

IISP Model G20 Study Guide

Global Finance, Trade & Investment Council

(Finance Track)

Agenda: Exploring strategies for MENA (Middle East and North Africa) economies to foster economic growth while managing debt and reducing inflation to regulate crypto and maintain stable trade flows amidst conflict situations.

Letter from the Executive Board

Dear Delegates,

Welcome to the *Global Finance, Trade & Investment Council* focusing on one of the most pressing economic challenges of our time: developing comprehensive strategies for Middle East and North Africa (MENA) economies to achieve sustainable growth while navigating multiple interconnected crises.

The MENA region stands at a critical juncture. While the region is projected to see economic growth increase from 2.2% in 2024 to 2.6% in 2025, this recovery masks deeper structural vulnerabilities that threaten long-term stability. With external debt in the region reaching a record \$443 billion and ongoing conflicts disrupting crucial trade routes like the Suez Canal, we need innovative, collaborative solutions that address both immediate challenges and long-term sustainability.

As G20 representatives, you embody the collective economic power of nations that account for 80% of global GDP and 75% of international trade. Your discussions must reflect this responsibility and produce actionable strategies that can genuinely transform MENA's economic trajectory.

The complexity of our agenda reflects the reality that modern economic challenges cannot be solved in isolation. The MENA region's economic future depends on our ability to address debt sustainability, inflation control, emerging digital currencies, and trade security as interconnected challenges requiring coordinated responses. Your role extends beyond national interests to encompass regional stability and global economic security.

We encourage bold thinking, evidence-based proposals, and solutions that recognize the interconnected nature of debt management, inflation control, cryptocurrency regulation, and trade stability. Remember that the countries you represent have both the power and obligation to support regional stability through economic cooperation. The disruption of trade flows through the Red Sea

and Suez Canal has already demonstrated how regional conflicts can have global economic impacts, affecting supply chains, energy prices, and inflation rates worldwide.

We expect you to approach this session with creativity, pragmatism, and a commitment to finding solutions that work for diverse economic contexts - from oil-rich Gulf states to import-dependent economies like Egypt and Jordan. Consider how successful initiatives like Saudi Arabia's Vision 2030 and the UAE's diversification efforts can serve as models while recognizing that each economy requires tailored approaches.

Your recommendations should be specific, implementable, and consider both immediate relief measures and long-term structural reforms. The world is watching, and the MENA region's 400 million people depend on our collective wisdom and action.

Sincerely,

Agam Mundra & Aarya Hande

Executive Board

Global Finance, Trade & Investment Council (GFTIC)

Agenda Explanation and Objectives

This Committee addresses four interconnected pillars of MENA economic strategy:

1. Economic Growth Strategies

How can MENA economies diversify beyond oil dependence and create sustainable, inclusive growth that generates employment and reduces inequality?

2. Debt Management

What innovative approaches can address the region's mounting debt crisis while preserving fiscal space for essential public investments?

3. Inflation Control and Cryptocurrency Regulation

How should governments balance the need to control inflation with the emerging opportunities and risks of digital currencies?

4. Trade Flow Stability

What mechanisms can ensure stable trade routes and supply chains in a region affected by geopolitical tensions and conflicts?

What We Want to Achieve

- **Innovative Solutions:** Development of creative policy frameworks that address multiple challenges simultaneously
- **Regional Cooperation:** Strategies that enhance economic integration and mutual support among MENA countries
- **Global Partnership:** Identification of specific ways G20 nations can support MENA economic transformation
- **Practical Implementation:** Creation of actionable roadmaps with clear timelines and measurable outcomes

Background and Context

Regional Economic Overview

The Middle East and North Africa region encompasses 19 countries with a combined population of over 400 million people and represents a crucial bridge between Europe, Africa, and Asia. The region's economic landscape is characterized by significant diversity: oil-rich Gulf Cooperation Council (GCC) states, emerging economies like Morocco and Jordan, and countries facing acute economic challenges such as Egypt and Lebanon.

Despite this diversity, MENA economies share common challenges that have been exacerbated by recent global crises. The COVID-19 pandemic, the Russia-Ukraine conflict, and ongoing regional tensions have exposed structural vulnerabilities while creating new opportunities for economic transformation.

The World Bank projects regional growth to increase from a modest 1.9% in 2024 to 2.6% in 2025, with GCC countries expected to lead recovery with 4.2% growth as oil production cuts are phased out. However, this recovery is shadowed by persistent structural challenges including high youth unemployment, gender gaps in economic participation, and over-reliance on hydrocarbon revenues.

