

Egypt and the New Silk Road

by Professor Dr. Mohammed Al-Sayid Selim

This is a translation from Arabic of the speech presented by Dr. Selim to a conference in Port Said, Egypt on April 13-15, entitled "The New Silk Road and Its Impact on Egyptian Interests." The conference was organized by the Asian Studies Center in the Faculty of Economics of the University of Cairo. The title of his speech, our guest column here, was "Egypt and the New Silk Road: The Potentials for Amplifying Egyptian Interests." (See Hussein al Nadeem and Muriel Mirak-Weissbach, "Egypt Seminar Takes Up LaRouche, Silk Road," EIR, May 26, 2000.)

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Railways have played a key role in economic development processes, either as a prelude to this development or as part of it. It is acknowledged that the construction of the transcontinental railways in the United States and Canada, whose aim was to connect their east coasts to their west coasts, greatly contributed to the emergence of the economic power of these two states. In the late 19th century, the Ottoman Sultan Abdul-Hamid II started work on strengthening the Ottoman state by connecting the wide territories of the periphery to the center with the Baghdad Railway. The problem was, that the project turned into a field of imperial competition among the European companies within the Ottoman Empire. Moreover, the political turmoil, which characterized the Ottoman state, especially after Abdul-Hamid was deposed in 1909, and Turkey's involvement in World War I in 1914, prevented the state from harvesting the fruits of this project.

Currently, there are two rail projects under construction in Asia. The first one is the Trans-Asian Railway, a project which was started in the 1970s. This project is limited to Asia and is intended to link Istanbul to Singapore. The second project is the Eurasian Land-Bridge, or what is called "the New Silk Road." This is a project which was started in the beginning of the 1990s, to connect Asia with Europe.¹

The New Silk Road is regarded as one of the major results of the end of the "Cold War." That end led certain Asian forces to expand their foreign economic spheres, and to link themselves to the process of economic globalization. In this respect, China, Turkey, and Iran played important roles in

developing and implementing the idea of this project. Parts of this project have already been built, and that, for the greater part, took place inside China. On June 3, 1992, China officially announced that it was about to operate the Eurasian Rail-Bridge, which is a high-speed rail line linking the Chinese East Coast to Central Asia. In September of that year, the line was extended from the port of Liangyungang in Jiangsu province north of Shanghai, to the Alataw pass to Kazakstan through Urumqi, the capital of Xinjiang province. China explained that the line shortens the distance to the Middle East and Egypt by 3,000 kilometers in comparison with the southern Eurasian route.

In its turn, Egypt started building what is called "the Orient Express," a rail line starting from the Nile Delta through Al-Ismailia [on the Suez Canal] and Al-Fardan [on the eastern bank of the Suez opposite Al-Ismailia] to Rafah on the Egyptian border [with the Gaza Strip (Palestine) and Israel]. It is calculated that this line will extend throughout the Arabian Al-Mashriq [or geographical east of the Arab world, including Syria, Lebanon, Jordan, and Iraq] to connect with the New Silk Road.

Here we assess the impact of this giant Eurasian project on Egyptian interests, both from the profitable opportunities it provides, as well as the dangers it poses to the Egyptian economy.

This article is divided into three sections. The first deals with the probable impact of the New Silk Road on Egyptian interests. Second, what has been achieved up till the year 2000. And, the third deals with the opportunities that are open for Egypt to be connected to this project, in light of the Middle East peace process, and what policies could be followed to amplify the chances of Egypt becoming part of this project and how to benefit from it.

I. The Impact of the New Silk Road on Egyptian Interests

We can outline four key aspects through which the New Silk Road will affect Egyptian Interests:

1. The impact of the New Silk Road on international trade overall:

Some experts assume that the building of the Eurasian Land-Bridge will lead to the flourishing of the world economy as a whole, and therefore, will increase the amount of commercial exchange among nations. And this development will benefit the Egyptian economy through the increasing amount

1. Mary Burdman and Konstantin George, "Eurasian Rail Project: Building the World's Greatest Rail Network," *EIR*, July 17, 1992, pp. 28-32.



