



Model Arab League

Student Leadership Development Program from the National Council on U.S.-Arab Relations

2017-2018 Model Arab League Background Guide

Council of Economic Affairs Ministers

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Relations



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Original draft by John Griffith, Chair of the Council of Economic Affairs Ministers at the 2018 National University Model Arab League, with contributions from the dedicated staff and volunteers at the National Council on U.S.-Arab Relations.



Dear Delegates,

Welcome to the Council of Arab Economic Affairs Ministers! My name is Zishen (Andy) Liu, and it is a great honor for me to be your Head Chair for this committee along with two incredible Vice Chairs Vikas Sharma and Richard Jin.

I am a sophomore at UC Berkeley majoring in Mathematics and Economics, and I am an international student from Xuzhou, China. This is my fifth year of being involved in Model United Nations and my second year of being involved in Model Arab League. As an Economics student, I have a strong passion for how macroeconomics and public policies can affect us individually and this world as a whole. Model United Nations definitely provides me an opportunity to explore these relationships and to listen to other people's thoughts on interesting Econ-related political issues. Therefore, I truly love MUN and enjoy to debate in and to chair the MUN. Outside of the MUN. I love to try different foods and to travel during my free time. I also like to learn different languages. I am currently learning Cantonese and Japanese. I would be more than happy to learn some words from you if you can speak another language.

Richard Jin, one of your Vice Chairs, is currently a freshman at Berkeley studying business and applied math. He was born in Houston, Texas, but he lived half of his life in Shanghai, China. If any of any of you want to practice Chinese at BMAL for some reason, he will be a great source. He did four years of MUN in high school, but he has never been to a west coast conference, so he is looking forward to incredible speeches and unique ideas of all of you. This vice chair will smile upon any creative puns that do not disrupt committee. He is so excited to meet all of you.

Vikas Sharma, one of your Vice Chairs, is a freshman majoring in Computer Science and Economics. Born and raised in the suburbs of Detroit, Michigan, he started participating in Model UN during his freshman year of high school and haven't stopped since. In his free time, he enjoys playing tennis, dancing, watching Netflix and eating great food.

Our topics this year are really crucial. Youth unemployment and virtual currency are two rising problems in Arab region. Creating regional cooperations and regulations that are both comprehensive and acceptable for all Arab states can dramatically improve these concerning rise issues and can change not only the economical environment but also the political and social environment in this region. Hence, I am looking forward to see the sparks of knowledge and debate in our committee!

All of us are very excited to see you all in committee! If you have any questions, comments, or concerns prior to our debate, be sure to contact me at zliu@bmun.org. Additionally, Vikas can be reached at vsharma@bmun.org, and Richard can be reached at rjin@bmun.org. Please do not be hesitate to contact us if you need any help. Thank you so much for joining us, and we'll see you in a few months!

All the best,
Zishen Liu

Topic I: Considering the potential impacts of high levels of youth unemployment in the region, and devising strategies to encourage and facilitate increased youth involvement and employment in Arab economies.

I. Introduction to the Topic

A. General Background

Youth unemployment continues to affect all nations across the Middle East and North Africa region. Though it has been of importance over the past few decades, its recognition by MENA governments began in 2011 after the rise of the Arab Spring. Since then, leaders across the MENA region have been trying to find a solution to the rising youth unemployment.

Throughout the Gulf, the ruling families have proposed Vision 2030 plans in order to diversify their economies and decrease unemployment. In North Africa, governments have made strides in increasing economic growth but are still struggling to achieve decreasing unemployment rates. The Levant continues to face conflict and war causing an inability to focus solely on the economy. With rising youth populations coming into the workforce, further frustration and unrest are tangible threats to stability in the region.

An unemployed person is defined as someone who is not currently employed but is actively pursuing employment. According to the standards of the United Nations, a youth is someone between the ages of 15 and 24. There are currently 1.8 billion youth in the world, and in the 48 least developed countries, youth and children make up over 50% of the population.¹ In 2016, the world youth unemployment population was 12.9% and was expected to increase to 13.1% in 2017.² One of the leading causes for youth unemployment worldwide is financial crisis, which tends to make the upward trend difficult to interrupt.

