



# BACKGROUND GUIDE

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## ARAB LEAGUE Economic and Social Council

### Agenda:

*Devising strategies to counter the impacts of high levels of youth unemployment in the region*

## LETTER FROM THE EXECUTIVE BOARD

Greetings!

Delegates are requested to keep a few pointers in mind before reading the background guide and preparing for the simulation of the Economic and Social Council of the Arab League at Jaypee Model United Nations 2018.

**A background guide is not supposed to contain all the information on an agenda.** A background guide contains an introduction to the agenda. Therefore, delegates are requested to use it as a base for further research only.

To understand any agenda, it is important to deeply explore its development in history and understand various political, social, legal, cultural, religious, economic and security aspects riding with it. The guide just touches upon some of these aspects and the delegates must explore them in detail while preparing for and deliberating during the conference.

Furthermore, many sections in this guide are followed by or include links which will help in understanding the agenda better, attaining relevant documents and guide you for further research on the issue.

**Feel free to contact if you have any query.** Give your best during the preparation. Good luck!

Warm Regards,

Harsh Vardhan Yadav

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## FOLLOWING IS A SUGGESTED PATTERN FOR RESEARCHING (IF REQUIRED):

1. Understanding of the Arab League and the Committee, i.e. Economic and Social Council – its mandate, past work and decisions on the agenda or relates agendas etc.
2. Research on the allotted country, especially with respect to the agenda, past policies or actions taken. Getting a grasp on its foreign policy.
3. Reading the background guide thoroughly.
4. Researching upon the agenda using the footnotes and links given in the guide and further from other sources such as academic papers, news articles, blogs etc.
5. Explore sub-topics for moderated caucuses, and prepare speeches on these topics.
6. Assemble proof/evidence for any important piece of information/allegation you are going to use in committee.
7. Keep your research up-to-date using news websites.

## ABOUT ARAB LEAGUE

The Arab League, formally the League of Arab States, is a regional organization of Arab states that are in and around North Africa, the Horn of Africa and Arabia. It was formed in Cairo, Egypt on 22 March 1945 with six members. Currently, the League has 22 members, but Syria's participation has been suspended since November 2011 because of its government's role in the Syrian Civil War.<sup>1</sup>

The League's main goal is to "draw closer the relations between member States and co-ordinate collaboration between them, to safeguard their independence and sovereignty, and to consider in a general way the affairs and interests of the Arab countries"

"It also has among its purposes a close co-operation of the member States with due regard to the structure of each of these States and the conditions prevailing therein, in the following matters:

- a) Economic and financial matters, including trade, customs, currency, agriculture and industry;
- b) (communications, including railways, roads, aviation, navigation, and posts and telegraphs;
- c) Cultural matters;
- d) Matters connected with nationality, passports, visas, execution of judgments and extradition;
- e) Social welfare matters;
- f) Health matters."<sup>2</sup>

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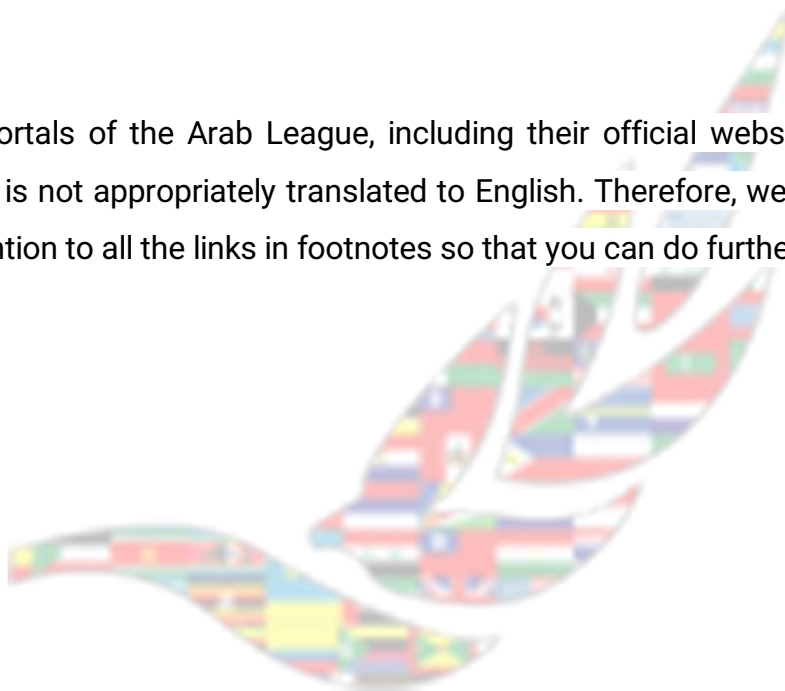
<sup>1</sup> [https://en.wikipedia.org/wiki/Arab\\_League](https://en.wikipedia.org/wiki/Arab_League)

