Preparing Arab Economy to face the Middle-East Market (MEM). [1] **

Prof. Dr Moustafa El-Abdallah Al Kafry, [2] *

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[2] - * - Prof. Dr Moustafa Mohamed El Abdallellah works at the Faculty of Economy, Damascus University.

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The scheme of a Middle-East market lies from long ago in Israel's thoughts and economic literature. Yet it was not considered for practical implementation until Madrid Peace Conference met in 1991. It seems to be an item included in Israel's master bill of peace. It would comprise countries of the Arab region and Israel, in addition to Iran, Turkey and Ethiopia. This raises a number of questions: 5

- Is MEM emanating from an inner desire of the region, or is it imposed to it from the outside or from the inside?
- Can we afford to decline MEM? For which reasons especially if there is an Arab refusal?
- What is MEM's concept? What are its advantages and disadvantages?

In case Arab countries do not reject it, how can they deal with its disadvantages? MEM is an economic bloc to be established with Israel, autonomous Palestine and Jordan as core members. Below are other countries that may, hypothetically, join the bloc:

- Arab countries, or some of them, and Israel
- Arab countries, or some of them, Turkey and Israel
- Arab countries, or some of them, Turkey, Iran and Israel
- Arab countries, or some of them, Turkey, Iran, Pakistan and Israel

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[5] - Saad Taha Allam, The Middle East Project and Regional Integration, Symposium on Middle East Development Requirements (east and west) under Regional and Global Developments, lsmailia September 1996, p. 123-124.

- Arab countries, or some of them, Turkey, Iran, Ethiopia, Pakistan and Israel.

Many other speculations about MEM's boundaries and members can be brought up and debated theoretically or politically but this is not my intention here. Such controversies, I believe, are a loss of time. Academicians and strategists have been doing this since

the beginning of this century and yet no particular definition has been agreed upon. Well, this is simply because no absolute definition can be fixed for an artificial creature unless we abide by similar criteria. As long as criteria are different, as positions and objectives actually are, every party has a Middle East of its own. Sometimes many Middle Easts, according to the interests at stake. Therefore, Israel Middle East, in terms of security, certainly comprises Iran, Iraq and may be Pakistan and India (mainly after their latest nuclear tests), if we are to speak about nuclear weaponry. On the other hand, this relative geographical designation does not apply at all if we are to speak about tourism or economy. 6

The Middle East concept is a set of regional arrangements, systems and patterns relating to different geographical areas and settings. It is a major catalyst in the peace process from Israel's perspective. It is also so but with varied degrees from international parties' perspectives since it represents the operation of building an order launched from Madrid, Casa Blanca, Amman, Cairo and Doha. Within this context (, the peace process itself is portrayed as a bridge between two situations: regional chaos and conflicts on the one hand and on the other hand a cooperative and systematic regional order based on a set of principles, namely: 7

- Free mobility of capital and joint projects;
- Free mobility of peoples and labor force

[6] - Nassif Hatta, The Arab Future, p. 90.

[7] - Ibid., p. 135

- Free trade of goods, local and foreign products;
- Freedom of residence, of work and of economic activity practice.

MEM's aim is to abolish any Arab economic order that would take place de facto even without being officially announced. It is about establishing regional transportation, electricity and water nets and about making of global development a regional process. That is to say no tourism, no modernization, transportation, facility upgrading, no life or residence will be allowed unless through regional channels. The goal is to transform the region into one economic market. MEM is a-three-phase-project in which Israelis to be the axis, the core and the state of hegemony in the region. In the first phase, a tripartite economic bloc is created between Jordan, Palestine and Israel that would take hold of the labor market and water resources. In the second phase, Egypt, Syria, Jordan, Palestinian self-rule lands, Lebanon and Israel create a trade zone by 2010. In the third and last phase, an Arab economic cooperation zone is established comprising, in addition to the above-mentioned countries of the second phase, GCC countries that would act as main financiers of the market.

Throughout the three phases Israel would have the upper hand and be in control considering its technical and scientific superiority, its military and economic force, and above all its special relation with the United States, the EU and multinationals.