B. History in the Arab World

Currently sitting at 30.5% the MENA region has the highest youth unemployment rate out of any region in the world.³ One key impact that is caused by high levels of unemployment is an increased feeling of injustice and unrest. It is believed that the high levels of unemployment across the region mixed with high levels of job dissatisfaction were some of the key reasons for the start of the Arab Spring in 2010. While the Arab Spring did bring to light these feelings, it seems, to many, the problem has not improved.

¹ Edwards, Steven. "10 Things You Didn't Know about the World's Population." United Nations, United Nations, 17 Apr. 2015, [www.un.org/youthenvoy/2015/04/10-things-didnt-know-worlds-](http://www.un.org/youthenvoy/2015/04/10-things-didnt-know-worlds-population/)

² Kuhlmann, Stefan, et al. "Trends for Youth 2016." WORLD EMPLOYMENT SOCIAL OUTLOOK, 2016.
³ Kuhlmann, Stefan, et al. "Trends for Youth 2016." WORLD EMPLOYMENT SOCIAL OUTLOOK, 2016. "Unemployment, Youth Total (% of Total Labor Force Ages 15-24) (Modeled ILO Estimate)." International Labour Organization. ILOSTAT,

In fact, youth unemployment rates have actually increased since the start of the Arab Spring.

The problem with unemployment is much more complex than just encouraging further education in the region. In 2014, 34% of college graduates were unemployed in Egypt, in contrast with the 2% of those with a high school education or less.⁴ Part of this can be accounted for by the fact that much of the economy in the MENA region is saturated by public sector jobs. Most of the education provided by these universities was directed towards jobs in public sector employment. Since the uprising, public sector jobs have greatly decreased. Lack of public sector jobs caused a perpetuation of the crisis in unemployment; as neither the educated nor the uneducated have the skills needed for jobs in the private sector.

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

Currently, there are several countries in the region that are working towards solutions. In 2000, Saudi Arabia began the Human Resource Development Fund (HRDF) with the purpose of helping develop youth entrepreneurship and training. In 2015, the HRDF allocated another 20% of funding for further research into job creation and improved education output. In April of 2016, the country announced its new 2030 Vision plan in order to expand economic growth and employment. Their plans and work to privatize much of the economy, increase investments, and increase women's and youth participation in the workforce are just beginning.

In addition, Qatar is currently looking to increase the number of small and medium-sized enterprises (SMEs) in the country. As of 2016, SMEs made up only 15% of Qatar's GDP, in contrast to 16% for under developed countries and 51% in high-income countries.⁵ In 2015, a Qatar based think-tank named Silatech proposed several solutions towards youth unemployment including increasing the strength of corporate reporting, making access to financing easier, and simplifying the process for starting a business.

Presently, the efforts towards combatting youth unemployment are scarcer in lower GDP and conflict-ridden countries. Many countries are pushing for employees to look into jobs from startups, but most do not see the incentive in doing so when there is more stability in corporate and government positions. It is important to determine a strategy that may help diversify the sectors of the economy focused on by employees, while still allowing countries to remain in control of their own economies.

II. Questions to Consider in Your Research

⁴“Youth Unemployment in the Arab World.” The Economist, The Economist Newspaper, 9 Aug. 2016, www.economist.com/blogs/graphicdetail/2016/08/daily-chart-7

⁵“Meeting the Needs of a Growing Youth Population in the Middle East.” Oxford Business Group, 18 May 2016, www.oxfordbusinessgroup.com/analysis/dividend-or-liability-meeting-needs-region%E2%80%99s-growing-youth-population-0

- What has been the main focus of employment for youth in my country historically? Have the more common sectors in my country become saturated with employees?
- How have current or past resolutions towards unemployment impacted your country and it's neighbors?
- What kinds of regulations are currently in place in my country that may cause difficulty in pursuing certain solutions?
- How has the youth unemployment rate for my country been affected by conflicts and uprisings in the region? How can a solution to unemployment inadvertently act as a solution for these problems?

III. Questions a Resolution Might Answer

- How could the Arab League and outside organizations assist member states while still respecting the national sovereignty of each state?
- In what ways could current regulations be amended or new regulations be adopted in order to encourage youth economic innovation?
- How can countries diversify economies in a way that accommodates both the educated and uneducated youth?
- How could the League continue to encourage jobs outside of the limited public sector?

