
Israel

A Middle East development fund

by Amnon Neubach

The following is a speech delivered by Mr. Neubach, economic adviser to Prime Minister Shimon Peres in Israel, printed in EIR by permission of the author. Mr. Neubach made his remarks during a conference on Middle East development held at the Tel Aviv University, in early June, where the prime minister's proposed Marshall Fund was discussed. Mr. Neubach's short speech deals with the prime minister's proposal. Subheads have been added.

It is surely the time now to speak about the elements which lead to peace, after more than 38 years of war in the Middle East, even though during these years there was actually no fighting.

During these years, and particularly from the mid-sixties, the countries in the Middle East have been heavily involved in an arms race, draining us economically. Military expenditures have risen dramatically in all the countries of the Middle East.

In 1975, the trend of the arms race started to change. Egypt reduced her military expenditures from an average level of \$4.5 billion up to 1975 to a level of \$2 billion from 1975 onwards. Egypt's defense burden was reduced from a peak in 1974-75, which was 40% of their GNP, to a low of 10% in 1982-83.

Syria, by contrast, which had at that time fewer economic difficulties during the seventies, continued its military purchasing, increasing from \$500 million at the beginning of the seventies to a level of \$2 billion in 1980-81. Again, in contrast to Egypt, Syria's defense burden was doubled from 10% of the GNP during 1971-72 to a peak of more than 20% at the beginning of the eighties, and to date, they have not reduced it.

Jordan is the only country in the area that, in spite of real growth in military expenditures, succeeded in reducing its defense burden by maintaining a sustained rate of growth from the beginning of the seventies through the beginning of the eighties.

The Israeli case is very similar to that of Syria, which means we continued to maintain a high level of military

expenditure without a real rate of growth, which thus accumulates huge external debts.

Oil price impact

The price cuts of oil during the last year have affected all the countries in the Middle East, especially those countries which are dependent on financial support from oil revenues. I would say that in those countries (Syria, Jordan, and Egypt), we see more or less the same phenomena—while the Syrian situation is worse than the others:

First—A large burden of external debt combined with a heavy debt service.

Second—A sharp reduction of revenue from nationals working abroad.

Third—A shortage of foreign currency reserves. And therefore, fourthly, greatly reduced investments in agriculture, industry, and infrastructure. Under these circumstances, the internal problems in the Middle Eastern countries will influence the whole atmosphere.

I suggest that this idea of the Middle East economic development program as an economic proposal should supersede any political proposal, as it would fulfill the real need of the economy. Perhaps these needs will create economic cooperation in the Middle East.

International response

The last draft which was sent to the industrialized countries received a good response. This development program was designed initially for Egypt, Jordan, Israel, West Bank, and Gaza Strip, but is, however, open to other countries in the Middle East, which will also choose to base some aspects of their foreign policy on joint economic efforts.

Egypt has already made it known that it would like to participate in this project. Abdoul Maguid called the seven ambassadors of the industrialized countries the day before the Tokyo meeting and asked them to support the program. We have reason to believe that King Hussein's attitude is positive, if not more. Reagan and Shultz support the idea, while Shultz is actively pushing it. Thatcher, during her visit here, announced her active support. Kohl of Germany, announced his support by appointing one of the top men in Germany to handle this project.

During the meeting of the seven industrialized countries in Tokyo, this subject was discussed at the level of the foreign ministers.

Mrs. Thatcher, Kohl, and Shultz committed themselves to the project by persuading the other seven countries to participate in it.

The next step should be a meeting of financial experts representing the seven, to discuss the financial aspects of the project, and to meet with their counterparts from the region.

The economic needs may be the real force to persuade the countries in the Middle East to find new ways of cooperating, even though they don't solve the political problems.