The Debt Crisis: A Regional Challenge

MENA's debt situation has reached critical levels, with total external debt climbing to a record \$443 billion in 2023, representing a 23% increase since 2020. This debt burden varies significantly across countries, with Egypt leading at \$168 billion, followed by Morocco (\$69.3 billion) and Lebanon (\$67 billion).

The composition of this debt reveals changing creditor relationships. Private creditors now account for 40% of the region's public and publicly guaranteed debt, compared to 36% for multilateral institutions and 24% for bilateral partners. This shift has created new challenges for debt restructuring and relief efforts.

Oil-importing countries face particular difficulties. Unlike their oil-exporting neighbors, these economies have been unable to "grow out of debt" or "inflate debt away" due to structural factors including exchange rate fluctuations and extra-budgetary expenditures. For every percentage point decrease in debt-to-GDP ratio achieved through growth, almost half is offset by increasing nominal debt stocks.

Egypt exemplifies these challenges. Despite securing multiple IMF agreements, including a \$8 billion facility in March 2024, the country continues to struggle with debt sustainability. The IMF's fourth review in December 2024 highlighted concerns about slow privatization progress and the state's continued dominant role in the economy.

Inflation Pressures and Monetary Challenges

Inflation remains a persistent concern across MENA, though with significant regional variations. In December 2021, inflation ranged from 6.5% in Qatar to -0.4% deflation in Bahrain. The regional average of 2.2% masks underlying vulnerabilities related to food security, energy prices, and import dependence.

Transport costs have emerged as major inflation drivers, rising 10.2% year-over-year across the GCC due to fuel price increases and vehicle shortages from global supply chain disruptions. Food price inflation, while more moderate at 3.0% regionally, disproportionately affects lower-income populations.

The inflation challenge is complicated by exchange rate pressures. Countries with fixed exchange rates linked to the US dollar face imported inflation when the dollar strengthens, while those with flexible rates must balance devaluation benefits for exports against increased import costs.

Cryptocurrency Regulation: Navigating Digital Transformation

The MENA region has emerged as a significant player in global cryptocurrency markets, ranking seventh globally with \$338.7 billion in on-chain value received between July 2023 and June 2024. However, regulatory approaches vary dramatically across the region, creating a complex patchwork of frameworks.

The United Arab Emirates leads regional crypto regulation with comprehensive licensing systems managed by multiple authorities. The Central Bank of the UAE's Payment Token Services Regulation, effective August 2024, requires stablecoins to be backed by UAE Dirhams and mandates licensing for all crypto service providers. Dubai's Virtual Assets Regulatory Authority (VARA) and the Financial Services Regulatory Authority (FSRA) provide additional oversight.

Saudi Arabia maintains a cautious approach, prohibiting institutional crypto engagement while exploring blockchain applications through supervised fintech sandboxes. The Kingdom's participation in the mBridge CBDC pilot with China, Thailand, and Hong Kong signals growing interest in central bank digital currencies.

Other regional approaches vary widely. Bahrain implemented comprehensive crypto regulations in 2019, while Qatar recently introduced a limited digital assets framework expected to be finalized in Q2 2025.

Kuwait has imposed blanket bans on crypto services, and Oman is developing VASP registration requirements.

Central Bank Digital Currencies (CBDCs) represent a particular area of regional innovation. The UAE plans to launch a retail CBDC in Q4 2025, while Project Aber between Saudi Arabia and the UAE tested cross-border CBDC transactions as early as 2019.

Trade Flows Under Pressure

Regional conflicts have severely disrupted critical trade routes, with the Suez Canal bearing the brunt of security concerns. Houthi attacks in the Red Sea beginning in November 2023 caused Suez Canal traffic to plummet by approximately 50% in early 2024, with some estimates suggesting a 66% decline.

This disruption has far-reaching economic consequences. Egypt's Suez Canal revenues fell by 40-50%, representing a significant blow to the country's foreign currency earnings. Globally, the rerouting of ships around Africa's Cape of Good Hope adds 10-14 days to Asia-Europe voyages and increases shipping costs substantially.

Energy markets have been particularly affected. Southbound oil transit through the Suez fell from 7.9 million barrels per day in 2023 to 3.9 million barrels per day in 2024. Virtually, all jet fuel shipments to Europe stopped using the Suez route once attacks began.