IV. Additional Resources

- [Combating Youth Unemployment in the Middle East and North Africa](#)
Although we are the Economics Affairs Committee, talking about the youth of a region inherently makes an issue cross over into social issues. While our resolutions should continue to focus on the economic aspects at hand, this article provides quality background information on some of the social/educational issues that help contribute to youth unemployment. It is also important to remember that there are ways of discussing education in ways that still fall under the scope of the Economics Affairs Committee.
- [Arabian Youth Turn To Startups For A Lifeline](#)
A short and concise article that addresses the affect overpopulation has on the unemployment rate, as well as what is being done in response. This article also opens the doors into some of the barriers in the way of the solutions. Although this article does not give mountains of information, it is a good starting point to inspire research in a certain direction.
- [Youth Unemployment in the Middle East and North Africa](#)
This is an article that has a good graphic attached, and mentions some of the outside solutions, such as nonprofits, that are being applied to the MENA region.
- [Youth Population & Employment in the Middle East & North Africa](#)

This article is written by the World Bank and gives general information about the youth unemployment problem. The significant thing about this map is that it has interactive maps for the users. The maps focus on how the unemployment rate is affected by gender, country, education, and sector of employment.

Case Study: Silatech

In recent years, numerous initiatives have been created for the purpose of reducing youth unemployment in the MENA region. The Silatech initiative, launched by the United Nations Alliance of Civilizations, is an initiative that works to create jobs and expand economic opportunities for Arab Youth¹. The funding of \$100 million for the initiative was provided by the former Emir of Qatar, Sheikha Mozah bint Nasser Al Missned². The initiative has made substantial progress since its inception in 2008. Silatech created and sustained more than 400,000 job opportunities, financed 120,000 youth-owned businesses, launched programs in 16 countries in the Arab world and maintained a network of more than 150 partners around the world³. Countries that have directly benefitted from Silatech's efforts include Algeria, Egypt, Iraq, Jordan, Lebanon, Libya, Morocco, Palestine, Qatar, Saudi Arabia, Somalia, Sudan, Syria, Tunisia and Yemen⁴.

In past years, Silatech has taken a technological approach to combatting youth unemployment through collaborating with private companies, governments, and NGOs. In 2012, Silatech formed a collaboration with Microsoft and Udemy, a marketplace for online learning and teaching⁵. Collectively, these three entities created an online training programs called YouthWorks, which focuses on providing professional education to individuals living in the Middle East and Africa⁶. In addition to collaboration, Silatech has also independently created several projects, with The Qatar National Business Competition being one of them. This competition is an educational and coaching program designed for Qatari led Start-ups and entrepreneurs, enabling them to develop business ideas that can be turned into private successful adding value businesses⁷. Overall, Silatech's utilizes innovative and creative methods to reduce youth unemployment.

Currently, Silatech's biggest problem is local governments that are unwilling to allow access to the resources provided by Silatech. According to its CEO, "policymakers have, by and large, proven unable to muster the resources and political will to put in place the programmes and reforms needed to improve opportunities for young people." The source of funding is

¹ "Silatech initiative gathers pace | UNAOC." *United Nations Alliance of Civilizations (UNAOC)*, 6 Apr. 2011, www.unaoc.org/2011/04/silatech-initiative-gathers-pace/.

² "Youth Employment in Middle East and Africa Receives a Boost as Microsoft Partners with Udemy." *Business Wire*, 12 Jan. 2016, www.businesswire.com/news/home/20160112005555/en/Youth-Employment-Middle-East-Africa-Receives-Boost.

³ Liaz, Rick. "Top 5 Organizations in the World for 2017." *The Huffington Post*, TheHuffingtonPost.com, 20 May 2017, www.huffingtonpost.com/entry/top-5-organizations-in-the-world-for-2017_us_59206df7e4b07617ae4cbc7a.

⁴ "Youth Employment in Middle East and Africa Receives a Boost as Microsoft Partners with Udemy." *Business Wire*, 12 Jan. 2016, www.businesswire.com/news/home/20160112005555/en/Youth-Employment-Middle-East-Africa-Receives-Boost.

