10-15% worldwide. This growing popularity and ecotourism’s potential for measurable improvements in developing countries have crowned it salient global status. Ecotourism has drawn attention because of its potential to bring much revenue to undeveloped countries. In many developing countries with a consolidated ecotourist industry, a strong growth in the number of visitors has been accompanied by an increase of revenue (Anselmi, “Ecotourism: A New Typology of Tourism”).

Those countries with tropical virgin ecosystems want to strengthen this market as they look forward to ecotourism as a means to attract foreign capital with the purpose to relaunch their own economic development. Once these countries are aware of the eco-

conomic benefits of ecotourism, they are motivated to protect their natural resources and to adopt the due behaviors. Anselmi states the motto of the locals in many of these attractions: “wildlife pays so wildlife stays.” In addition, ecotourism has shown better distribution of the profits: rather than going to large tourist operators, hotels, and companies, the local economies reap up to 95% of the sustained tourist expense (Anselmi, “Ecotourism: A New Typology of Tourism”)

An early development of ecotourism can be seen in the case of Tortuguero, Costa Rica. The local economy was heavily involved in the consumptive use of sea turtles, harvesting eggs, meat and serving markets in the USA and Europe. After regulations the markets closed in the early 1970s, but tourism dramatically increased beginning in the mid-1980s with the help of a conservation NGO dedicated to protecting the species (Meletis, “Wasted Visits? Ecotourism in Theory vs. Practice”). Nowadays, the village lives off ecotourism, with almost all households benefitting either directly or indirectly, with few other employment options. Since ecotourism has been established, the local population has increased fourfold (Meletis, “Wasted Visits? Ecotourism in Theory vs. Practice”). In addition, the population has diversified, but notably the local culture has declined drastically. Economically, research shows that income distribution is heavily skewed in favor of the tourist guides. As well, 75% of tourist visits are on package tours to established lodges with a corporate background, while only 10% of trip expenses go to the local village (Meletis, “Wasted Visits? Ecotourism in Theory vs. Practice”). However, the local populace when surveyed was shown to be generally in support of the ecotourism economy and prefer it to the lumber and plantation work of years before, regardless of their position as wage laborers in the economy.

Issues

The main criticisms of ecotourism is that it's become the “organic” of the tourist industry, meaning it's a label without regulation- a company can call it's tourism “Ecotourism” without any regulation. Ecotourism's definition and theory sound wonderful and attract lots of disposable income. However, in practice, definitions of what ecotourism should be what separate it from mass tourism- which has been shown to have a negative

impact on ecological conservation- have not been clear. Some claim that ecotourism's ethics and principles are unattainable when put into day-to-day, profit-seeking practice. Even proponents of ecotourism such as Anselmi cite the lack of an "organic form of the market." Because it is relatively new, the structure of pricing has not been set and most tourists would rather save money but still see new places. Others cite how ecotourism is a completely unregulated market, there are no formal definitions and tourists are regularly schemed and misled into believing their tourist activities are having a benefiting the local community ecologically.

Irfan Erdogan and Nazimiye Erdogan argue that state institutions and governments, international finance and lending institutions and corporations all over the world promote ecotourism as a savior to developing communities, that they promote the highly agreeable ideology of ecotourism as fact. These opponents believe the capitalistic structure goes against what ecotourism is. When poor, unindustrialized communities in developing countries see an inflow of revenue, the starving will do all they can to maximize profits, including masquerading their tourism as "ecotourism" while they quickly take advantage to erect hotels and other tourist attraction. This eventually blurs the line between their "ecotourism" and the mass tourism we see around the globe (Erdogan and Erdogan, "A Critical Analysis of the Established Explanations about the Nature of Ecotourism").

Some of the impacts of ecotourism include disturbance of ecology and damage to natural resources, waste generation, forest degradation (Stem et al., p.322,324) removal of vegetation, air pollution, tourist traffic, soil erosion and compacting, trail widening, vandalism, permanent restructuring of the environment through infrastructure, development and construction, and disturbance of feeding, breeding and behavioral patterns.

However, the most commonly cited issue with ecotourism is that, due to a lack of regulation, local populations are not realizing the development potential of ecotourism. A study titled "Ecotourism's Support of Biodiversity Conservation" by Bookbinder, Dinerstein, Rijal, Cauley, and Rajoria, shows the benefits hailed by all haven't been seen in established ecotourist destinations. They assessed the effect on income of villagers living near Royal Chitwan National Park in Nepal, one of the most popular destinations in Asia, and saw that only 6% of surveyed households earned income directly or indi-

rectly from ecotourism. In addition, of those beneficiaries, the average annual salary from ecotourism was \$600. The report concludes that ecotourism current structure “provides little employment potential, has a marginal effect on household income, and offers few benefits for local people” (Bookbinder et al., “Ecotourism’s Support of Biodiversity Conservation”). They call for new policy changes to redirect an appreciable amount of revenue to local development, and urge that well-defined mechanisms for profit sharing with local communities are in place before proliferating ecotourism.

Current Status

There are still no regulations on the ecotourism industry, yet it continues to expand rapidly around the globe. However, the topic has been widely discussed. The GA adopted a resolution on December 21, 2012, entitled “Promotion of ecotourism for poverty eradication and environment protection” that recognized ecotourism as key in the fight against poverty, the protection of the environment and the promotion of sustainable development. This resolution was facilitated by Morocco and sponsored by a record 105 delegations, and received widespread support from all regions and across the development spectrum.

According to the UN News Centre, the resolution underscores the need for national tourism plans to account for market demand and local competitive advantages. It also encourages member states to promote investment in ecotourism, in accordance with their national legislation, including creating small and medium-sized enterprises, promoting cooperatives and facilitating access to finance through inclusive financial services such as microcredit initiatives for the poor, local and indigenous communities, in areas of ecotourism potential and rural areas (UN News Centre, “UN agency welcomes General Assembly’s adoption of resolution on ecotourism”). The UNWTO welcomed the adoption of the resolution and proliferating awareness of ecotourism and has stated that it is community-based tourism.

- Should ecotourism be regulated to guarantee development of the local populace?
- Does the ecotourism industry have development potential in its current form?
- Should the ecotourism industry be regulated by trade IGOs?

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