



ECONOMIC DEVELOPMENT AND SECURITY FOR AFGHANISTAN

Increasing Jobs and Income
with the Help of the Gulf States



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Guenter Overfeld & Michael Zumot
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Cover photo: An Afghan laborer looks on in Kabul, Afghanistan, Tuesday, Oct. 30, 2007. (AP Photo/Rafiq Maqbool)

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Executive Summary

Jobs and income generation for Afghan people are two key elements to increase development and achieve stability in Afghanistan. With a jobless rate of 40 percent (out of a total labor force estimated at about 15 million people in 2004) and 44 percent of the population below the age of 14, the issue is of paramount importance. Jobs and income generation are also relevant for the international community's efforts to tackle the Taliban insurgency in the near term. Given the widely accepted position that many "rank and file" Taliban fighters are "Taliban for economic reasons" they should be open to reintegration where economic opportunities are created. The upcoming London conference on Afghanistan on January 28 will see Afghanistan's president unveil a plan to offer jobs, education, pensions and land to Taliban fighters who lay down their weapons as part of the reconciliation and reintegration plan.¹

While President Karzai promises economic opportunities for the Taliban, Afghanistan remains heavily dependent on foreign aid and has few sources of income generation for the government or the people. There is certainly potential for advances in these areas in Afghanistan, in agriculture or mining for example, but it will take time to develop them and make them sustainable. In the short term, no significant improvements are expected in the labor market. Achieving some progress and stability in Afghanistan, however, is time-critical. Dwindling support for international engagement in the country highlights this urgency.

In light of this situation, the international community should focus on developing Afghanistan's migrant labor capacity in a targeted and systematic way in order to increase the prospects for income generation in the form of remittances. The development of semi-skilled and skilled vocational sectors in line with forecast requirements of employment markets, targeting the Gulf Cooperation Council² member states, could provide a near-term solution to Afghanistan's limited economic prospects.

- The potential of remittances to enhance economic development in poor developing nations is highlighted by the many successful examples of remittance flows to Asian countries, whose workers are based

1 Borger, Julian. "Karzai plans to woo Taliban with 'land, work and pensions.'" *The Guardian*, January 19, 2010, <http://www.guardian.co.uk/world/2010/jan/19/hamid-karzai-afghanistan-taliban>

2 The Gulf Cooperation Council includes Saudi Arabia, the United Arab Emirates, Kuwait, Qatar, Bahrain, and Oman

in member states of the Gulf Cooperation Council. In that context, the volume of remittances sent home is, for many developing countries, the largest source by far of external capital. In many cases migrant labor contributes considerably to the Gross Domestic Product (GDP) of recipient countries.

- Despite the financial crisis and subsequent economic problems, economic growth prospects in GCC countries and the need for migrant labor appears to be strong over the coming decade due to large scale infrastructure projects in Saudi Arabia and the U.A.E. in particular.
- The increasing jobless rate among nationals of GCC member countries in coming years is not likely to negatively affect migration flows from the Asian countries as the greatest need remains blue collar unskilled and low-skilled labor. Nationals of GCC countries generally target junior and senior white collar jobs.
- Currently, the numbers of Afghan migrant laborers in GCC countries are relatively small. Afghan migrant labor has so far (often illegally) targeted the neighboring countries of Iran and Pakistan. Due to their own demographic situation and economic difficulties, both countries, however, will not be able to continue to accommodate significant numbers of Afghan migrant laborers. They are, on the contrary, in the process of returning Afghan nationals back to Afghanistan and implementing significant refugee return programs.
- A coordinated approach by GCC countries in line with expected labor requirements would considerably enhance the stability of Afghanistan via remittances. Historically, GCC member states have shown a strong commitment to supporting Afghanistan. With the expected economic growth in GCC countries, there is the further potential for a considerable strengthening of bilateral relations and an increase in the numbers of Afghan migrant laborers to GCC countries. Such a move would quickly result in external income for Afghanistan and contribute to its economic development.
- The large numbers of Pakistani migrant laborers in GCC countries and the role their remittances play in the Pakistani economy may lead to friction with Afghanistan if Afghan laborers in GCC countries are perceived as competition harmful to Pakistan's economy. A possibility to avoid such a situation would be a cooperative approach based on a quota system that allows Afghanistan to profit from the increase in labor demand expected over the next years in a predictable and agreed-upon way.
- Many international donors have given their support to the Kabul government, actively promoting vocational education and training

in the context of their development programs. The next logical step is to strengthen these programs in line with needs of migrant labor markets to qualify unskilled Afghan labor force for employment opportunities.