MEM project - as put forward presently, that is to say built on Israel hegemony as a regional and central power enjoying partnership with U.S.A and competing with European countries - would entail the abortion of Arab future economic cooperation and integration or Arab activation of joint economic work. This would be particularly true if the marginalization of the Arab role is maintained, to-gather with a situation of rising conflicts, persistent

Arab disunion and lack of clear Arab strategy for joint economic work. 8

Shimon Perez sets forth its vision of MEM as follows:

- The region has to become within 10 or 15 years from now a common market like in Europe or a free zone like in North America.
- Europe started with steel and iron. We should start with tourism and agriculture.
- Poverty and ignorance are the source of fundamentalism and it is an urge to overcome them.
- Economic and social development is a criterion of Middle East democratization.
- Regional cooperation has to be achieved through a phased approach.
- The ultimate goal is the creation of a regional community with a common market and
- central productive structures similar to the European Community.
- The establishment of peace and security requires a conceptual revolution.
- There is a need to create a new setting for the region, and the establishment of a regional organization is inevitable. 9

[8] - Dr. Abdel Fattah El Ammouss, Mediterranean and Middle East Concepts and Development challenges in the Maghreb, Ismailia Symposium, 24-26 September 1996. p. 122.

[9] - Nassif Hatta, also: Shimon Perez, The Middle East Peace Process and the Mediterranean Basin Malta Revue of International Affairs No 6, January 1995, p. 14.

It was clear for us the Arabs that Perez project's objective (the New MEM) is to achieve Israel economic hegemony and control over the region under the cover of promoting the peace process.

Primary conditions for economic cooperation between the Arabs and Israel are lacked:

Basically, primary conditions of economic cooperation between the Arabs and Israel, especially Israel's neighbors, were never promising for the following reasons:

- The naturalization process was difficult to achieve and psychological barriers were difficult to cope with.
- The gap between Arab economies and Israel's.
- What was meant by such cooperation in the near future had been to make of the Arab market a main outlet for Israeli products in quest of U.S. and Europe's markets.
- Arab exports were planned to be channeled to autonomous Palestine rather than to Israeli domestic consumption.

Everyone knew that primary conditions for Arab-Israeli cooperation were lacking. Nevertheless, economic conferences were held in Casa Blanca, Amman, Cairo and Doha. (It was absolutely obvious that special efforts were made to exaggerate economic cooperation potential between countries of the region, driven by a desire to maximize the power and importance of the peace process. In other words: look at all the benefits Arabs can gain if they concluded peace and a naturalization alliance with Israel. Many Arab leaders could see in it an Israeli octopus stretching out its tentacles). 10

Optimism about any type of economic cooperation between Arab countries and Israel is always linked to the peace process, its development, progression and the attainment of a just and global

[10] - Aoudid Franout & David Libikny, Axim magazine, translated by Helmy Mousa, El Safir paper, issue of 6 September 1996.

peace. This is the only hope for any economic cooperation. Some see in Labor party failure to win Israeli elections a failure of the idea of economic cooperation itself. The proof are the following indicators which appeared after the Likud presided by Netanyahu took power:

- The creation of new settlements in occupied Arab lands.
- Peace negotiations showed no progress between Palestine and Israel.
- Syrian-Israeli peace negotiations reached a deadlock.

Those indicators, and others, are the main reason why no progress did not take place with regard to economic cooperation. Moreover, regression is expected if the situation remains unchanged.

International trade bodies saw in Middle East peace process, and economic conferences held in the region a big commercial opportunity. The light they saw at the end of the tunnel blinded them so much so they did not see what obstacles and difficulties stood in their way out. Multinationals, which believed that the new meaning of the Middle East was regional developmental projects worth billions of dollars, rushed to get tender books, and strove to get to themselves a piece of the cheese, or a share of the treasure.