<sup>2</sup> <https://web.archive.org/web/20080725204917/http://www.yale.edu/lawweb/avalon/mideast/arableag.htm>

## The Economic and Social Council (ESC) of the Arab League

It is an institution of the Arab League that co-ordinates its economic integration. The ESC was established as the *Economic Council* under the terms of the Joint Defence and Economic Co-operation Treaty (1950). In 1957, the ESC established the Council of Arab Economic Unity (CAEU) and, in February 1997, the ESC adopted the *Agreement to Facilitate and Develop Trade Among Arab Countries* (1981) in pursuit of the Greater Arab Free Trade Area (GAFTA).<sup>3</sup>

**Note:** Many portals of the Arab League, including their official website is often not accessible. Or is not appropriately translated to English. Therefore, we request you to pay extra attention to all the links in footnotes so that you can do further research.



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<sup>3</sup> [https://en.wikipedia.org/wiki/Economic\\_and\\_Social\\_Council\\_\(Arab\\_League\)](https://en.wikipedia.org/wiki/Economic_and_Social_Council_(Arab_League))

## AGENDA

### *"Devising strategies to counter impacts of high levels of youth unemployment in the region"*

#### OVERVIEW

"The global youth employment crisis is easing (especially post 2007-8 Global Recession), with a mild recovery in the 2012-2014 period. But it is far from over, as the youth unemployment rate remains well above its pre-crisis level – and persists at its highest in the Middle East and North Africa regions. The regions continue to show by far the highest youth unemployment rates – 28.2 and 30.5 per cent, respectively, in 2014 – and rates have continued to worsen since 2012, particularly for young women."<sup>4</sup>

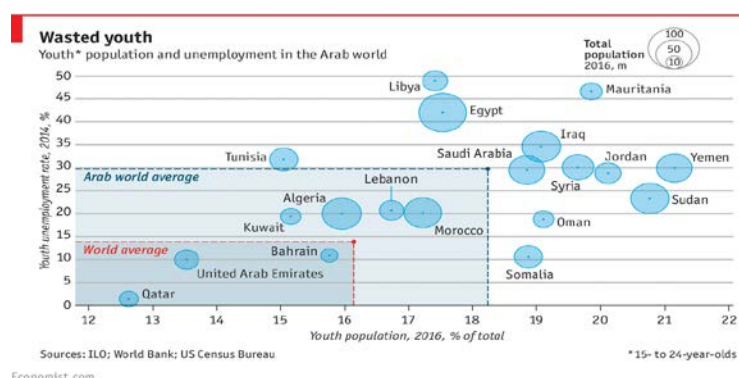
"The Arab world is growing fast, and the number of young workers, aged 15-24, will grow to 58 million in 2025. In the largest Gulf state, Saudi Arabia, about 70% of working people are employed in the public sector. According to Jadwa Investment, a Saudi research firm, the working-age population is expected to increase to nearly 18 million by 2025, meaning 226,000 Saudis will enter the labour force each year. The public sector simply cannot absorb all of them."<sup>5</sup>