- Cooperation between GCC countries and the international community's training programs in Afghanistan would help deliver migrant labor programs in a targeted and economically viable manner.

Afghan Migrant Labor

Even if concrete figures are not available, it is safe to assume that the number of Afghan migrant workers in GCC countries is minor compared to other South and Southeast Asian migrant workers, and the scale of remittances is therefore marginal.

Though solid figures are not available, at least 53,000 Afghan workers using Pakistani passports are reported to have been hired in the U.A.E. Afghan government sources have hinted informally at more than 100,000 Afghan labor migrants currently working in GCC countries mostly with (often fake) Pakistani passports and visas.³

Afghanistan has one of the highest population growth rates in the world, estimated at 2.69 percent.⁴ Added to the decades of instability and economic decay, there is a very high pressure to search for employment elsewhere. So far, neighboring Iran and Pakistan have been the major recipients of mostly illegal and unskilled migrant laborers from Afghanistan. Two million irregular migrants are estimated to live in Iran and Pakistan. Some four million Afghans are living in Iran and Pakistan (of a total population currently estimated to be at about 28 million). This figure takes into account the 2.1 million Afghan refugees in Pakistan and 920,000 in Iran.⁵

Iran and Pakistan have declared their intention to reduce the number of unregistered Afghans. In the last three years alone, Iran has deported about one million Afghans according to aid agencies and government officials.⁶ In the second half of 2009, a further 200,000 Afghans were expelled from Iran.⁷ Most of the deportees were single male migrants.

Despite the repatriation programs and high rates of unemployment and economic difficulties in Iran, the numbers of unregistered Afghan workers has increased in the informal labor market there. Afghans in Iran are a very competitive labor force willing to put up with very low wages and are reputed to be hard workers.

3 See "Post Conflict Reforms":- <http://www.ddrafg.com/B%20the%20Reintegration/25%20PCR%20labor%20migration%20final%20brief.pdf>

4 Central Intelligence Agency, "Afghanistan," The World Factbook, 2010 <https://www.cia.gov/library/publications/the-world-factbook/geos/af.html>

5 Tauhid Pasha, "Afghan Labour Migration and Human Resource Development", International Organization for Migration (IOM), March 2008.

6 *Ibid.*

7 Integrated Regional Information Networks (IRIN), "Afghanistan-Iran: Sharp rise in deportations from Iran," 21 July 2009, <http://www.unhcr.org/refworld/docid/4a682444c.html> [accessed 26 January 2010]

A U.N. report published in December 2008 referring to UNHCR and ILO sources came to the conclusion that Afghan remittances from Iran amounted to \$500 million, equivalent to 6 percent of Afghanistan's GDP.⁸ A study analyzing the economic relevance of Afghan laborers in the 1990s in Iran has found that between 1994 and 1995, the Afghan labor force contributed to 4.4 percent to the Iranian GNP, in part by buying gifts, clothes, and other commodities to send home.

Strengthening Afghanistan's Migrant Labor Base

The Afghan Ministry of Education has initiated a 'Technical and Vocational Education and Training' program aimed at providing high-quality, relevant technical and vocational educational opportunities for male and female Afghans. The program equips participants with marketable skills that meet the needs of the labor market in Afghanistan and, importantly, in other countries as well.⁹

The program has delivered training facilities and schools, reforming the curriculum to meet the needs of the labor market and training teachers and thousands of skilled and semi-skilled Afghan workers through short-term technical and vocational training courses linked to the national literacy strategy.¹⁰

The program is a valuable foundation on which to build and a first step towards enabling Afghans to compete with other Asian migrant workers in GCC countries. It is supported by several development agencies such as the United States Agency for International Development (USAID),¹¹ the World Bank, the Danish International Development Agency (DANIDA), the United Nations Children's Fund (UNICEF), and the German Agency for Technical Cooperation (GTZ).