Casa Blanca Economic Summit:

Casa Blanca Economic Summit was held in November 1994 to consecrate the idea of regional cooperation in the Middle East and to consolidate Mem’s concept. The Middle East peace process thus made a new step forward through translating some of multilateral negotiation working groups ideas into reality. Some economists described Casa Blanca Summit as being (Economic Madrid) as it was attended by representatives of 61 states and 1114 businessmen to see that MEMs train is well set in motion despite controversies about its pace, passenger’s seats or whom having a right to sit in the locomotive. (The Summit asserted a new partnership between governments and businessmen, strong by the interrelation of parties' interests and united goals. In order to structure this new partnership, it was decided to establish regional bodies i.e., Middle East and North Africa Development Bank and a regional office to promoting tourism. The creation of a regional chamber of commerce and a business council was also encouraged, in addition to creating an executive committee in charge of follow-up and coordination between multilateral structures and an executive secretariat for the same purpose). 11 8 About 200 economic projects were proposed during the Conference, 150 of them from Israel, 40 from Egypt, 10 from Jordan and three from Morocco. Such projects included water, agriculture, desertification, tourism, transportation, energy, communication, environment and industry. It was decided to hold the next conference in Amman/Jordan the following year. Casa Blanca Summit constituted a new challenge to joint Arab economic action and national Arab institutions, especially the Arab League and the agencies that are affiliated to it. 12

Amman Economic Summit:

Amman Summit was held in November 1995 as a follow-up to Casa Blanca Summit. It is the second episode in a series of conferences aimed at reinforcing and intensifying synergy in the Middle East as well as creating appropriate economic, social and political environment for regional cooperation. The Conference was attended by heads of state and government, businessmen, banks, the private sector of concerned states an~ several entities and international donors willing to play an effective role in regional economic collaboration in order to participate in future results and draw up the map of cooperation and development in the region. As

[11] - Aoudid Franout & David Libikny, Axim magazine, translated by Helmy Mousa, El Safir paper, issue of 6 September 1996.
[12] - Workshop, ibid, p. 93.

much as 63 states participated in the Conference, of which 13 Arab state, and 1000 businessmen. The lack of Arab coordination was noticed in this Conference as well as in the previous one. Arab states' participation reflected a selfish and short-sighted vision, likely to increase the potential of future global losses Numerous projects were proposed: 85 from Egypt with a total cost of $25 billion, 27 from Jordan worth $3.5 billion, a certain number of projects from Palestinian self-rule authority worth $6.3 billion, and 162 projects from Israel costing $25.3 billion. 13

Most of Israeli project proposals in Amman Summit were proposed in Casa Blanca Summit. In the opinion of many observers, this reasserts that such projects aim is to expand Israeli-American-hegemony.

Israel's greed for hegemony reached its climax as Israel's delegation presented Israel's papers, proposals, philosophy and strategy as if they were a must or something irreversible, as follows:

- Israel has to be the axial or central country in terms of relations, trade and deals; it must be the cross road of transport and communications, its soil and coasts must host airports and harbors, as if it were the heart of the region. 14
- Israel is the oasis of civilization, technology and progress therefore it must specialize in high-tech and advanced industries with high value added and high profits.
- The others (Arab states), underdeveloped, specialize in labor- intensive, low- profits, low-gains and low-value added industries.
- Israel becomes the tow that takes the Arabs to the outside world and commercializes their products all over the globe.

[13] - Dr. Eglal Rateb. Regional Cooperation in the Middle East with focus on Amman Summit and lsmailia Symposium of September 1996, p. 589.
[14] - Ibid., p. 590.

It is the one who has communication and transportation means, privileges and open channels to the whole world. (Everyone knows that he who owns commercialization owns, after all, investment and production's decisions, acts out of free will in terms of granting or holding and is the master to be obeyed). 15

- Israel's talk about Arab businessmen was most weird, as if they were its credit and strategic reserve, movable like the fifth column. And that was Israel schemes biggest mistake.

As to Perez, he considered the Summit to be a nascent hope. He said: it is my big dream. We will achieve economic expansions where we failed to achieve political expansions. If those words sum up the real purpose of MEM, implementation means were materialized in the increased number of projects imposed by Israel, up to 218 projects worth of $25 billion. Israel's approach was to convince Conference members of its importance and economic strength compared to the Arabs' weak and uncoordinated economies and projects.

