

Will coronavirus shock make Arab region ready for universal basic income?

Thu, 2020-04-30 18:45

DUBAI: Denmark's government has guaranteed workers affected by the country's lockdown a minimum of 75 percent of their salaries.

In Italy, populist politician Beppe Grillo is calling for regular payments to "Italians [who] won't have a secure income in the next few months."

In the US, House Speaker Nancy Pelosi is willing to look into instituting a universal basic income (UBI) for Americans, which was at the heart of former Democratic hopeful Andrew Yang's presidential campaign.



As people across the world are being ordered to shelter in place to contain the spread of the coronavirus disease (COVID-19), how they will make basic ends meet has become one of the biggest questions facing policymakers.

Liberal activists are hoping that governments adopting cash transfers as a temporary emergency measure will be compelled to retain it once citizens have seen its benefits.

As in the rest of the world, however, the idea of guaranteeing everyone an income both tantalizes and terrifies the Arab region.

"No country in this world is ready for UBI, an unconditional payment to all residents without any conditions," said Dr. Osman Gulseven, associate professor at Skyline University College in Sharjah.



A young boy drives a small vehicle loaded with recyclable items gathered at a landfill, to be sold for extra income, in the Iraqi holy city of Najaf on June 9, 2019. (AFP/File Photo)

“This is not only economically infeasible but also financially impossible for most Arab countries. Those payments will come from taxes, which will again be collected from society – specifically the working middle class.

“It is quite illogical to transfer money from the working people to everyone else.”

Although some countries have initiated UBI-like schemes to shore up their COVID-19-battered economies, he does not view it as a potential long-term solution.

“This is an unprecedented crisis period,” Gulseven told Arab News. “Typically, any money paid by the government has to be financed from somewhere. Printing money will cause inflation, which has devastating effects on the economy.”

Taxing more from sales and income will further crimp economic activity, in his view.

Opinion

This section contains relevant reference points, placed in (Opinion field)

“It is also impossible to pay back everything without financial resources,” Gulseven said. “Arab countries do not have the financial means for UBI. Only a few Gulf countries with substantial currency reserves can afford UBI, that too only for their citizens.”

Gulseven’s view is seconded by George Politis, visiting lecturer at the Costas Grammenos Centre for Shipping, Trade and Finance, who says UBI will not work in periods of financial distress.

“We need normality, functioning economies, growth and prosperity,” he said. “Once normality is achieved, the key indicators to study will be GDP per capita, public spending-to-GDP ratio, and poverty levels in order to calculate how much is needed for a given population and whether the state can afford the cost.”



Palestinians sit by a fire at the Khan Yunis reguee camp in the southern Gaza Strip on January 28, 2020. (AFP/File Photo)

Politis said UBI in emerging markets could only work through an international or regional body since states cannot self-finance such a policy.

“The lesson from the EU is that there is little appetite among larger and smaller economies for mutual financial collaboration towards surviving the current crisis,” he said.

The International Labor Organization (ILO) estimated in 2018 that UBI’s impact on poverty and inequality depends on such factors as the level of

benefits, their capacity to meet people's needs, and sources of funding.

FASTFACT

17.9%

GDP cost of UBI if adopted in MENA. (Source: ILO)

The study found that the cost would range from 17.9 percent of GDP in the Middle East and North Africa (MENA) region to about 25 percent of GDP in Asia, Europe and Latin America.

"Some UBI proposals have the potential to advance equity and social justice, and others do not," the ILO report said.

"Governments that consider implementing a UBI should carefully examine all options, including the progressive or regressive aspects of the proposed measures, the winners and losers, and the potential risks and trade-offs."



An Iraqi street vendor sells worry beads after measures of social distancing were eased by the authorities, ahead of the fasting month of Ramadan, in central Baghdad on April 22, 2020. (AFP/File Photo)

According to Dr. Albadr Al-Shateri, former politics professor at the National Defense College in Abu Dhabi, UBI would be an excellent idea for the Arab world, but the groundwork has yet to be laid.

“The development of citizenship in the Western context passed through three phases: first civil liberties, then political participation and finally economic rights,” he told Arab News.

“The Arab world, or any other region for that matter, cannot skip stages.”