There are several other organizations working to provide vocational training, especially for Afghan women. Their projects aim to increase the self-suffi-

8 U.N. News Centre, "Afghan remittances from Iran total \$500 million annually, says UN report," December 7, 2008. <http://www.un.org/apps/news/story.asp?NewsID=29218&Cr=afghan&Cr1=>

9 Islamic Republic of Afghanistan Ministry of Education, *National Education Strategic Plan for Afghanistan: 1385-1389*, 2007. <http://www.gtz.de/de/dokumente/en-verbesserung-grundbildung-afghanistan.pdf>. p.78

10 *Ibid.*

11 U.S. Agency for International Development, Afghanistan, "Project Information Sheet: Building Capacity – Vocational Training Center," January 2006. <http://www.afghaneic.org/pdf/Project%20Information%20Sheets/Building%20Capacity-Vocational%20Training%20Center.pdf>

ciency of vulnerable women, including widows, by helping them acquire new skills to enter trades that offer better incomes. One program, implemented by the World University Service of Canada and CARE Canada, includes: identifying possible niches in the job market; providing training opportunities to help women meet labor market demands; and devising a system of job placements and apprenticeships to help increase women's employment prospects.¹²

To date, however, these programs have not specified the labor markets or skills shortages they target in other countries. Explicitly focusing skills training and development on projected labor requirements of nearby GCC states will help establish Afghanistan as a source of migrant labor.

The Importance of Migrant Labor for Pakistan

While considering the potential of remittances from future Afghan migrant laborers in GCC countries for economic recovery in Afghanistan, one has to take into account the important role of GCC countries for Pakistani migrant labor and the possibility of unhealthy 'competition' between both countries for that labor market: competition that might, in principle, further complicate an already difficult bilateral relationship.

Pakistan, a country with a population of 168 million growing at a rate of 1.96 percent, plagued by decades of political instability and difficult economic circumstances, has 4 million labor migrants worldwide. Currently, 1.67 million Pakistani migrant workers are in GCC countries, ranking second after Indians (see Table 1.1). Pakistani remittances from GCC countries constitute about half of all remittances the country receives from its nationals worldwide. The first nine months of 2007 saw an increase in remittances of more than 20 percent as high oil prices and strong economies in GCC countries led to an increasing demand for migrant labor.¹³ A study using latest time series data for the period 1972-1973 to 2002-2003 found that overall real GDP in Pakistan, as well as growth rates in small-scale manufacturing, construction, transport, communication, and wholesale and retail trade, were positively affected by remittances. In the biennium of 1972-1973 to 2002-2003, remittances were the third largest source of capital for economic growth in Pakistan.

¹² Vocational Training for Afghan Women, CARE Canada, <http://care.ca/main/index.php?en&VTAWP>

¹³ "World Bank Migration and Development Brief," Development Prospects Group, Migration and Remittances Team, November 29, 2007, <http://siteresources.worldbank.org/EXTDECPROSPECTS/Resources/476882-1157133580628/BriefingNote3.pdf>

Table 1.1: Migrant workers (in thousands) in Gulf states

Nationality	Indian	Pakistani	Egyptian	Bangladeshi	Filipino	Sri Lankan	Indonesian
Bahrain	120	50	30	--	25	--	--
Kuwait	320	100	260	170	70	170	9
Oman	330	70	30	110	--	30	--
Qatar	100	100	35	--	50	35	--
KSA	1300	900	900	400	500	350	250
UAE	1200	450	140	100	120	160	--