Cairo Economic Summit for Middle East and North Africa:

Cairo Economic Summit for the Middle East and North Africa was held in November 1996 and was attended by official delegates from 72 states, 52 regional and Arab international organizations, 850 companies and 2000 businessmen. Many Arab countries participated, namely, Morocco, Tunisia, Algeria, Jordan, Saudi Arabia, Kuwait, Emirates, Bahrain, Qatar, Oman, Palestine, Yemen and Mauritania. It is the third conference in a series of regional economic cooperation conferences in the region since the launching of the peace process. General Coordinator of the Conference, Ambassador Ahmed Aboul Kheir, believes the conference was

[15] - Osama Gheith, Cairo Economic Conference, Aspects of Presence And Absence?! Al Ahram, issue of 16 November 1996.

successful in every respect, economically and as far as Arab and African interests were concerned. Israelis paid the price of peace refusal. They concluded no deals; they did not sit with Arab delegations except Qatar which briefed them of the freeze of naturalization decision. Israel was no more the center of regional cooperation as it had been in Casa Blanca and Amman Conferences.

The Conference emphasized that regional economic and non-economic cooperation is linked to the achievement of global peace. The Conference stressed also, for the first time, that regional cooperation does not necessarily mean that Israel must be part of it; it can very well revolve around an Arab-Arab axis. Actually, this is the priority and what should be. 16

As the peace process was totally blocked by Likud government when the Conference met, the Conference addressed a clear message to Israel saying that it will not be an acceptable member in any regional cooperation unless it honored its obligations towards global peace without temporization or delay. That is why analysts consider that the Conference was not a success as it was centered on economic issues to the detriment of political considerations. In fact, peace economic benefits can hardly be attained when there is no political progress, 17 With peace blockage the Conference was doomed to failure. Yet Egyptian government tried to render it successful by transforming the economic summit (like Casa Blanca and Amman). 18 into an economic conference focused on

[16] - The World Today, England, Al Safir, issue of 21 November 1996.

art -13Interview of Conference general coordinator Ahmed Aboul Kheir to The World Today, England, 21 November 1996.

[17] - Dr. Ahmed Galal, was convening the Economic Conference the best solution? El Ahram, issue of 20 November 1996.

[18] - See International Herald Tribune, U.S.A. 15 November 1996. See also the interview of Egyptian foreign minister Raouf Saad to El Hawadeth magazine, issue no 2089 - England 21 "15November 1996.

investment, the promotion of the role of the private sector, the importance and necessity of economic reform and Arab-Arab cooperation. Regional cooperation concept examined in Casa Blanca and Amman Conferences and requiring that Israel be part of it, even be the central actor of it, as Israel alleged to itself then, has been rectified. A regional Arab-Arab cooperation is now possible without Israel as axis or even as part of it.

It is worth noting that Israel brought to Cairo Conference up to 162 projects worth about $27 billion. Its delegation was hoping to enter partnership contracts for them all, but this did not happen.

Now, beyond all that has been mentioned above, we may as well ask ourselves the following questions:

- To which extent are such projects needed? Are they feasible in a framework of inter-Arab cooperation and coordination?
- If not, is this due to a lack of or insufficient know-how?
- Why European and American expertise was offered to MEM and not to the Common Arab Market?
- Why joint Arab projects and common Islamic market did not work, and why is it expected for MEM to be successful? Are the previous projects in contradiction with Arab interests?
- Is the Middle East project in tune with their interests?

Although these questions can have many answers, they do not account for Arabs repeated failure to achieve unity. The issue here is not either unity or submission and surrender. It is rather omitting Arab cooperation from Arab leaders' agenda, entering secret and bilateral negotiations and concluding separate treaties. These are the reasons behind recurrent failure and behind this feeling of frustration as inter-Arab coordination seems out of reach. This situation should not go on. To be rectified it needs huge efforts on many levels.

So, MEM project is confronting real challenges. These could serve as an additional base from which we may proceed investigating MEM real objectives and interests. This would enable us to face them from a united stance and undertake a joint endeavor to activate Arab economic action.

(On the other hand, MEM project is not only scheduled to bring about a change in the political synergy of Arab-Israeli relations a shift from a situation that is all conflicts and animosity to a one of perfect collaboration. It is projected to work further in order to eliminate Arabism which prioritize intra-Arab relations. The new system must be founded on impartiality, and the notion of favored treatment is excluded. The situation is presently favorable for the attainment of such an objective. Shimon Perez has already called for the elimination of institutions of the like of the Arab League to replace it with new ones likely to reflect, according to him, the new politico-economic reality, i.e., North Africa and Middle East Development Bank). 19

MEMs new economic order would be based on market economies and the expansion and promotion of private enterers. This has been prepared for in the framework of restructuring, adjustment and privatization policies supported by international financial institutions (the International Monetary Fund and the World Bank).