The broader economic impact extends beyond direct shipping costs. Rerouted vessels traveling 50-60% farther produce roughly 40% more carbon dioxide emissions per voyage, highlighting environmental consequences alongside economic costs.

Country-Specific Contexts and Examples

1. Saudi Arabia: Vision 2030 as a Diversification Model

Saudi Arabia's Vision 2030 represents the most comprehensive economic diversification effort in the region. Launched in 2016, the program aims to reduce oil dependency from 75% of government revenues to achieve 50% non-oil GDP by 2030.

The program has achieved notable progress. The non-oil sector now accounts for 52% of GDP, with projections to reach 65% by 2030. Key achievements include:

- Women's workforce participation increasing from 17.4% to 36.2% by late 2024
- Over \$5 trillion committed to more than 5,000 projects, including the futuristic NEOM city
- Non-oil exports surging 16.5% in the first half of 2025
- S&P upgrading Saudi Arabia's credit rating to 'A+' in March 2025

2. Egypt: Managing Crisis and Reform

Egypt's economic challenges illustrate the difficulties facing import-dependent MENA economies. Despite multiple IMF agreements, the country continues to struggle with debt sustainability, currency stability, and structural reforms.

Recent developments include:

- IMF approval of \$1.2 billion disbursement in December 2024 under the fourth review
- Currency devaluation of 40% in March 2024 to unify exchange rates
- Inflation declining from a peak of 38% in September 2023 to 13.9% currently
- Slow progress on privatization, achieving only \$600 million of a projected \$3 billion target

The IMF continues to emphasize the need for greater private sector involvement and reduced state dominance in the economy.

3. United Arab Emirates: Successful Diversification

The UAE demonstrates successful economic diversification, with non-oil sectors contributing a record 77.3% of GDP in Q1 2025. Key performance indicators include:

- Real GDP growth of 4% in 2024, reaching Dh1.776 trillion
- Non-oil economy growth of 5% to Dh1.342 trillion
- Manufacturing sector leading with 7.7% growth
- Trade sector contributing 16.8% of non-oil GDP

The UAE's success stems from strategic investments in infrastructure, financial services, tourism, and technology, supported by business-friendly policies and regulatory frameworks.

G20 Role and International Cooperation

The G20 has established several mechanisms relevant to MENA economic challenges, though their effectiveness varies. Key initiatives include:

Debt Relief and Restructuring

The G20's Debt Service Suspension Initiative (DSSI), launched in May 2020, suspended \$12.9 billion in debt-service payments for participating countries through December 2021. While helpful during the pandemic, this initiative was limited to the world's poorest countries and did not address middle-income MENA economies' debt challenges.

The Common Framework for Debt Treatments beyond the DSSI represents a more comprehensive approach but has faced implementation challenges. Countries like Chad have experienced delays in debt restructuring negotiations due to disagreements among creditor groups.

Digital Economy Cooperation

Saudi Arabia's G20 presidency in 2020 emphasized digital economy development, establishing frameworks for measuring digital economic activity and promoting international cooperation on emerging technologies. The G20 Digital Economy Ministers Meeting highlighted the importance of trustworthy AI systems, cybersecurity, and bridging digital divides.

Infrastructure and Connectivity

The India-Middle East-Europe Economic Corridor (IMEC), announced at the 2023 G20 New Delhi Summit, represents a major infrastructure initiative connecting Asia, the Middle East, and Europe through railways, ports, and digital infrastructure. However, the project has faced delays due to regional conflicts, particularly the Gaza war.

Expected Solutions and Discussion Points

Delegates should consider the following key areas for innovative solutions:

1. Integrated Debt Management Strategies

- Development of regional debt coordination mechanisms
- Innovative debt-for-development swaps focusing on green and digital infrastructure
- Enhanced private sector creditor participation in restructuring efforts
- Creation of regional development banks with flexible lending terms

2. Inflation Control and Monetary Cooperation

- Establishment of regional price monitoring systems for essential commodities
- Development of strategic food and energy reserves
- Enhanced monetary policy coordination among regional central banks
- Creation of counter-cyclical fiscal mechanisms

3. Cryptocurrency and Digital Finance Frameworks

- Harmonization of regional cryptocurrency regulations

- Development of cross-border CBDC payment systems
- Establishment of regional digital asset oversight mechanisms
- Integration of crypto regulations with traditional financial stability frameworks