Source: Andrzej Kapiszewski, 'Arab Versus Asian Migrant Workers in the GCC Countries,' United Nations Secretariat Department of Economic and Social Affairs, May 2006. http://www.un.org/esa/population/meetings/EGM_Ittmig_Arab/P02_Kapiszewski.pdf

According to the latest data from the State Bank of Pakistan, overseas Pakistanis remitted \$780.5 million in August 2009, 31.78 percent more than the corresponding period last year. In 2008, Pakistan received \$7.811 billion, about 5 percent of the country's GDP in remittances.¹⁴

Pakistani labor migrants, on average, receive incomes five to eight times higher than they receive from employment in their home country, remitting an average of 78 percent of their salaries.¹⁵ Remittances from Pakistani labor migrants have been an important component of Pakistan's balance of payments and have also helped strengthen the Pakistani rupee.

Around 130,000 Pakistanis leave the country every year in search of labor. This number only includes those who migrate legally; at least twice that number opts to go abroad through illegal channels. The overall contribution of Pakistani labor to GCC countries amounts to 7 percent of their GDP. In the U.A.E. alone, the Pakistani contribution amounts to 18 percent.

¹⁴ Saad Hasan, "Remittances rise 31.78pc to \$780.5 million" *The News*, September 11, 2009 http://www.thenews.com.pk/daily_detail.asp?id=197731

¹⁵ Samuel Munzele Maimbo, "Remittances and financial sector development in conflict-affected countries," Small Enterprise Development Agency, January 2007 <http://siteresources.worldbank.org/INTMIGDEV/Resources/2838212-1160686302996/AfricaGrowth.pdf>

Migrant Labor: The Positive Impact of Remittances

Empirical evidence identifies many cases where remittances from migrant laborers have had positive direct and indirect effects on development, employment generation, and capital accumulation.¹⁶ A University of Iowa study shows how remittances have significant effects on economic stability and growth in the countries of origin. For many developing nations, remittances have increased the gross national domestic product by a significant percentage. In 2000, the U.N. pointed out that remittances increased the GDPs of El Salvador, Jamaica, Jordan, and Nicaragua by 10 percent. The World Bank reported that in 2004 remittances accounted for approximately 31 percent, 25 percent, and 12 percent of Tonga's, Haiti's, and Nicaragua's GDP respectively.¹⁷

Remittances sent from migrant workers have gained significant importance over the past decades and can generate substantial welfare gains for migrants and their families if suitable policies are developed to manage the flow and transfer of remittances.¹⁸ Remittances have equally helped the countries of origin to cushion the effects of rising oil prices and contributed to the financing of small businesses.¹⁹ It is estimated that even a 3 percent increase in the number of temporary visas issued to migrant workers would raise the world income by \$16 billion.²⁰

A study by the Pakistan Institute for Development Economics on the contribution of workers' remittances to economic growth shows a positive and highly significant relationship between workers' remittances and real GDP growth. It finds that higher remittances are associated with higher economic

16 Louka T. Katseli, Robert E.B. Lucas and Theodora Xenogiani, "Effects of Migration on Sending Countries: What do We Know?" International Symposium on International Migration and Development, August 31, 2006, http://www.un.org/esa/population/migration/turin/Symposium_Turin_files/P11_Katseli.pdf

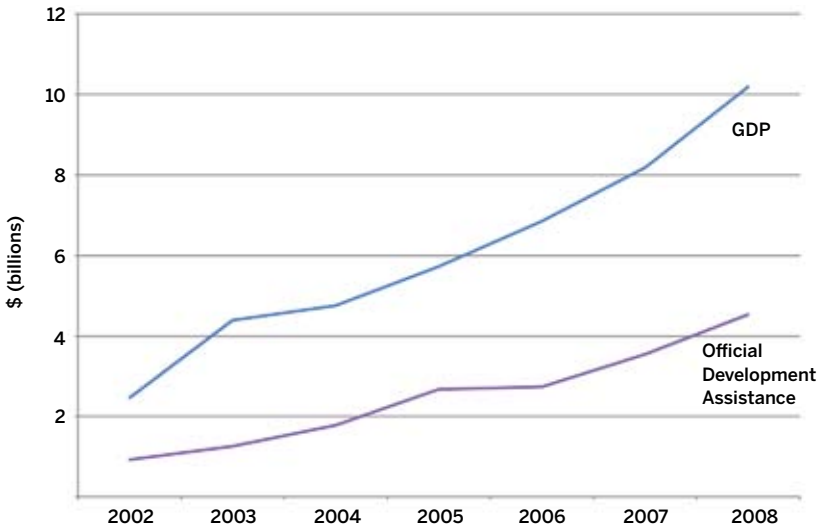
17 Enrique Carrasco and Jane Ro, *Remittances and Development*, University of Iowa Center for International Finance and Development, <http://www.uiowa.edu/ifdebook/ebook2/contents/part4-II.shtml>