⁵ "Youth Employment in Middle East and Africa Receives a Boost as Microsoft Partners with Udemy." *Business Wire*, 12 Jan. 2016, www.businesswire.com/news/home/20160112005555/en/Youth-Employment-Middle-East-Africa-Receives-Boost.

⁶ "Youth Employment in Middle East and Africa Receives a Boost as Microsoft Partners with Udemy." *Business Wire*, 12 Jan. 2016, www.businesswire.com/news/home/20160112005555/en/Youth-Employment-Middle-East-Africa-Receives-Boost.

⁷ Alfikra. *Al Fikra, Qatar's National Business Plan Competition - 2015*, www.alfikra.me/en/page/Competition.

another major problem⁸. While the initial \$100 million was from the royal family, many individuals in Qatar believe that the wealth of the royal family should be considered as state wealth and were dissatisfied with the way the money was put to use.

⁸ Touchlineadmin. "Why funding isn't enough." *Philanthropy Age*, 23 Oct. 2017, www.philanthropyage.org/finance/why-funding-isnt-enough.

Topic II: Contending with the rapid expansion of virtual currencies, and assessing the opportunities they present, as well as the dangers they pose.

I. Introduction to the Topic

A. General Background

For the purpose of this background guide, virtual currency will be defined as, “a digital representation of value that can be digitally traded and function as a medium of exchange, a unit of account, a store of value but does not have legal tender status.”¹⁸ One of the more popular forms of virtual currency is Bitcoin. Before Bitcoin, there were other virtual currencies, but Bitcoin was the first decentralized cryptocurrency. This means that the government and financial institutions, unlike regular currencies and credit cards, do not regulate Bitcoin.¹⁹ The introduction of Bitcoin to the market rapidly expanded, but along with all of its benefits, it brought some consequences as well. Throughout this background guide, Bitcoin will be used as the example of virtual currencies unless otherwise stated. However, it should be noted that other virtual currencies do exist and do operate similarly to Bitcoin.

The first thing to understand is that Bitcoins run off of a technology known as blockchain. Blockchain is a ledger that stores the record of each of the interactions that occurs using virtual currencies.²⁰ Blockchains can be used for a variety of purposes from storing transactions using virtual currencies to helping detect fraud in the government. Although Bitcoins are not the same as blockchains, blockchains are directly correlated to the function of Bitcoins. The key idea to understand about this ledger is that although the transactions taking place are public, the people involved in the transactions are anonymous. Some see this as positive because it allows for more privacy in interactions, but some see this is a danger because it can allow illegal activity to take place anonymously. The concern is that large criminal organizations will be able to use Bitcoin to launder their money because of the lack of regulation and the privacy that it gives.²¹ Some argue that cash is just as anonymous, but even cash is regulated and difficult to store large amounts illegally.

A benefit of Bitcoin is its extreme sets of encryption that make it difficult to hack and steal from other users. Since Bitcoin runs off of blockchain, every transaction that takes

¹⁷ “FATF REPORT Virtual Currencies.” 2014.

¹⁹ Economopoulos, Yula. “Will That Be Cash, Credit or Bitcoin? The Pros and Cons of Digital Currency.” Blakes Business Class, 10 Jan. 2017, www.blakesbusinessclass.com/bitcoin/.

²⁰ Crowe, Portia. “There Is a 'Game Changer' Technology on Wall Street and People Keep Confusing It with Bitcoin.” Business Insider, Business Insider, 5 Mar. 2016, www.businessinsider.com/what-is-blockchain-2016-3.

²¹ Fagan, E.J. “Bitcoin and International Crime [Commentary].” Baltimoresun.com, The Baltimore Sun, 3 Dec. 2013.

place is stored in the chain.²² If someone wants to open up a previous transaction and look into the information, they must open every transaction that came in the chain before the one of interest. Again, although this is a large benefit, many view this as a way for Bitcoin to be exploited and cause more harm than good. In general, it is important to remember that virtual currencies allow for anonymous transactions to take place that are difficult for hackers and thieves to break into.