He said most Arab countries will be hard-pressed to implement UBI as such a scheme requires sustainable economic structures, something most of them lack.

“Many Arab countries rely on one or two products to maintain their income, which are subject to the vagaries of the international market,” Al-Shateri said.



A vendor, wearing a mask for protection against the coronavirus, stands next to ladies handbags displayed for sale at a shop in the Mall of Dubai on April 28, 2020, after the shopping centre was reopened. (AFP)

“Even if states in the Levant can maintain a sustainable economy, UBI would be hard to sustain. And if a good segment of the population expects regular income from the government, failure to meet that expectation would have dire political consequences.”

Al-Shateri says the dual shock of wars and the COVID-19 pandemic does not bode well for the future of the MENA region.

“Gulf Cooperation Council (GCC) countries are not in position to extend a helping hand because of the fall of oil prices, the economic slowdown and the war in Yemen,” he said.

Even before the COVID-19 storm hit, economic conditions in many Arab countries were precarious at best.



Emirati men, wearing protective masks to combat the spread coronavirus, walk in the Mall of Dubai on April 28, 2020, after the mall was reopened. (AFP)

Lebanon was already on the verge of collapse, and Syria was reeling from the aftermath of the civil war, which had also damaged the Jordanian economy.

The Palestinian economy remains heavily dependent on the generosity of foreign donors.

“The Levant region might experience more political conflict as a result of the economic woes,” Al-Shateri said.

Cyril Widdershoven, director at Verocy, a Dutch consultancy advising on investments, energy and infrastructure risks and opportunities in the Arab region, concurs with Al-Shateri’s gloomy prognosis.

“Jordan is struggling owing to a lack of reserves, desert agriculture and high unemployment,” he told Arab News.

If the GCC countries are hit by an economic crisis, foreign workers from Egypt, Jordan and Lebanon would face unemployment, which in turn would affect the budgets of their home countries because of the dependence on Gulf remittances, Widdershoven explained.

“Priority should be given in the post-coronavirus era to diversification of

economy, population control and sustainable GDP growth. Demand for migration will increase as fewer opportunities at home will force young people to look towards the US, EU and Australia.”

The potential and most obvious solution for many is International Monetary Fund (IMF) assistance, although it already has applications for support from more than 90 countries, says Politis, who is also a part of the Faculty of Finance at Cass Business School at the University of London.

“The terms for funding will probably be more relaxed than before. After all, this is a global humanitarian problem,” he told Arab News.

“Additionally, a number of local foundations and ultra-wealthy individuals could support people in need, such as refugees and immigrants.”

Some experts expect Levant countries to seek IMF support and use Arab Monetary Fund help for the financing of essential activities.

“There is a very sharp decline from remittances to Levant countries. I expect a devaluation in the Jordanian dinar as there are just not enough reserves to keep the exchange rate pegged to the US dollar,” Gulseven said.

“Poverty and income inequality have always been a significant problem in the region. While I think poverty will increase, I do not see any mass hunger situation.

“The Levantine area has fertile soil suitable for many kinds of agricultural activities and the region is a major exporter of grain, fruit and vegetable.”

Gulseven says the crisis is likely to give a boost to agricultural activities in the Arab region, adding that it is essential that enough of this food supply stays within the region.

“As long as we stay in peace together, we can withstand these difficult times,” he told Arab News. “However, standing together means a fair sharing of income and reduced inequality.

“People in the Levant are already questioning the role of the government in society, and the hungry and desperate will start taking action because they will think they have nothing to lose.

“Now is not the right time for any kind of internal or regional conflicts, so decision-makers should treat the ensuring of food and social safety for all as a matter of utmost importance.”







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[Libya's unity government says rejects Haftar's truce offer](#)

Thu, 2020-04-30 18:03

TRIPOLI: Libya's UN-recognised government on Thursday rejected a truce unilaterally called the day before by military strongman Khalifa Haftar, saying it "did not trust" its eastern-based rival.

The move follows successes on the ground for forces loyal to the Tripoli-based Government of National Accord (GNA) against Haftar's troops in recent weeks, just over a year since he launched an offensive on the capital.

The GNA said in a statement that it did not trust Haftar, who controls the east and swathes of southern Libya, accusing him of violating previous truces.