18 Post Conflict Reforms, Fact Sheet, Labor Migration- The Concept: Afghanistan, March 2006, <http://www.ddraftg.com/B%20the%20Reintegration%25%20PCR%20labor%20migration%20final%20brief.pdf>

19 Samuel Munzele Maimbo, "Remittances and financial sector development in conflict-affected countries," Small Enterprise Development Agency, January 2007 <http://siteresources.worldbank.org/INTMIGDEV/Resources/2838212-1160686302996/AfricaGrowth.pdf>

20 Sofia Biller, "UICIFD Briefing No. 3: Remittances," University of Iowa Center for International Finance and Development, February 1, 2007, <http://www.uiowa.edu/ifdebook/briefings/docs/remittance.shtml>

Afghanistan's Dependence on Foreign Aid



Source: World Bank/OECD

growth as an increase of 1 percentage point in the remittances-to-GDP ratio leads to GDP growth of 0.4 percent per year.²¹

Official records for remittances recorded by the World Bank for 2005 suggest remittances exceeded \$225 billion of which 71 percent went to developing countries – double all combined sources of development aid. The World Bank estimates that remittances sent through informal channels such as the *hawala* system²² could account for an additional 50 percent on top of the official estimate, making remittances a potentially transformative component of the Afghan GDP.²³ Against that backdrop, the possible relevance of remittances to Afghanistan is highlighted by the fact that, according to recent figures, almost a third of Afghanistan's GDP is based on aid disbursements. It is reasonable to assume that remittances from Afghan migrant workers would

21 Zafar Iqbal and Abdus Sattar, "The Contribution of Worker's Remittances to Economic Growth," Pakistan Institute for Development Economics, 2005, <http://www.pide.org.pk/publication/ResearchReport.html>

22 The *hawala* system, originating from Islamic law, is one way of transferring funds, both domestically and internationally, without the use of a formal banking system. The *hawala* system is usually carried out by *hawala* brokers, or *hawaladars*, where the migrant gives a sum of money to one broker who then contacts another broker in the country of origin to transfer the sum, minus small commission, and sends it to the designated recipient.

23 Post Conflict Reforms, Fact Sheet, Labor Migration- The Concept: Afghanistan, March 2006, <http://www.ddrafg.com/B%20the%20Reintegration/25%20PCR%20labor%20migration%20final%20brief.pdf>

be comparable to those of other migrant labor forces from Asia. In such a case, remittances would considerably improve the ratio between aid disbursements and GDP and, importantly, raise the income of many Afghan families.

Gulf Countries and Asian Labor Migration

One of the largest markets for Asian job seekers has been the countries of the Gulf Cooperation Council (GCC). Since the beginning of the 1970s, GCC countries have attracted hundreds of thousands of labor migrants notably from South and Southeast Asia (see Table 1.2).