Professor Dr. Mohammed Al-Sayid Selim (right), with EIR's Muriel Mirak-Weissbach, at a seminar organized by the Center for Asian Studies at the University of Cairo, in 1998. The seminar was on the coming financial crisis and the perspective for extending the Eurasian Land-Bridge into Africa.

of trade passing through Egypt in general and the Suez Canal in particular. Thus, the Eurasian Land-Bridge will have a positive effect on world trade, with Egypt partially benefitting from that.²

2. The impact of the New Silk Road on Egypt's strategic location:

A state's geographic location had great significance in determining its strategic position prior to the age of development of communications technology in the second half of the 20th century. The Eurasian Land-Bridge has the potential of rebuilding transportation routes among Asia, Europe, and Africa. Because Egypt is planning to connect itself to this road, it could extend to North Africa, in the case that the Libya-Egypt rail line is built. Therefore, the Eurasian Land-Bridge will lead to Egypt regaining its strategic position as a nodal point between Asia, Europe, and Africa, in addition to opening new horizons for the speedy transport of commodities to the nations to which the New Silk Road will extend.

3. The impact of the New Silk Road on Egypt's relationship with the Central Asian nations:

2. Muriel Mirak-Weissbach, "How Egypt Could Link Africa to the Eurasian Land-Bridge," *EIR*, Jan. 22, 1999, pp. 18-22.

Egypt has no direct geographical connection with the Central Asian States, either by sea or by land. This constitutes one of the obstacles in the way of trade between Egypt and these states. The New Silk Road has the potential of providing a means of land communications with the Central Asian states through two alternatives: One, is the transport of goods by sea to Iranian ports, and from there through the Iranian rail network to Central Asia. The other, is to transport goods on the New Silk Road when it is completed.

4. The impact of the New Silk Road on navigation in the Suez Canal:

It is not definitively clear to what extent the building of the New Silk Road will affect navigation through the Suez Canal.

The construction of the New Silk Road will probably attract a share of the commodities that are transported from East and Southeast Asia to Europe, as they will be transported by rail on this line. The statistics of the Suez Canal Authority indicate that, in 1999, the commodities transported via the Suez Canal from East and Southeast Asia on their way north, amounted to 41.9% of the total quantity of goods transported through the canal (128,623 tons out of 306,670 tons). It is possible that a portion of this volume will be diverted to the Eurasian Land-Bridge. However, this possibility is still small, due to the fact that the commodities transported via the New Silk Road would have to pass through a number of states, which would mean increased transit tariffs, checking operations, and reshipment, with costs far higher than that of passage through the Suez Canal. Higher costs will lead governments to be careful about routing great portions of their commodities for long-haul transport on this road. Therefore, it is to be expected that this road will be used primarily for short-haul transport of goods, or in areas that do not have access to navigable sea routes, such as transportation between China and Central Asia.

5. The impact of building the New Silk Road on the development in East Port Said:

Egypt is currently building the East Port Said project, which includes construction of a port to the east of the mouth of the Suez Canal and an industrial zone to the south of that port. This project will be connected to the "Orient Express" railway, which extends from Al-Fardan to Rafah. There are also plans to link it to the Eastern Arabia railway network, and Anatolia, to Europe. There will be a short, 35 km line emerging from the Orient Express Rafah-Al Fardan line at Baluza. The fact is, that when the New Silk Road is connected to this line, it will have positive effects on the East Port Said project, because it will be possible to transport the products from this industrial project to the Arab east and to Central Asia.

