

The Problem of Financing

One of the major problems faced thus far by Egypt, has been financing. Up to now, all these projects have been financed through public, state funds. Egypt is seeking investment from the private sector now, but will maintain predominantly public financing. (It proposes a Public-Private Partnership, whereby the public sector will introduce incentives, to attract private-sector participation. The proportion of public financing, which is nearly total now, should become balanced, 50-50, with private-sector participation.) The kinds of financing made available from outside sources, in these projects, has been in the form of grants; for example, the design for the Alexandria-Giza high-speed train line has been financed by a grant from Spain. In addition, Egypt has made the agreements mentioned, as with Saudi Arabia, granting the right to develop corridors of land, 4 km on each side of any road line, for industrial development.

The Achilles' heel of such infrastructure projects, is, in fact, in the financing. Although up to the present, Egypt has allocated public funds to these and other projects, which means that the state has maintained economic and political control over them. As Lyndon LaRouche has stressed in several writings on infrastructure development, state financing, at least to the extent of 60%, is absolutely crucial, to guarantee the projects. Given that infrastructure is the backbone of any national economy, the state must exert political control, also as a matter of national security. To appreciate the dangers inherent in financing from "international investors," it suffices to review the catastrophe that has befallen the erstwhile peace process in the Middle East: As *EIR* has documented in depth, the moment the World Bank was given control over the implementation of the otherwise sound projects identified in the economic annexes to the 1993 Oslo agreement, the economic perspectives were sabotaged; the World Bank systematically refused to allocate any of the "donor" funds to real infrastructure, especially rail lines, ports, and the like, insisting instead on "repair of existing infrastructure." The Palestinian population, as well as people of Jordan, which signed a peace treaty with Israel in 1994, have thus experienced no peace dividends in economic growth, but, on the contrary, deteriorating conditions, now at the level of outright misery and poverty.

Thus, if Egypt is to succeed with its plans to establish the infrastructure for peace, in collaboration with its Arab neighbors, Turkey, Iran, Europe, and others, then it and its partners must address the issue of financing, from the standpoint of creating new structures, outside the currently disintegrating International Monetary Fund and World Bank system. The same basic approach taken toward a peace perspective—that it must be brought into being by building the infrastructure for it now—should be applied to financing: Create the building blocs now, at least on a regional basis, through sovereign, national banking institutions, for new monetary and financial structures worldwide.

Guest Commentary

Asia and the 'New Arab Mashriq'

by Dr. Mohammed Al-Sayed Selim

Dr. Mohammed Al-Sayed Selim is the Director of the Center for Asian Studies in the Faculty of Economics and Political Science in Cairo University, Egypt. The article was published in the official Egyptian daily newspaper Al-Ahram on April 2. It was translated by Hussein Al-Nadeem. Subheads have been added.

Those who have been contemplating the economic developments in the Arab Mashriq¹ would have noticed that there has been a strategic move toward building what we can call "a New Arab Mashriq." This tendency is, gradually, but definitely, replacing the American-Israeli concept called "the New Middle East." This latter concept was coined by [Israeli Foreign Minister] Shimon Peres in his book with the same title.

The Israeli view of this New Middle East refers to a regional framework based on two pillars: Israel's leadership role in the region based on its technological superiority; and the prioritization of regional economic cooperation before finding a solution to the occupied Arab territories, meaning that economic cooperation would be resumed while Israeli occupation of Arab land and expansion through further settlement building is continued.

It is well known that Egypt rejected the Israeli concept at the time, and explained the New Middle East as equal cooperation, which cannot be separated from ending the problem of the Israeli occupation. When it became obvious that the Israeli right wing, under the leadership of [former Prime Minister Benjamin] Netanyahu, dealt a deadly blow to peace in the Middle East, Egypt, in coordination with other Arab countries, suspended the Middle East-North Africa economic conferences. The last such conferences took place in Qatar in 1997.

What Is New?

Faced with the freezing of the New Middle East project, the Arab states presented the New Arab Mashriq project. This did not appear in the form of a published book or an organized

1. Mashriq in this context means "East" in Arabic. The "Arab Mashriq" refers to the geographical region encompassing Palestine, Lebanon, Jordan, Syria, and Iraq.

conference, but through a series of real measures of comprehensive strategic character, aimed at reshaping the strategic relations in the Arab East.

We can underline three specific measures, emerging from this strategic move:

First, the linking of the electricity grid of Egypt with those of the countries of the Arab East. This project became operational [in February 2001]. It connects Egypt with Jordan, Syria, and Lebanon, and, later, Turkey. This project turned the electricity networks of the several states into one grid, whereby electricity is transferred from one country to another when necessary, and electricity can be supplied to vast areas with the least cost.