Table 1.2: Distribution of Asian workers in GCC countries

Country	Population (in millions)	% of Asian labor migrants	% in the labor market
U.A.E.	4.5	80%	90%
Qatar	1.5	72%	81%
Kuwait	2.5	64%	82%
Saudi Arabia	28.6	30%	69%
Oman	3.25	26%	60%
Bahrain	0.8	38%	60%

Source: Center for Arab Unity Studies, <http://www.caus.org.lb/Home/index.php>

Asian workers in GCC countries are estimated to send home an average of \$30 billion per year.²⁴ It is estimated that within the next decade, the number of Asian workers in GCC countries will reach 18 million (as compared to 14 million in 2007); remittances are expected to increase to \$58 billion. The GCC secretariat notes that since 2003, remittances have increased by 63 percent.²⁵ In the past couple of years, remittances from GCC countries by South and Southeast Asian migrant laborers amounted, in most cases, to more than 6 percent of the GDP of their countries of origin (see Table 1.2).²⁶

²⁴ Sidi Ahmad Walad Ahmad Salem, 'Asian Labourers: Statistics and numbers', Aljazeera Ma'rifah, 2008, <http://www.aljazeera.net/NR/exeres/0806FB21-7E10-4458-85F3-A77494FCEFFE.htm>

²⁵ *Ibid*

²⁶ *Ibid*

Table 1.3: Migrant workers' contribution to GDP of countries of origin

Country	% of GDP
Philippines	8.6
Pakistan	7
Sri Lanka	6.5
Thailand	6.5
Bangladesh	6
Indonesia	4.7
India	3.1

Source: Sidi Ahmad Walad Ahmad Salem, 'Asian Labourers: Statistics and Numbers,' Aljazeera Ma'rifah, 2008, <http://www.aljazeera.net/NR/exeres/0806FB21-7E10-4458-85F3-A77494FCEFFE.htm>

A comprehensive study by the General Secretariat of the GCC on remittances between 1975 and 2002 came to the conclusion that \$414 billion were sent home by migrant workers in that period. Remittances from Saudi Arabia constituted about 60 percent of the total remittance flow, followed by the U.A.E. with nearly 16 percent, while the rest of the GCC member states shared the remaining 24 percent.

Table 1.4: Total remittances from Gulf States from 1975 to 2002

Recipient country	Remittances sent (in billions)
Saudi Arabia	\$260
U.A.E.	\$65
Kuwait	\$29
Oman	\$26
Qatar	\$23
Bahrain	\$11
Total	\$414

Source: Unit for Studies and Economic Integration, General Secretariat of the Gulf Cooperation Council, 'Remittances of foreign workers in the GCC: Determinants and economic effects,' 2006, <http://library.gcc-sg.org/Arabic/Books/ArabicPublish-18.htm>

Economic Growth Prospects of GCC Countries

The ability of GCC countries to attract and absorb significant numbers of migrant laborers in coming years will depend on the economic growth prospects in those countries. Such growth is estimated to result in the creation of up to 4 million new jobs in the GCC states. These jobs are mostly expected in the labor-intensive construction sectors, which are most relevant to migrant workers from Asia. While the financial crisis has slowed growth in GCC countries as well and has led to the subsequent cancellation of work visas, economic growth in GCC countries is expected to continue.²⁷ According to the Qatar's Minister of Energy and Industry, Qatar's economy grew by 11 percent in 2009, mainly due to its natural gas sector.²⁸ Moreover, the construction market within Saudi Arabia, Qatar, and U.A.E. is expected to exhibit favorable growth prospects in coming years. A key driver of growth will be considerable funding allocated to infrastructure projects.²⁹

Of particular relevance is the case of Saudi Arabia. The 2009 budget for Saudi Arabia has been the largest budget in its history with \$127 billion in continued investment in projects that ensure sustainable and balanced economic development. With 7 percent allocated to infrastructure, the 2009 capital budget is 36 percent higher than the capital budget of 2008. Saudi Arabia's real estate sector continues to experience strong demand for housing. Over the next five years, Saudi Arabia is expected to spend \$400 billion alone in infrastructure and construction projects (see Table 1.5).