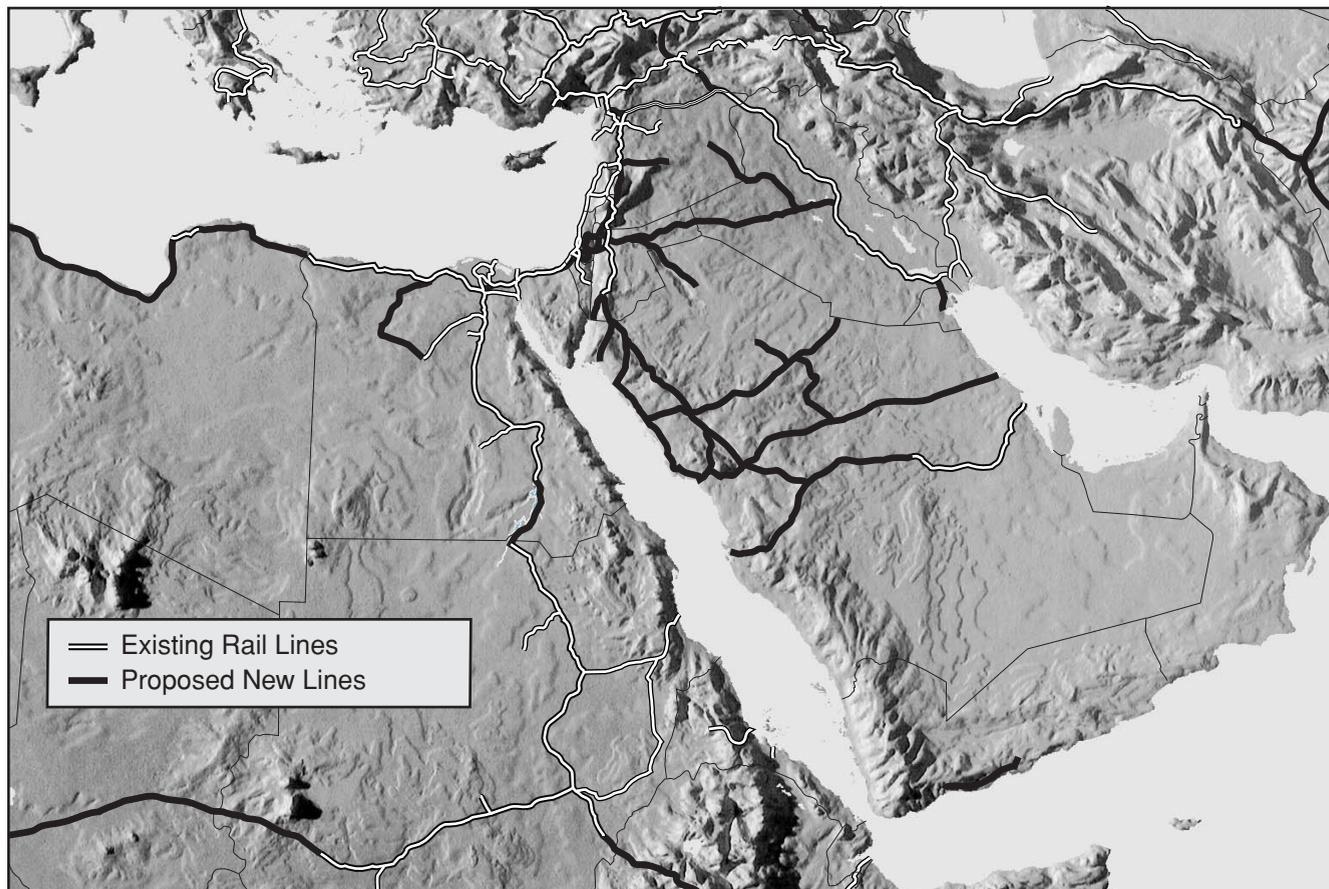
In general, it can be assumed that the effects of the New Silk Road on Egyptian interests will be mostly positive. But, these effects can be achieved to the extent Egypt would endeavor to draw the maximum benefit from the revenues to be expected from building this road. This leads us to the Egyptian project for linking up with the New Silk Road.

FIGURE 1
Central Asia: Existing and Newly Constructed Railways



FIGURE 2

Greater Middle East, Existing and Proposed Rail Development (Arab League)



II. What Has Been Achieved So Far

Egypt is currently building the Orient Express rail line, which extends from Al-Fardan to the west [of the Suez Canal], then crosses the canal over a bridge, and goes northward for 50 km; it then goes east in a line parallel with the Mediterranean coast [north of Sinai], passing by Lake Bardawil, and later to Rafah. The total length of the line is 225 km. The rails have already been constructed, and station platforms have been built for 56 km of the line. The project’s cost amounts to 1,575 million Egyptian pounds, including an extra line that extends to Port Said to service the port and the Sharq Al-Tafria zone. The first stage of the project will be inaugurated by the end of year 2000.³

This rail line has been called the “Orient Express Train,” because it is expected to extend through the Arab Al-Mashriq to connect with the rail network there and to Anatolia, and from there to Europe. These lines were traditionally known as “The Orient Express.”⁴ Egyptian Transport Minister Dr.

Al-Demeri has stated that “the rail-bridge and the railway across the Egyptian territories will become a decisive element in the return of the Orient Express Train, when the other Arab countries fulfill their commitments to complete this line.”⁵ This reflects the Egyptian intention to become part of the rail network in the Arabian east and Turkey, to Europe. However, this connection should include the New Silk Road coming from the east and going west.