B. History in the Arab World

Since virtual currencies are fairly new, they are only recently beginning to have an impact on the MENA region. This year a company in Dubai, ArabianChain Technology, rolled out the first virtual currency in the region. The currency, like Bitcoin, uses blockchaining as its main foundation and is called DubaiCoin-DBIX. The company says that the currency can help save foreign workers millions of dollars per year by saving them the cost of transferring funds back into their local currency.²³

The UAE is currently in disputes over the legality of digital currencies for transactions in their country. The UAE Central Bank recently published the “Regulatory Framework For Stored Values and Electronic Payment Systems,” which stated, “All virtual currencies (and any transactions thereof) are prohibited.”²⁴ Although this seems like a blanket statement, the head of the Central Bank made a statement saying that the legality of virtual currencies is still under review. The talks in the UAE brought up a few points to consider when talking about virtual currencies. It seems that the one of most importance is whether virtual currencies will be considered a commodity like gold or as a currency like the dollar. This matters because it affects its regulation, whether or not it will be taxed, and its property rights.

As a widening acceptance of virtual currencies expands in the region, new programs were created to help governments adapt to its use. For example, platforms such as Nouqood in Tunisia and Yellow in Lebanon are both used to facilitate virtual currency transactions. The Palestinian National Authority is exploring ways to create its own digital currency in order to avoid restrictions that ban the PNA from having its own currency.²⁵ Bitcoin’s growth in the region continues to grow; however, its benefit is still questioned in several countries.

There have also been some general concerns throughout the region as to whether or not virtual currencies could be used to fund extremist groups. While many experts say it is

²² Thompson, Collin. “How Does the Blockchain Work? – The Intrepid Review – Medium.” Medium, The Intrepid Review, 2 Oct. 2016, medium.com/the-intrepid-review/how-does-the-blockchain-work-for-dummies-explained-simply-9f94d386e093.

²³ Donville, Christopher. “Bitcoin of the Arab World: Dubai Company Creates Region's First Digital Currency.” Middle East Eye, 17 Mar. 2017, www.middleeasteye.net/news/bitcoin-arab-world-dubai-company-creates-region-s-first-digital-currency-534613320.

²⁴ Meenagh, Brian. “The Legal Status of Bitcoin in the United Arab Emirates.” Al-Mirsal, 16 Feb. 2017, www.al-mirsal.com/2017/02/16/the-legal-status-of-bitcoin-in-the-united-arab-emirates/.

²⁵ “Outlook for Virtual Currencies in the Middle East.” August 2, 2017.

currently unlikely, they say that it is possible if cybercrime, and terrorism come to a crossroads. The problem that this raises is that if extremist groups were able to use virtual currencies effectively, they could anonymously launder their funds. This may be becoming less and less likely because it now takes more technical skill to remain anonymous using Bitcoin. This does open more accessibility to making illegal purchases on the dark web because many dark web distributors are skilled enough to remain anonymous and accept most forms of virtual currency.²⁶

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

It will be the job of the council to keep up to date with changing ways of virtual currencies worldwide. Particularly, the council will want to focus on how virtual currencies impact the countries with low stability and poorly regulated financial systems.

Another topic the council should consider is the effect that the introduction of virtual currency will have on the job market, specifically in the banking sector. Since virtual currency is decentralized, it cuts out much of the need for the middleman. In this case, the middleman is the banking industry. Most of the transactions between the banks and the people can now be done between two individuals using virtual currency. Along with its effects on the banking industry, the council should also look into the economic impact caused by the volatile nature of virtual currency. Virtual currencies tend to change in value sporadically. Sometimes the value remains constant for weeks at a time and other times it changes drastically in the same day. This means that a transaction you received one day could drastically decrease in value the next day. An unstable currency is bound to have severe affects on an economy, especially on those that are currently unstable.

II. Questions to Consider in Your Research

- What has my country done in terms of adopting virtual currency since the rise of Bitcoin in 2009?
- Would the adoption of Bitcoin affect the stability of currency in my country?
- Could virtual currency be used to fund extremist groups in the region? If so, how could this be combatted? If not, could something about virtual currencies cause this to change sometime in the future?
- What are the positive impacts that may be brought to my country with the adoption of Bitcoin?

III. Questions a Resolution Might Answer

- How might the League decide to classify virtual currencies? As a commodity, or a currency?