The objective is to undermine the public sector and reduce the state's role and intervention in economic activity. This is called on by the United States of America because it helps integrating the region's economies into the world capitalist economic order. In addition, this order contributes to weakening the state's apparatus, to the advantage of regional trends. It consecrates the dependency

[19] - Financial Times, 25 October 1995, reportedly from Al Mostaqbal Al Arabi, issue no1996/4p. 110.

of the region on rules dictated by the new international capitalist division of labor. 20 It is clear that this project which is basically formulated by Israel with American support, aims at building what Perez called the New Middle East in which Israel would play a leading and crucial role. It would act as a mediator and accredited representative between Western and Asian advanced capitalist centers on the one hand and Eastern and Arab Gulf states on the other hand. Dr. Mahmoud Abdel Fadil, professor of economy at Cairo University, has expressed our reservations about the Middle East project and its potential economic and strategic benefits and losses which are currently the subject of bright commercialization and advertisement.

The Middle East Market and the Arab Nation:

There are three controversial and contradictory trends about the MEM and its economic impact on our Arab countries. The first trend sees it as a good and beneficial thing as a whole. We would take advantage of the rapid technological progress and of our integration in global economy which might offer an unprecedented opportunity for eradicating poverty and improving the living standards of millions of peoples. We are of course aware that MEM would inevitably result in limiting Arab countries sovereignty over their economies. This trend is advocated by businessmen and technocrats.

The second trend sees in MEM a fait accompli and an objective result. It would lead to increasing the interlacement and integration of various economies. Yet with its current dimensions, MEM raises new and serious remarks and critics, mainly about Israel's ambition to control regional economies and gains and its successful attempts at achieving this with a few countries. Meanwhile, MEM adverse effects would touch upon most Arab countries. It would increase

[20] - See kookh Fayzer, Al Hayat paper, issue of 13 October 1994, reprotedly from Al Sharq Al Awsat Affairs, p. 62.

their economic problems and hamper their development. This trend is advocated by leftist and socialist powers in Arab countries.

The third trend considers MEM to be one of the evils of capitalism in our region as it seeks to compensate Israel for its shrinking markets, and would help it solve its economic problems by shifting them to adjacent Arab countries. This trend is advocated by most political, economic and social powers in Arab countries.

MEM represents therefore a most serious challenge to Arab countries and Arab economies. The Arab world is being watched and threatened at the same time. It is going through a period of fratricidal hardships, erosion and marginalisation, and lacks momentous strategies for defense or attack economically and politically. Our Arab nation is subjected to pressure and sabotaging, the ultimate goal being its destabilization and alienation to eliminate all choices of progress but the one impassive integration into global capitalist economy, mildly defined by the powerful as economic global internationalization or economic globalization. 21

How can Arab economies be prepared to face the Middle-East Market:

So, how are we supposed to deal with the MEM in the Arab nation? How can Arab economies be prepared to face it? To answer this question, we need to meditate on our position after the collapse of the Soviet Union, socialism failure in Eastern Europe and the shift to a world of unipolar hegemony:

enjoy individually or collectively. They lost with it the stamina of players on the playground and other peoples' balls mark their goals.

[21] - See Al Hady Maqboul, Taher Hussein & Abdel Qader Allawy, Globalization and Repercussions on Arab World "Stakes and Perspectives, procedures of the symposium on Middle east Development Requirements, Ismailia 1996, p. 290.

With the development of energy and material saving technologies the importance as well as the prices of Arab natural resources, especially oil, is declining (oil prices fell from $40/barrel in 1980 to $1 1,5/ presently).

Global development did not attain anticipated targets in most Arab countries. Growth rates in some of them regressed to the levels of the 1 960s. The siege imposed on countries like Iraq, Libya and Sudan had adverse repercussions. Prevalence of poverty, illiteracy and disease are still high in some Arab countries. Poverty implies a poor demand. Therefore, most of Arab countries markets are not worthwhile for multinationals.