The U.A.E., with the majority of infrastructure planned by Abu Dhabi, is expected to spend \$275 billion on pipeline projects. Equally, Abu Dhabi is seen by investors as the real estate market likely to exhibit strong performance in coming years.³⁰

Despite the economic crisis and subsequent cancellation of work visas by some GCC countries, the flow of migrant workers to GCC countries has not been affected across the board. Saudi Arabia witnessed an increase of 60,000 migrant laborers from India alone in 2009. Moreover, overall numbers of

27 "GCC Powers of Construction: An Expert Diagnosis," Deloitte, 2009. http://www.deloitte.com/assets/Dcom-Lebanon/Local%20Assets/Documents/Real%20Estate/me_re_gccbrochure_0909.pdf

28 *The Peninsula*, "Qatar Economy Grew 11pc in 2009: Attiyah", January 11, 2010, http://www.thepeninsulaqatar.com/Display_news.asp?section=business_news&month=january2010&file=busines_news2010011103743.xml

29 "GCC Powers of Construction: An Expert Diagnosis," Deloitte, 2009. http://www.deloitte.com/assets/Dcom-Lebanon/Local%20Assets/Documents/Real%20Estate/me_re_gccbrochure_0909.pdf

30 *Ibid.*

migrant laborers in GCC countries in 2009 are comparable to those in 2008. This is especially true for Sri Lankan, Pakistani, Bangladeshi, and Nepali nationals.³¹

It should be noted that at this point, migrant laborers' contribution to the economy of recipient GCC countries is also considerable. Migrant laborers spend money within the recipient country, on accommodation, food, purchase of commodities, gifts, transportation, travel, etc. Some sources estimate that the average contribution of migrant laborers to GCC countries' GDP could amount to as much as 9 percent,³² illustrating the fact that economic benefits of migrant labor are not one-sided, but constitute a "two way street."

Table 1.5: GCC construction sector, key project overview

Country	Value of projects planned or under way	Key project	USD (billion)
Saudi Arabia	\$578,398	Expansion of King Abdul Aziz Int'l Airport	3
		Mecca monorail	5
		King Abdullah Economic City	27
		Jazan Economic City	27
Kuwait	\$267,423	Silk City (2030)	131
		Refinery at Al Zour	15
		Gas fired power station	43
		Mass Rapid Transfer	71
U.A.E.	\$916,515	Abu Dhabi International Airport expansion	7
		Masdar City, Abu Dhabi	22
		Dubai Industrial City	15
		Festival City Dubai	5

Source: 'GCC Powers of Construction: GCC countries construction sector,' Deloitte, 2009, http://www.deloitte.com/assets/Dcom-Lebanon/Local%20Assets/Documents/Real%20Estate/me_gcc_ppt_0909.pdf

Population Growth in GCC Countries

While demand for migrant laborers should remain strong in coming years, the increasing demand for jobs by GCC nationals themselves must not be overlooked. Very high population growth rates in GCC countries have led to an

³¹ "Industry News," Riyadh Exhibitions Company, December 23, 2009, <http://www.receexpo.com/news.php?id=7062>

³² 'Foreign Labour in the Gulf Diameters,' Center for Arab Unity Studies, Beirut 2003

increase of jobless nationals. While GCC countries lack concrete scientific data on unemployment rates, a recent semi-official study put the rate at around 5.7 percent. In such member states as Saudi Arabia and Bahrain, it appears to exceed 15 percent.³³

A survey conducted recently by the U.A.E. Ministry of Economy on the workforce showed the unemployment rate among U.A.E. citizens was as high as 12.7 percent, while that among expatriates was only about 2.6 percent.³⁴

For this reason, Saudi Arabia (population of around 29 million and a growth rate of 1.9 percent)³⁵, the United Arab Emirates, (population of around 4.7 million and a growth rate of 3.68 percent)³⁶ and Kuwait, (population of around 2.7 million and a growth rate of 3.54 percent) are already considering policies to prioritize nationals over foreigners. This, however, largely concerns junior and senior white collar positions. The readiness of migrant laborers to accept lower wages and much lower living standards than GCC nationals will remain, by all probability, a strong incentive for employers to continue to employ less costly migrant laborers in blue collar positions.³⁷