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<sup>4</sup> [http://www.ilo.org/beirut/media-centre/news/WCMS\\_412797/lang--en/index.htm](http://www.ilo.org/beirut/media-centre/news/WCMS_412797/lang--en/index.htm)

<sup>5</sup> <https://www.forbes.com/sites/suparnadutt/2017/05/11/can-startups-drive-new-job-growth-in-the-mena-region-where-youth-unemployment-rate-is-30/#7eba898634f4>

The following chart helps us get an overall glimpse of the grim reality:



One of the salient features of unemployment in these countries is that it is higher among the more educated: over 30 percent of those with tertiary education were unemployed in Egypt, Tunisia and Jordan in 2011 and 2012. Among the most educated women, unemployment rates exceed 60 percent in Jordan and 40 percent in Egypt (Chart 2). One reason is that many educated young people are willing to wait for jobs in the public sector to open up. Public sector jobs are attractive since they offer high salaries, job security, and good benefits. A Gallup survey in 2011 showed that more than half of the unemployed young people in Egypt, Tunisia and Jordan were seeking a government jobs; only 10 percent were looking for a private sector job. Public sector employment constitutes a large share of total

formal employment. More than 70 percent of non-agricultural employment in Egypt and Libya and 40 percent in Yemen, Jordan and Iran in the 2000s were in the public sector.”<sup>6</sup>

<sup>6</sup> <http://blogs.worldbank.org/arabvoices/problem-unemployment-middle-east-and-north-africa-explained-three-charts>



## SOME PITFALLS

“Many observers see youth unemployment as the major reason behind the recent popular uprisings in a number of Arab countries. Increasing unemployment over the past two decades has led to frustration among young people, especially among university graduates. Frustration among unemployed youth spilled out into the streets at the beginning of 2011, leading to rebellion against the existing political regimes in Egypt, Syria, Tunisia, and Yemen. A series of disorders and strikes have exacerbated the situation, and reduced prospects for a rapid economic recovery. The unemployment crisis is aggravated by low capital flows and a sharp decline in exports which result from the slowdown in investment and growth in the economies of the region’s main trading partners. The situation for many countries is further complicated by a sharp contraction in employment opportunities in Europe as well as the Gulf countries, a consequence of the global economic crisis. Finding new job opportunities in the Middle East and North Africa (MENA) region is now more pressing than at any other time in the past. The problem is naturally worst in those countries where the risk of increased poverty is most prominent.”

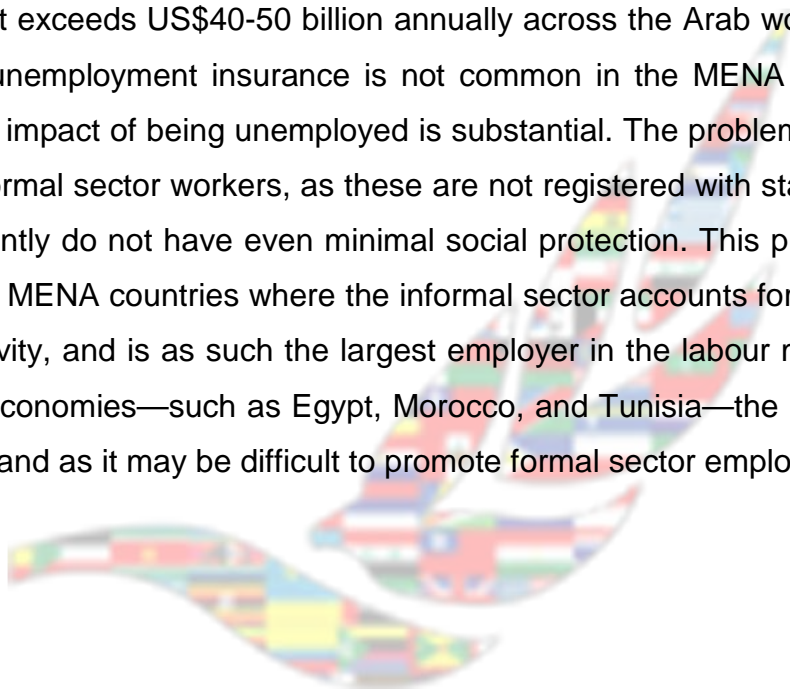
“High levels of unemployment are a challenge for the region’s economies. Furthermore, the lack of good jobs has the potential source of further social disruption and conflict, particularly as the population is forecast to increase to 410-460 million by 2020. Those under the age of 14 years will constitute more than 40 per cent of the total population, and the number of job seekers will top 39 million over the next decade. Moreover, women’s growing participation in the workforce will put greater pressure on the labour market, adding to the already serious nature of this jobs crisis.