Official development aid is reduced and is about to cease. Only humanitarian aid will be maintained but in time of hardship and temporarily. Considering the rise in inflation, unemployment and poverty in industrialized countries, thinkers and politicians started to deplore what they called the outside-squandering of resources. Their argument is the failure of development in developing countries despite all northern state's aids. Such aids did not benefit the poor much as most of it ended up in foreign bank accounts of ruling junta.

State's political supreme interests backed off in front of the expansion of multinationals interests, notably American ones since the United States as a political and economic power has become the key to international markets.

Multinationals regard our societies as incapable of producing, or buying with industrial export earnings for instance, their own food. Poverty is still a chronic plight despite the fact that aid was provided plentifully. We represent now a burden and stand as an obstacle on the path of humanitarian progress. We do not conform to the rule of survival, which is hard-earned by the best. Hence, we should be left behind except for humanitarian aid that would be provided only in exceptional cases.

Several production patterns exist in Arab countries (capitalist production pattern, pre-capitalist production pattern and non-capitalist production pattern). MEMs aim is to liquidate non-capitalist production patterns and terms to make room only for capitalist patterns and conditions.

Considering the Arab nation's galloping populations, human masses must be kept working, producing and consuming under classical or pseudo-classical capitalist conditions.

MEM's goal is to transform Arab countries' direct producers into wage-earners. Their incomes would depend on the market exclusively considering the rapid decline

of social, legal and customary arrangements that used to guarantee to individuals the right to an income separate from market considerations.

MEM would inevitably result in an increase of all types of unemployment. The change in production means ownership in favor of private propriety would entail a demand of labor force much lower than labor supply.

It is expected that MEM would cause the dislocation of Arab countries economies and undermine the interrelation between national economies sectors, (for example, the link of the phosphate sector in a given country to the center would be much stronger than its link to the petroleum sector in the same country).

With MEM, the most environmentally polluting industries would be exported to Arab countries, together with labor-intensive industries instead of capital-intensive ones.

Arab oil significance would also decline as it associated with the demand of capitalist center states. Oil substitutes may as well be on their way in view of considerable scientific progress.

- How can we confront MEM in the Arab Nation?

The world views us today as one nation with an ancient civilization and a desire to build a future for its next generations. Arab economies must unite to be able to face global economic blocs (American, African, Asian and Latin American) instead of consecrating narrow national policies. We must seize the opportunity to lay down the basis of Arab economic cooperation to enter the new world order, as we approach the third millennium.

Economic reform in Arab countries must be advocated, and Arab economy must be rehabilitated to match the requirements of 21st century and survive beside gigantic economic blocs.

An Arab market for Arab capitals and capital circulation within the Arab world must be created, and new legal framework and legislation must be established in tune with global markets changes.

The free mobility of production factors, production, labor force and capital must be ensured among Arab countries, in addition to free ownership and legacy.

Monetary policies must be unified as well as financial, custom, transport, transit and external trade ones.

An economic and social Arab observatory must be created charged with evaluating and proposing Arab economic policies, in addition to identifying points of discord and means to avert them. This would require a consultative cell of Arab experts responsible for the conception of Arab economic policies under international changes. The Arab League may play an important role in carrying out this task.

- To foresee global future perspectives and preconceive Arab position regionally and internationally. Also, to conceive a precise concept of Arab national security, see how feasible the common Arab market is and address issues like protectionism, subvention, competition and economic freedom. [22]

- To develop a strategy relating to fostering competitiveness as it is an integral part of a higher strategy of global development in the Arab Nation.
- To upgrade human capabilities in the Arab world.

The lesson Arab countries may draw from the Chinese experience in integrating in global economy is an important one. This country carried out successfully both economic and social development. It relied on its own capacities and potential in the first place. When it set to reforming its socially structured economy, it carried it through without destroying it. Now it deals with globalization with an open-minded approach and the powerful position of its economy. Its market is attracting private and public external investments.

Prof. Dr Moustafa El-Abdallah Al Kafry

Faculty of Economics - Damascus University

[22] - Dr. Aly Aly Hebeish, Globalization and Scientific Research, annex of Al Ahram Al Eqtesady, issue of 1 December 1998, p. 18