

# 'Peaceful international relations a must for ME'

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In the second part of the three-part interview, Med Jones explains the likely fallout of a conflict with Iran, the outlook for Middle East and how world leaders can minimise the impact by adopting prudent policies.

Excerpts:

**Q: What is your outlook for the Middle East (ME)?**

A: The Middle East will continue to go through socioeconomic reforms. The change in some countries will be faster than the others. The unrest has spread from Tunisia to Egypt, Jordan, Libya, Algeria, Bahrain, and Yemen. There are deep social tensions in Saudi Arabia; they could be brought up to the surface by the high unemployment rate and widening gaps in wealth and power between the populations.

As for the two main non-Arab countries in the Middle East, Israel and Iran: Israel is under tremendous security, political and economic pressures caused by the loss of Turkey and its main Arab allies, the disillusionment of the Palestinians with the peace process, the increasing tensions with its neighbours, the diminishing power and influence of the US, and the increasing size of its own disenfranchised populations of African and Arab origins. All these factors present formidable challenges to Israeli policy makers. Iran has more than 30 million people living under the poverty line. The problem is exacerbated by the enormous pressure imposed by the economic sanctions driven by the US and Israel. We saw the mass protests after the last elections and the recent demonstrations inspired by Egypt's uprising.

The region is under a pressure cooker. If cooler heads do not prevail, we could see a conflict that could damage the region and cause a global economic recession, especially if the oil production or transportation is affected.

**Q: What is the likelihood of a conflict with Iran?**

A: From an economic perspective, a war with Iran could be devastating to the region and world, causing a severe global recession. If Israel strikes Iran in 2011 or if the war lobby wins the US elections in 2012, the event would be a key catalyst for a



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global energy crisis followed by US economic depression and currency crisis.

If you thought the economic crisis caused by the financial sector was hard on the world, you have not seen anything compared to the inflation pains and socioeconomic challenges caused by rising energy prices. The best way to get rid of the threat of a nuclear Iran is for Israel to make peace with its neighbours.

**Q: What is your economic outlook for Israel?**

A: Like other countries, Israel's economy was hit by the US financial crisis. Israel has a population of about 7.5 million. About 20 per cent live under

poverty line, mostly marginalised Israelis of Arabic and African origin. The country has limited natural resources and is in constant state of conflict with its neighbours.

**Without peaceful international relations, there can be no economic stability and prosperity. On the political front, world leaders and UN veto-holding members can reset their foreign policies and stop burdening their economies and their people with international conflicts. The UN international courts of justice can be made responsible for resolving international conflicts.**

Israel's survival and economy are highly dependent on US support. Israel's public debt is almost 80 per cent of its GDP. Half of that is external debt owned, mostly by the US. Israel is the top recipient of US foreign aid.

Even the US economic aid to Egypt and neighbouring countries is made to support the peace agreement with Israel. Israel's supporters in the US Congress and the White House are pushing to increase US foreign aid to Israel, despite US plans to cut domestic spending.

Last year, President Obama's budget appropriated \$3 billion for Israel and gave another \$3 billion of loan guarantees. There are more than 600 companies listed on Tel Aviv Stock Exchange and Israel has the most foreign stocks listed in New York. Based on the aforementioned data, it is unlikely that the country can survive without US support and is highly vulnerable to US economic shocks and geopolitical risks.

From a long-term standpoint, if you consider the cycle of rise and decline of countries throughout history, Israel reached the height of its power cycle in the late 1990s. They missed two golden windows of opportunity to make peace with the neighbours.

The first one was in 1995 with Rabin's assassination by Jewish extremists. The second opportunity was by rejecting the Arab peace initiative in 2002. I see a rise in ethnic and religious fundamentalism in Israel and Anti-Israeli sentiment around the world.

Traditionally, Israel used excessive power and fear as a strategy to ensure the security of the state. However, after their failure in 2006 war with Lebanon, it became clear that the barrier of fear has been broken and power gap has been reduced significantly. The dynamics of the conflict is entering a vicious cycle that can cause a lot of damage to the countries involved, US included.

In the age of knowledge and global socioeconomic exchange, goodwill and trade relations are far important to national prosperity and security than land or military power.

Socioeconomic systems that are built on exclusive ideologies, religious or ethnic purities are breeding grounds for extremism and will eventually lead to civil and international conflicts.

Those countries must change or fail. If the Israeli elites are betting on the passage of time for the Arab people to get tired of the Palestinian cause, they just need to remember that the Moors occupied Spain for more than 700 years and they eventually were driven out by the Europeans. The only way for Israel to survive in a region surrounded by Arabic and Islamic countries is to make peace and

integrate with their neighbouring countries.

The Israeli-Palestinian conflict is one main source of negative international politics, terrorism and tensions between the US and about two billion Muslims. By solving this conflict, a major part of national security problems, along with the human and economic costs of future wars can be avoided by the Israelis, Americans and Arabs alike.

I foresee more bad news for the Israeli economy, unless they reach a peace agreement with their neighbours.

**Q: How can world leaders mitigate the contagion risks?**

A: One quick and effective solution to the global economic crisis is a global economic and political reset. A global economic reset means that world leaders can come together to agree on debt forgiveness to all nations and restructuring of the global economy.

Friends and foes alike are no exceptions. To be fair to nations with lesser debts, they could be compensated on a fair ratio basis to enjoy treasury surpluses. A new international trade and reserve currency will probably be established to create a fair global economic system and to implement the reset.

This could usher a new era of global prosperity and socioeconomic exchange. This is a much better alternative than currency wars, international hostilities and continuous risks of global socioeconomic shocks.

Without peaceful international relations, there could be no economic stability and prosperity. On the political front, world leaders and UN veto-holding members could reset their foreign policies and stop burdening their economies and their people with international conflicts. The UN international courts of justice could be responsible for resolving international conflicts.

The implementation of this solution requires a strong global leadership vision and action. Unfortunately the US leadership is limited by many conflicting private interest groups and is buried in domestic politics, ideological conflicts, and security issues. It is also unlikely that the global powers will let go of their power voluntarily and the situation will not get better before it gets worse.