3. Suez Canal Authority, *Yearly Report*, 1999, p. 64.

4. “The Return of the Orient Express,” Arabic daily *Al-Ahram*, Nov. 21, 1997; “The Orient Express,” *Al-Ahram*, Jan. 21, 2000. This line was built in

1883. One end used to start in London, and in the port of Dover, passengers boarded ferries to cross the English Channel to Calais, France. From France, trains would run through Paris, Milan, Belgrade, Sofia, and Istanbul. From Istanbul, passengers would cross the Bosphorus by ferry to the Asian side. From there, passenger trains ran on the “Baghdad Railway” from Haidar Pasha Station. This train would go to the center of Anatolia, to Aleppo and Tripoli, Lebanon, where the line ends. Passengers then would take cars to Haifa and then trains to Al-Qantara [west of the Suez Canal] and then to Cairo. Egypt became a member of the international committee supervising the Orient Express in 1938. However, the line was destroyed during World War II. As for Egypt, the end of the line became the Gaza Strip in the aftermath of the 1948 war. The line was put completely out of commission with the Israeli attack in 1967.

5. Statements by the Egyptian Transport Minister to *Al-Ahram*, Dec. 9, 1999.

III. The Egyptian Project for Linking with the New Silk Road

Egypt can link the Rafah rail project with the Orient Express and the New Silk Road in two ways. First, is the land route across Israel through the Israeli-Syrian-Iranian rail networks. The second, is the sea route through Nuweiba el Muzein-Aqaba, because the Rafah rail line can be extended [to the south of Sinai] to Nuweiba el Muzein, where ferries could be used to transport the rail cars to Aqaba and to the Arabian Mashriq. The first route has a historical precedent associated with the previous existence of the Orient Express, which was functional from the beginning of the early 20th century from Aleppo to Haifa and Gaza, and from there to north Sinai and Al-Ismailia. This line was closed when the first Arab-Israeli war [1948] broke out. The reopening of this line implies the end of the Arab-Israeli conflict and the establishment of peace in the Middle East. In light of the current regional and international paradigm shifts, this issue is possible to solve, despite

the balance of the peace that will be achieved. In our assessment, we believe that the goal of Egyptian policy is to reopen this route, because it has already started building the rail line to Rafah in northern Sinai, and especially because there are projects for building a Middle Eastern rail network, as was announced in 1999.

Currently, there is a Turkish-Syrian initiative to revive the Hijaz Railway [see box]. On April 29, 1999, Syria and Turkey signed an agreement in Damascus, Syria to build joint transport networks. The agreement explicitly referred to the concept of “the Eurasian Land-Bridge,” as it stated that Damascus would become the center for a number of rail lines connecting to Europe, Central Asia, and Iran in the north, and to Jordan and Saudi Arabia in the south. The two sides agreed to revive the Hijaz Railway, which was built by the Germans for the Ottoman state in parallel with the Baghdad Railway. The 2,000 km Hijaz Railway went from Istanbul to Damascus and Al-Madinah, Saudi Arabia. In the current agreement, Tur-

Iran, Iraq, and Syria To Connect Their Rail Networks

In a breakthrough for relations among Iraq, Iran, and Syria, in line with the New Silk Road diplomacy, Syrian Railroad Organization Managing Director Mohammad Ayad Qazal said in Tehran on July 20 that Syria and Iran have agreed to link their railroad network across Iraq, and that Syria will soon start negotiations with Iraq on the matter.

At the signing ceremonies of a Memorandum of Understanding (MOU) with Iranian Railway Organization Chairman Rahman Dadman, Ayad Qazal said that the design and construction of the 150 kilometer Syria-Iraq rail link had been contracted out to an Iranian company. He also expressed hope that with the 30 km rail link between the southern Iranian city of Khorramshahr and the Iraqi city of Basrah, the two countries would be linked by rail.

Dadman also welcomed the projected link among Iran, Iraq, and Syria, adding that the line would be an important transportation link to the Mediterranean Sea, the Persian Gulf, and Central Asia. He said that once complete, the Iran-Iraq-Syria rail line would be the most important surface transportation route in the region.

Connections to Turkey

The Iranian-Syrian MOU is related to the construction of rail lines and the launch of a Tehran-Damascus passenger train via Turkey. According to the agreement, a number of Iranian experts will design and construct three rail lines

in Syria, as well as a new underground train in the Syrian city of Halab (Aleppo). The Iranian Railway Organization agreed to dispatch experts for welding track-joints, and to help repair locomotives in Syria while providing them with spare parts and services.