²⁶ Fanusie, Yaya. "Will A New Generation of Terrorists Turn to Bitcoin?" The Cipher Brief, 11 June 2017, www.thecipherbrief.com/article/tech/will-new-generation-terrorists-turn-bitcoin-1089.

- How might the League combat the misuse and exploitation of virtual currencies both on and off the dark web?
- What other industries may need to be reformed in order to pave a way for a safe usage of virtual currencies?
- How might virtual currencies be regulated in transactions across countries?
- How might the League help combat the volatility of the value of virtual currencies?

IV. Additional Resources

- [IBM Think Academy: Blockchain, How it works](#)

This is a short animation on YouTube that goes over block chain and the basics of how it works. This video is useful because it gives real world examples of the usefulness of block chains, but it falls short by failing to mention any of the concerns that members of the financial community have.

- [How can law enforcement leverage the blockchain in investigations?](#)

This article is useful because it shows that even though something can be exploited; there can still be solutions to the problem. Even though it doesn't focus on the MENA region, it is still helpful in showing the effects in parts of the world where virtual currencies are more popular.

- [FBI is Worried Criminals Might Use the Private Cryptocurrency Monero](#)

In contrast with the article above, this one focuses on many of the cons that come with virtual currency. With the introduction of virtual currencies into an economy, new ones can pop up that make completely anonymous behavior easier.

- [IMF and World Bank Panel: Bitcoin Block Chain Could Boost Financial Inclusion](#)

This last article goes away from the criminal aspect that many people think of when they think of virtual currencies and focuses on how they can be used to include more citizens financially. This is especially important in the MENA region where much of the region is considered "unbanked."

Virtual Currency: The future of transactions?

Virtual Currency is a type of unregulated, digital money, which is issued and usually controlled by its developer. Typically within the realm of virtual currency there are two types, centralized and decentralized. An example is the most well known form of virtual currency, Bitcoin, which is decentralized because there is no central repository and no single administrator; and “persons may obtain by their own computing or manufacturing effort.”¹ The most well known centralized cryptocurrency is ethereum, and it centralized due to the central authority that runs the platform. Ethereum is well known for being able to run “smart contracts” which essentially are programs that facilitate, verify, or enforce the negotiation or performance of a contract thus cutting out the middleman²

Most virtual currencies run on something called “blockchain” which was created by an entity known as Satoshi Nakamoto. Blockchain provides an open decentralized database of any transaction involving value, creating a record whose authenticity can be verified by the entire community. Anyone with access to the internet can join blockchain transactions, and in this system the third party who validates the transaction is no longer necessary. People using blockchain don't trust the person they are engaging in transactions with but they trust the system because all users can see the full transaction history, which are stored in blocks of information so every person knows the truth and thus serves as the middleman. This decentralized system of trust is predominantly immune to hacks, because every user has a full transaction history; thus if a hacker wanted to change the transaction history or make a false transaction they would need to hack every single device that was verifying the blockchain transactions.

The uses of virtual currency currently are centered around bitcoin and alternative coins, and their individual purchasing power. As the value of bitcoin continues to rise more companies and organizations begin to view bitcoin as a valid currency, and accept bitcoin as a source of payment. A key moment in virtual currency was the Dao hack, and the effect of it still resonates today. The Decentralized Autonomous Organization (known as The DAO) was meant to operate like a venture capital fund for the crypto and decentralized space. The DAO was extremely successful, thus alluring investors and accumulating millions of dollars, and thousands of ether (the coin value for ethereum). 18th of June, members of the Ethereum community noticed that funds were being drained from The DAO³. The virtual currency community came together to decide what direction the virtual currency blockchain would proceed, and decided to have a soft fork and a hard fork, thus creating two different blockchains; one where the DAO hack never

¹ FIN-2013-G001: Application of FinCEN's Regulations to Persons Administering, Exchanging, or Using Virtual Currencies”

² <https://blockgeeks.com/guides/smart-contracts/>

³ <https://www.cryptocompare.com/coins/guides/the-dao-the-hack-the-soft-fork-and-the-hard-fork/>

happened, and one where it did. The implications of this led to the belief that centralization of virtual currency was fundamentally flawed and is now what inspires the decentralization of virtual currency