Due to this substantial increase in the working-age population, and the increase in the share of young persons, the number of unemployed in the MENA region is expected to increase in the coming years. The situation looks even bleaker when we understand that nearly 5 million new workers hope to enter the labour market annually; the estimated funds needed to provide new jobs for these cohorts will exceed US\$20 billion annually, according to the Arab Labour Organization (ALO). If



the workforce in the region continues to grow at the same rate, it is estimated that the labour force will reach 185 million by 2020. This means that the MENA region needs to provide 105 million new jobs by 2020, to meet the additional needs of job seekers as well as new labour market entrants.

According to estimates by ALO, a 1 per cent increase per annum in the annual unemployment rate induces a 2.5 per cent loss in total GDP (about US\$115 billion). A recent report sponsored by the International Finance Corporation (IFC) and the Islamic Development Bank shows that the economic loss due to youth unemployment exceeds US\$40-50 billion annually across the Arab world. Moreover, the fact that unemployment insurance is not common in the MENA region implies that the social impact of being unemployed is substantial. The problem is particularly severe for informal sector workers, as these are not registered with state institutions, and consequently do not have even minimal social protection. This problem is most acute in those MENA countries where the informal sector accounts for 90 per cent of economic activity, and is as such the largest employer in the labour market. In non-oil-exporting economies—such as Egypt, Morocco, and Tunisia—the informal sector is likely to expand as it may be difficult to promote formal sector employment.”<sup>7</sup>



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<sup>7</sup> <https://www.wider.unu.edu/publication/youth-unemployment-arab-world>

## A SPECIFIC LOOK AT THE GULF COOPERATION COUNCIL (GCC)

“The current employment situation in GCC countries has been shaped by the oil-based growth model adopted by these economies and has evolved supported by, and to support, rapid economic development. The discovery of vast oil reserves in the 1930s,<sup>4</sup> and their subsequent extraction and exportation, allowed Gulf States to generate considerable revenues from oil – which today account for at least 80% of total government revenues in all GCC countries, with the exception of Qatar for which combined oil and gas revenues represent about 70% of government revenues.

Through oil exports, GCC countries have been able to record rapid economic growth, accumulate considerable wealth, modernize infrastructure and greatly improve their citizens' living standards, all of which with various and overall relatively low levels of diversification of the economy into productive, labour-intensive sectors. This distinguishes the GCC's economic path from that of most advanced economies, for which the transition to higher per capita income has generally been associated with greater diversification. Furthermore, large oil revenues have enabled the provision of a generous social contract, so that GCC governments do not need to tax their citizens to ensure social welfare. Through implementing the social contract – materialized by subsidies, free access to public services, and the provision of jobs in the public sector – governments commit to securing their citizens' economic and social well-being, and in turn, citizens support their government.