The second of these measures is the project of transporting natural gas from Egypt to these countries, and through Turkey to Europe. This includes building a network of gas pipelines. The original project was to build an underwater gas pipeline from Egypt to Turkey through the Mediterranean. But this idea was changed in favor of transporting the gas to Turkey through the Arab states, because the cost of building the pipeline on land would be lower. In addition to supplying more than one country (Turkey), this change reduces the construction cost from \$1 billion to \$700 million.

This natural gas pipeline will extend from Suez to Aqaba in Jordan, and later to Syria, where it will extend in two directions — to Tripoli in northern Lebanon, and to Turkey. A short segment of it will be laid below the surface in the Gulf of Aqaba. This pipeline will carry 12 million cubic meters (mcm) per day of Egyptian natural gas; 3 mcm are allocated to Jordan, 6 mcm to Lebanon, and the rest to Turkey. Syria will not draw from this, because it is natural gas self-sufficient. Thus, Egypt will be linked to Turkey through the New Arab Mashriq.

The third measure includes various projects for railway connections as part of the international development for enhancing land transport throughout the continent, which is known as the “second Eurasian Land-Bridge” (the New Silk Road) from Shanghai to Istanbul, and the Thraseca Road from the Caucasus to northern Europe. Egypt is currently building the Orient Express from Ismailia to Rafah [Gaza Strip], in addition to linking it to the Sharq El-Tafria development project, in order to link Egypt to the above rail projects when the peace process is successful.

Meanwhile, observers have also noticed that there have been inter-Arab, and also Arab-Turkish moves toward activating rail connections. In April 1999, Syria and Turkey signed an agreement in Damascus to build a new rail link between the two countries. According to this agreement, Damascus will become the hub of a number of rail lines that connect Europe to Central Asia through Iran to the east, and to Jordan and Saudi Arabia to the south. The two sides agreed to revive the Hijaz Railway, which used to extend from Istanbul to Damascus and Al-Madina Al-Munawara in Saudi Arabia. In June 1999, Syria and Jordan also signed an agree-

ment for reactivating the Hijaz Railway, to connect Syrian and Lebanese ports to Jordanian and Saudi cities.

Economic Integration Comes First

Closer inspection of these three measures would show that they touch on the process of economic integration through building the basic economic infrastructure of the Arab East. This means that, first, the Arab strategic conception of integration has shifted to that of achieving political integration through development, not the other way around. Arab political literature has always argued that there would be no development without political integration. What is new, is that the emphasis has changed, stating that there could be no integration without joint development.

Second, this process is strongly contributing to the creation of a strategic balance in the Arab East between the Arabs and Israel, making Israel one among the states in the region, no more nor less. This would enable Israel to enter these development projects when the Middle East peace process is complete. It has been well known that Israel wanted to become the distribution center of Egyptian natural gas to the rest of the region. This was rejected by the Arab states. But, the New Arab Mashriq does not overlook the peace process in search of another agenda. On the contrary, it is contributing to deepening the peace process. When peace is achieved through the implementation of the United Nations resolutions and in a way that fulfills the aspirations of the Palestinian people, the eastern Arab states would then be ready to discuss Israel's entry into these development projects, to benefit from them. Israel's entry into this project is not agreed upon yet. When that is done, it will be based on different criteria than [Peres's] New Middle East project. This criterion is that Israel is merely one of the regional states and not the central control board of the region.

On the other hand, the New Arab Mashriq is not isolated from the rest of the Arab World, because the electricity and rail networks will extend, at a later stage, through Egypt, to Libya and the Arab Maghreb [i.e., North Africa].

In a discussion of the peace process during a seminar organized by the Jordanian Diplomatic Institute in a Jordanian Dead Sea resort, Egypt's Ambassador to Jordan, Dr. Mohammed Hijazi, appealed to Arab academicians to consolidate the strategic concept of the New Arab Mashriq. He said: “We are not talking about mere pipes and wires and rail tracks, but about a long-term strategic structure, exactly as the European integration began with the Coal and Steel Union.”

I believe that this appeal deserves the attention of the Arab research institutes, in such a way that the building of the New Arab Mashriq, as a prelude to building the new Arab world, becomes the top priority of the “*scientific research*” of these institutes. Such an attitude would revive the hope in the future of the Arab world, the future which for many looks gloomy and faring from bad to worse, while they ignore the long-term potentials for development and integration.