33 Nadim Kawach, "Unemployment and Poverty Woes to Surge Without Reforms," *Emirates Business*, June 18, 2009, http://www.business24-7.ae/Articles/2009/6/Pages/17062009/06182009_9b244e01f3334806bfecd05b48486169.aspx

34 By Nadim Kawach, 'UAE jobless rate to rise slightly in 2009', July 12, 2009, http://www.business24-7.ae/Articles/2009/7/Pages/11072009/07122009_e17a67fc984d4d37870f478627b4a00c.aspx

35 Central Intelligence Agency, "Saudi Arabia," *The World Factbook*, 2010 <https://www.cia.gov/library/publications/the-world-factbook/geos/sa.html>

36 Central Intelligence Agency, "United Arab Emirates," *The World Factbook*, 2010 <https://www.cia.gov/library/publications/the-world-factbook/geos/ae.html>

37 Ibrahim Saif, *The Oil Boom in the GCC Countries, 2002-2008: Old Challenges, Changing Dynamics*, Carnegie Endowment for International Peace, March 2009, p.17

Conclusions

Remittances of Afghan migrant workers would considerably improve income generation for Afghanistan and positively contribute to its economy, as has happened with migrant laborers from other South and Southeast Asian countries. For both Pakistan and Afghanistan, remittances can be seen as a key tool for family income generation and as a key contributing factor in national economic development.

The Afghan migrant labor force should look to the GCC countries where as many as 4 million new jobs are expected in labor-intensive sectors over the next decade.

Given the pressure from Iran and Pakistan on Afghan migrant flows to those countries, there is an increasing need to find job opportunities in non-traditional labor markets outside Afghanistan, Iran and Pakistan.

A large number of Afghan migrant laborers in the GCC might be perceived as competition and a potential risk to Pakistan's economy. On the other hand, if managed properly, increased Afghan labor migration to GCC countries could contribute to economic stability in the border regions of Afghanistan and Pakistan. The development of a country-based quota system for migrant labor from Pakistan and Afghanistan in the GCC countries might enhance the prospect for confidence building.

The sensitive Afghanistan-Pakistan relationship, especially as it relates to potential competition for migrant employment and remittances can be solved if the GCC member states implement quotas on migrants from both countries. Such a quota system must take into account historical migration flows from Pakistan, the skills and number of the Afghan migrant labor force, the needs and capabilities of the Afghan and Pakistani economies, and the expected increase in GCC jobs over the next decade.

Despite heavy dependence on volatile oil revenues and rapid population growth, GCC countries' standard of living and economic development have continued to rise. At the same time, GCC countries have played a constructive role in assisting other developing countries in the region through financial support, employment opportunities, and maintaining liberal exchange and trade systems.³⁸

Some positive steps are also worth noting. In April 2008, Afghanistan and Qatar signed a bilateral agreement that regulated the flow of Afghan laborers

38 Ugo Fasano and Zubair Iqbal, *GCC Countries: From Oil Dependence to Diversification*, International Monetary Fund, 2003. <http://www.imf.org/external/pubs/ft/med/2003/eng/fasano/index.htm>

in Qatar³⁹ and strengthened bilateral relations between the two countries. Kuwait and Afghanistan have just completed an extensive consultation on improving and deepening bilateral relations.

Any national and/or international program that organizes and strengthens Afghan migrant workers' capacity to secure jobs and send back remittances will lead to better economic conditions in Afghanistan. This may also contribute to improved bilateral relations.

The international community can assist the GCC by continuing to invest in training programs that produce Afghan labor that matches GCC needs over the coming decade and facilitates remittances. These remittances are among few means of generating the income that Afghanistan crucially needs for its economic development and independence, and eventually its sustainability.

³⁹ Qatar Ministry of Labour, April, 2008, <http://www.mol.gov.qa/mediacenter/highlights/Pages/n27ap08.aspx>

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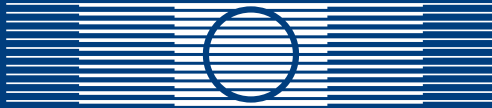
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