The hiring of both skilled and unskilled non-national labour, which has been needed to sustain the rapid oil-based growth of GCC economies, has also helped shape the employment situation of Gulf States, with non-nationals filling the majority of jobs in the private sector. Labour migration began following the initial discovery of oil, but increased substantially only after the 1973 oil boom and subsequent initiation of ambitious development projects. Such projects led to a rapid increase in labour demand that could not be met by national workforces, either because they were too small or did not have the required skills. In parallel, nationals were absorbed in the social contract that commits to offering comfortable, well-remunerated jobs in the public sector. Thus, by giving citizens an entitlement on oil wealth without promoting

the productive use of national labour resources, the social contract has led to low labour force participation rates among GCC nationals (see Figure 3) and a high proportion of non-working dependents per employed person.

While economic growth has been translated into high medical standards, it has not yet significantly altered cultural norms that still put a premium on large families and traditional gender roles. As a result, fertility rates have remained high over the past decades. This can be linked to the remarkable pace of economic growth that has occurred so far, without needing to productively mobilize the entire national labour force. The resulting high population growth has led to today's inordinately large youth population, with about one-third to one-half of the GCC's populations under the age of 25.”<sup>8</sup>



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<sup>8</sup> <http://reports.weforum.org/rethinking-arab-employment/introduction/>

## THE CHALLENGE FOR POLICY MAKERS

“Apart from addressing the high unemployment rate among their youth, the other challenge for policy makers in MENA is to ensure that the share of people working but still not being able to lift themselves and their families above \$2 a day should be brought down. To reduce the unemployment by half in 2015, MENA needs GDP growth rates much higher than the historical growth rates of 3.5 percent.

Experience elsewhere suggests that to achieve such a steady and high rate of growth with a corresponding rate of employment, it would be necessary to shift workers from a low productive employment, and from what the director-general of ILO called "the urban alleyways" of many cities in the region, into a more knowledge-based production of high value-added commodities. The shift to a more knowledge-based employment is also dictated by the limited prospects of increasing the scope of agriculture in most Arab countries. The Economic Unity Council of the Arab League points out that the Arab countries occupy 10 percent of the world territory, five percent of the world population, but only 0.5 percent of its water resources. In fact, the Arab countries already import food commodities worth \$15 billion, and rising.

To reach a higher level of knowledge base, the Arab countries in the region would need to invest more in Research and Development (R&D). The Economic Unity Council of the Arab League estimates that the Arab countries spent 0.24 percent of their GNP on R&D. Figures available elsewhere for individual countries show the big gap between the highest rated country in the world, Norway, with 1.6 percent of GNP in R&D, and Egypt, among the lowest, with 0.2 percent of GNP spent on R&D. In between are Israel with 0.9 percent; Qatar, 0.7 percent; and Jordan and Tunisia, 0.3 percent.

The Arab countries in MENA would also need to attract foreign direct investment (FDI). These countries remain the least attractive to FDI, acquiring only between one to three percent of total FDI, because of inhospitable environment for foreign-dominated businesses, various restrictions on foreign exchange, inefficient labour market, absence of an adequate commercial code, and stifling bureaucracy. Above

all, there is a psychological mindset that equates globalization with imperialism: Instead of seeking to bring its benefits to their countries, many Arab intellectuals treat it with suspicion and mistrust. Hence has emerged the contrast whereby in 2005 China attracted \$62 billion in FDI, against \$6 billion in Arab countries - a lot of which went into the oil and gas sector.”<sup>9</sup>



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<sup>9</sup> <https://www.memri.org/reports/unemployment-middle-east-%E2%80%93-causes-and-consequences>

## THE WAY AHEAD

“In [“Challenges and Opportunities for Youth Employment in MENA,”](#) a recent report funded by The Citi Foundation, EFE found that a number of industries are well-positioned to generate significant entry level job opportunities, and stand to benefit tremendously from the energy and creativity that younger workers contribute.

For example, the MENA region’s improved legal and regulatory system, better broadband infrastructure and a rapid uptick in digital adoption have made information and communication technology (ICT) one of the most promising fields for job creation in the near-term. If the current pace of industry growth continues, it could generate nearly 4.4 million jobs over the next five years (Strategy&, 2012).