Representatives of Iran, Syria, and Turkey are to meet in Aleppo to agree on target dates for the project. In the beginning, the passenger trains will operate between Tehran and Damascus once a week, but their schedule will be upgraded depending on the number of regular passengers between the two cities.

On July 5, Turkey and Syria inaugurated the Istanbul-Damascus rail line. The Istanbul-Damascus train service was also reopened to Aleppo, signalling the start of operations for passenger and goods transport between the two countries. Turkey and Syria agreed last year to renovate and reopen the Hijaz Railway, which extends through Syria to Lebanon, Jordan, and Saudi Arabia. On the Turkish side, this new line will extend to Iran and Central Asia.

Turkey has also agreed to reopen the Nusaybin-Qamishly line in northeastern Syria, which also links the two countries with the city of Mosul (northwestern Iraq).

Reopening the railways inaugurates a new era in relations among these central nations in the Eastern Mediterranean region and the rest of the Middle East. These kinds of projects upend many Anglo-American geopolitical manipulations and schemes, which say that any regional economic or political development, especially infrastructure projects, should be stopped until the present Iraqi government is overthrown (see “State Department Joins Britain and Kuwait in Plot To Oust Saddam Hussein,” *EIR*, June 2, 2000). — *Hussein Al-Nadeem*

key offered to provide 100 locomotives and rail cars to Syria to enable them to operate the railway. Also in June 1999, Syria and Jordan agreed to reopen their portion of the Hijaz Railway, and to connect the Syrian and Lebanese ports with Jordan and Saudi Arabia.⁶

The second route, a sea route, is similar to the existing agreement between Iran and the authorities in Dubai, in the United Arab Emirates, to connect the two countries by ferry-borne trains. The problem with this project is its high cost. If this route is chosen to connect Egypt with the New Silk Road, Egypt must extend the rail line from Rafah to Nuweiba el Muzein, and build the technology for sea-borne trains. This implies a cost which Egypt cannot afford alone under present circumstances. The same applies to the idea of building a rail tunnel under the Tiran Strait south of the Aqaba Gulf, through which the Orient Express could pass to the Arabian Mashriq. In both cases, there is the hard task of expanding the rail line from Rafah to the Gulf of Sinai throughout the Sinai Peninsula.

6. The London-based Arabic daily *Al-Hayat*, April 30, 1999; Hussein Al-Nadeem, "Mideast Projects Boost Eurasian Land-Bridge," *EIR*, July 23, 1999, p. 7; "Turkey, Syria Set To Revive Hijaz Railway," *EIR*, May 21, 1999, p. 21.

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German Pension Reform

From Social Security to Casino Economy

by William Engdahl

Pension Reform-2000, the latest proposal by Germany's Labor Minister Walter Riester, dramatically changes the German state pension system. It is intended to be the first step in de facto privatization of the state social security program, one of the underpinnings of the postwar German "social market" economic model.

The approval on July 3 by the Social Democratic Party (SPD) Executive of the controversial Riester Plan, and by the Green Party-SPD parliament members on July 4, was greeted in the boardrooms of Deutsche Bank, Allianz Insurance, and similar financial centers, with the sound of champagne corks popping. In the next session of the German Bundestag (parliament) this fall, the plan is expected to win approval, despite growing opposition by the once-powerful SPD trade unions.

Pensions To Be Cut

The Riester plan calls for cutting the percent of a person's publicly funded pension from the present level of 69% of his wage before retirement, down to 64% by 2030. As well, employee tax payments into the State Pension Fund will rise from 20% of gross wages to, "if possible," not more than 22%. This compares with the present U.S. Social Security payroll tax of 12.4%.

It is notable that of 45 people in the SPD Executive eligible to vote, only 19 voted for the plan, 9 voted against, and the rest abstained. Every SPD social policy expert either voted against, or expressed strong reservations, including SPD social security expert Rudolf Dressler and German Trade Union Federation Deputy Chairman Ursula Engelen-Kefer.

The plan was pushed on the party by Social Democratic Chancellor Gerhard Schröder, on the argument that drastic overhaul of the federal government pension structure is needed now, to avoid a collapse of the entire system in the next decades, owing to the rapid aging of Germany's population. Other than Japan and Italy, Germany has the most rapidly aging population of the major industrial nations.

It is not surprising that younger Germans, as well as those at or nearing retirement age, are anxious about the stability of their pensions. For the past several years, in an effort to build popular acceptance for a radical pension privatization