4. Trade Security and Diversification

- Creation of alternative trade route development funds
- Establishment of regional shipping security mechanisms
- Development of overland connectivity projects to reduce maritime dependence
- Investment in port infrastructure and logistics capabilities

5. Economic Diversification Support

- Technology transfer mechanisms from G20 to MENA countries
- Joint investment funds for renewable energy and manufacturing
- Regional skills development and education programs
- Support for small and medium enterprise development

Key Questions for Discussion

1. How can G20 countries structure debt relief programs that incentivize structural reforms while providing immediate fiscal space?
2. What role should cryptocurrency and CBDCs play in MENA economic diversification strategies?
3. How can regional trade routes be secured and diversified to reduce dependence on conflict-prone areas?
4. What specific mechanisms can ensure that economic growth benefits reach all population segments, particularly women and youth?
5. How can oil-rich and oil-poor MENA countries cooperate more effectively to achieve mutual economic benefits?
6. What innovative financing mechanisms can support the massive infrastructure investments required for economic diversification?
7. How should MENA countries balance economic opening with maintaining strategic sovereignty over key sectors?

Expected Outcomes

The Committee Sessions should produce:

- A comprehensive action plan with specific timelines and responsibilities
- Innovative policy frameworks addressing multiple challenges simultaneously
- Clear commitments from G20 countries for technical and financial support
- Mechanisms for monitoring and evaluating progress on economic transformation
- Strategies for enhancing regional economic integration and cooperation

This study guide provides the foundation for informed discussion and creative problem-solving. Delegates are encouraged to research their assigned countries' specific positions and interests while considering the broader regional and global implications of the proposed agenda.

For Further Reading

Macroeconomic & Fiscal Analysis

- **OECD - Fragile States & Economic Outlook Reports**
Focus: Fiscal policies, post-conflict economic stabilization, and investment climate.
- **African Development Bank (AfDB) - African Economic Outlook Reports**
Focus: Regional growth, debt dynamics, and cross-border trade disruptions.
- **UNDP - Human Development Reports in Conflict-Affected Economies**
Focus: Poverty, governance, and resilience-building interventions.

Trade & Supply Chain Risks

- **World Trade Organization (WTO) - Trade and Conflict Reports**
Focus: Disruptions in maritime chokepoints, transit corridors, and global supply chains.
- **International Transport Forum (ITF) - Logistics and Freight Reports**
Focus: Shipping delays, insurance costs, and resilience planning in high-risk zones.
- **UNCTAD - Trade and Development Reports**
Focus: Port congestion, alternative routing, and regional trade facilitation strategies.

Humanitarian, Development, and Peace Nexus

- **World Food Programme (WFP) - Regional Food Security Assessments**
Focus: Food supply chain disruptions and emergency response coordination.
- **OCHA - Financial Tracking Service (FTS) Reports**
Focus: Pooled funding, multi-year financing, and flexible allocation mechanisms.

Conflict Economies & Illicit Finance

- **Financial Action Task Force (FATF) - Conflict Zone Guidance**
Focus: Anti-smuggling, trade-based money laundering, and financial oversight mechanisms.
- **Global Initiative Against Transnational Organized Crime (GI-TOC) Reports**
Focus: War economies, illicit flows, and governance challenges.
- **ACLED (Armed Conflict Location & Event Data Project)**
Focus: Conflict hotspots, spillover dynamics, and risk mapping for trade/investment.

Debt, Reconstruction, and Blended Finance

- **IMF - Debt Sustainability Analyses & Crisis Financing Tools**
Focus: Fast-track restructuring, blended finance instruments, and fiscal shock mitigation.
- **FinDev Lab & Blended Finance Taskforce Reports**
Focus: Innovative funding structures, risk-sharing mechanisms, and private sector engagement.
- **UN Capital Development Fund (UNCDF) - Local Finance Models**
Focus: Subnational funding mechanisms, public-private collaboration, and resilience finance.

Case Studies & Regional Analyses

- **Brookings Institution - Post-Conflict Reconstruction Case Studies**
Focus: Lessons from Afghanistan, Iraq, and African contexts on economic recovery.
- **Chatham House - Conflict Economies & Governance Papers**
Focus: Policy frameworks, state fragility, and cross-border coordination models.
- **Regional Development Bank Reports (e.g., AfDB, EBRD, IDB)**
Focus: Country-specific strategies for trade, investment, and recovery financing.