Along with burgeoning high-speed Internet connectivity, MENA boasts a relatively large population of youth with basic English or French skills, making it a promising location for IT and Business Process outsourcing. Growing international interest in [“impact sourcing,”](#) which brings digitally-enabled jobs to disadvantaged communities, could catalyse opportunities in this area. Already, large international companies such as Accenture and Vistaprint have found that through partnering with EFE and similar organizations, they are able to source entry-level employees with globally competitive cost and work quality profiles, and simultaneously create a positive social impact in communities with particularly high unemployment.

Women stand to become the most significant beneficiaries of such growth, as ICT is one of the top sectors employing women in MENA. Online work platforms such as [Nabbesh.com](#) have emerged, providing flexibility to workers with family commitments and enabling women to work from home where cultural sensitivities might otherwise prevent them from participating in the labor force.

Recent modernization in MENA’s retail industry, particularly in tourism hotspots, has also led to significant and consistent growth despite political unrest and the global recession. The sector is uniquely positioned to offer employment opportunities to a wide range of young workers, given the diverse options that it provides such as supply and distribution, inventory systems management, finance, and sales.



What's more, tech-savvy Arab youth are driving growth in e-commerce, and are staffing the field's expansion. According to PayFort's [State of Payments Report 2014](#), e-commerce payments in the Arab world are growing faster than anywhere else on Earth, at an annual growth rate of 45. Traditional education institutions have been unable to produce sufficient numbers of entry-level employees with the right e-commerce skills, and regional industry giants such as Souq.com are scrambling to onboard talent. Non-traditional education providers have stepped in to fill the gap. For example, recently, over 40% of Souq.com Egypt employees were EFE graduates.

As "Challenges and Opportunities for Youth Employment in MENA" points out, the potential for significant job creation extends beyond retail and technology into such diverse fields as agriculture, automotive, health and tourism.

While these industries offer promising platforms for job creation, such growth is far from assured. The scale of the Arab youth unemployment challenge eclipses the independent activities of any one set of actors; hence concerted efforts are required at the local, regional and international levels, and across the public and private sectors.

The World Economic Forum provides an ideal platform for turning such multi-stakeholder talk to action. Collectively, the need is to prioritize youth employment in the MENA region as both a social and economic imperative, and recognize its momentous power: to throw the region into discord, or to elevate it to new levels of dynamism."<sup>10</sup>

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<sup>10</sup> <https://www.weforum.org/agenda/2015/01/how-to-tackle-youth-unemployment-in-the-arab-world/>

## FOR A DETAILED UNDERSTANDING OF THE ISSUES, YOU MAY CHECK THE FOLLOWING REPORTS AS WELL

1. By World Economic Form: [Link](#)
2. By Dr. Riadh Ben Jelili, The Arab Planning Institute: [Link](#)
3. By Bessa Momani, Brookings Doha Center, titled *"Equality and the Economy: Why the Arab World Should Employ More Women"*: [Link](#)

## SOME QUESTIONS TO CONSIDER

1. What is the state of youth unemployment in the country allotted to you?
2. What are its impacts? How has the government tried to respond to them?
3. What are underlying causes, both in your country as well as those at the regional level? How do social, cultural, political, economic, as well as religious factors affect employment?
4. How can the Arab states work together to ensure a coordinated response? What are the major hindrances to the same?
5. How can that happen specially to boost women participation, entrepreneurship development, economic diversity in employment, foreign direct investments etc.? How can the social-historic factors impeding progress in these areas be addressed simultaneously?
6. What are the best models around the world that can assist the Arab states? How can they be customised and implemented, given the dynamics of the Arab World?
7. What is the way ahead for the Arab League on this agenda? What role can it play to assist the states, especially those that are facing myriad ranges of crises or require additional external support?