"These violations make it so we do not trust truce announcements (from Haftar)," the GNA said.

Any "ceasefire needs to have international safeguards and mechanisms" to monitor its implementation and to document violations, it added.

Haftar's camp had said on Wednesday it would cease hostilities for the duration of Ramadan in response to international calls for a truce.

On April 24, the United Nations, European Union and several countries called for both sides to lay down their arms during the holy month, which began in Libya that day.

The oil-rich North African nation has been gripped by chaos since the 2011 ouster and killing of longtime dictator Moamer Kadhafi, with rival administrations in the east and west vying for power.

"The commander general announces the halting of military operations from his side," Ahmad al-Mesmari, a spokesman for Haftar, had declared on Wednesday from the eastern city of Benghazi.

He warned violations by the GNA would be met with an "immediate and harsh response."

However, fighting did not stop in Tripoli after Mesmari's announcement, with explosions still heard from the centre of the capital, according to an AFP correspondent.

The GNA said in its own statement that it would continue in its "legitimate defence", attacking "any threat where it exists and putting an end to outlaw groups", alluding to forces loyal to Haftar.

Since fighting began in April 2019, several ceasefires between Haftar's

forces and the GNA have fallen through, with both sides blaming the other for violations.

Haftar's opponents accuse him of wanting to establish a new military dictatorship in the country.

On Monday he claimed he had "a popular mandate" to govern, declaring a key 2015 political deal to be finished and vowing to press his assault to seize Tripoli.

But the UN, EU, Washington and other countries have reiterated that the 2015 agreement remains the only framework for recognised institutions in Libya. Haftar claims legitimacy from an eastern-based parliament elected in 2014, but the body has not said whether it supported his move.

He did not offer specifics on how he had received his "mandate" or from which institution.

Nor did he say whether the parliament, which was forced to move its headquarters after violence ripped apart Tripoli six years ago, would be dissolved.

The GNA dismissed Haftar's announcement as a "farce", saying Thursday that he was "not a partner for peace".

"We have before us a bloodthirsty person obsessed with power," it added in its statement.

Haftar's call for a truce comes after several setbacks for his forces in recent weeks, with GNA fighters ousting them from two key coastal cities west of Tripoli.

Backed by Turkey, GNA troops are now encircling Haftar's main rear base at Tarhuna, 80 kilometres (50 miles) southeast of the capital.

In recent months, foreign military involvement has exacerbated Libya's conflict, with the United Arab Emirates and Russia backing Haftar and Ankara supplying the GNA.



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[Lebanese PM: Government to seek IMF aid](#)

Thu, 2020-04-30 17:36

BEIRUT: Lebanon's prime minister said Thursday his government will go ahead and seek financial assistance from the International Monetary Fund based on an economic and financial reform plan approved earlier in the day.

Hassan Diab described the plan adopted unanimously by the Cabinet as a comprehensive "roadmap" for dealing with the country's spiraling financial crisis, the worst since the 1975-90 civil war.

"Today, I can say that we are going the right way to extract Lebanon from its

deep financial crisis," he said.

International donors have long demanded that Lebanon institute major economic changes and anti-corruption measures to unlock billions in pledges made in 2018.

The Cabinet at a meeting earlier on Thursday in Baabda Palace in Beirut endorsed a long-awaited economic rescue plan meant to address a spiraling financial crisis and nationwide protests amid a currency collapse and a surge in prices.

"Today is a historic day for Lebanon, because for the first time it endorses an economic-financial plan, after lack of planning and the lack of prospects for the future that almost brought the country to ruin," President Michel Aoun said at the beginning of the Cabinet meeting.

The plan was finalized following several days of violent confrontations between protesters and Lebanese security forces that saw dozens of angry youth vandalizing local banks in the northern city of Tripoli and the southern port city of Sidon. The violence left one protester dead and several injured on both sides in some of the most serious anti-government rioting triggered by the economic crisis amid a weeks-long coronavirus lockdown. Lebanese politicians have traded blame over who is responsible for the crisis, the worst since Lebanon's 15-year civil war ended in 1990.

International donors have long demanded that Lebanon institute major economic changes and anti-corruption measures to unlock \$11 billion in pledges made in 2018. But the country's economic crisis deepened and the cash-strapped government announced in March it is defaulting on its sovereign debt for the first time.

Most are now looking to the IMF, hoping the economic rescue plan opens the door for talks of financial assistance. So far the IMF has only offered Lebanon technical assistance and the government has not formally sought financial support.

Panic and anger gripped the public as they watched the national currency, the Lebanese pound, which has been pegged to the dollar for almost three decades, plummet, losing more than 60% of its value in recent weeks. Public debt has soared while the economy contracted and foreign inflows dried up in the already heavily indebted country that relies on imports for most of its basic goods.

Meanwhile, banks have imposed informal capital controls, limiting withdrawal of dollars and foreign transfers in the country.

The tiny Mediterranean country of about 5 million people is one the most indebted in the world, with the national debt forming nearly 170% of the GDP. Nationwide protests broke out in October against the country's political class because of widespread corruption and mismanagement of resources. Leaks on the economic plan to Lebanese media suggest the country needs \$80 billion in funds to get out of the crisis, including \$10 to \$15 billion in external financing in the next five years.

Diab's government came to office in January after his predecessor, Saad Hariri, stepped down in the face of mass protests. But the new Cabinet quickly became embroiled in a nationwide health crisis over the novel coronavirus, a crisis that deepened the country's economic recession.



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[Last Israeli farmers leave enclave after Jordan deal ends](#)

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Thu, 2020-04-30 13:27

TSOFAR: Israeli farmers left an agricultural enclave in neighboring Jordan possibly for the last time Thursday, as the extension of a lease enabling their use of the border land expired.

Ghumar, known as Tsofar in Hebrew, is a Jordanian territory south of the Dead Sea that was occupied by Israel during the Six Day War of 1967.

Under the 1994 peace deal, Jordan retained sovereignty over the area, along with another territory called Baqura, seized when Israeli forces infiltrated Jordan in 1950.

As part of the 1994 agreement, Jordan agreed to lease both places to Israel for a renewable 25 years, with a one-year notice period for either party. The lease expired in November after Jordan's King Abdullah II notified Israel that it wanted to take back the two areas.

His decision came as the country suffers high unemployment, inflation and poverty, exacerbated by the presence of hundreds of thousands of refugees fleeing the war in neighboring Syria.

Despite the peace agreement, relations with Israel have been tense in recent years.

Baqura, or Naharayim in Hebrew, was reclaimed in November.

But the kingdom gave Israeli farmers six months to finish growing their crops in Ghumar, a period that expired on Thursday.

Erez Gibori, a farmer from Ghumar whose fields were in the enclave, told AFP Jordan's decision to take back the lands went "against the spirit of the peace agreement."

Gibori said the last farmers, who had grown peppers in the enclave, had left it by Thursday afternoon.

Opinion polls have repeatedly found that the peace treaty with Israel is overwhelmingly opposed by Jordanians, more than half of whom are of Palestinian origin.



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[Oman urges public firms to speed up replacing foreigners with citizens](#)

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Wed, 2020-04-29 16:57

MUSCAT: Oman has ordered state-owned companies to accelerate the process of replacing foreign staff with Omani nationals, especially in senior positions, to create more jobs for its citizens.

The finance ministry gave public sector companies until July 2021 to draw up timetables to appoint Omanis in the place of foreign staff, including in managerial positions.

The ministry said large numbers of expatriates still occupied managerial posts in state-run firms.

Foreigners make up more than 40 percent of Oman's population of 4.6 million, and have played a major role in the Gulf state's development for several decades.

Around 25 million foreign nationals, mostly Asians, live and work in the Arab Gulf.

But the region has been hit hard by falling crude prices since 2014, and suffered a new blow with the coronavirus pandemic and its impact on world markets.

Faced with an economic slump and a sharp drop in oil revenues, Oman and other Gulf Cooperation Council (GCC) states have been trying hard to create jobs for their own citizens.

The GCC states of Oman, Saudi Arabia, the United Arab Emirates, Kuwait, Qatar and Bahrain are seeking to diversify their economies and integrate millions of new graduates into the workforce.

All have introduced legislation to give nationals preference over foreigners in both the public and private sectors.



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