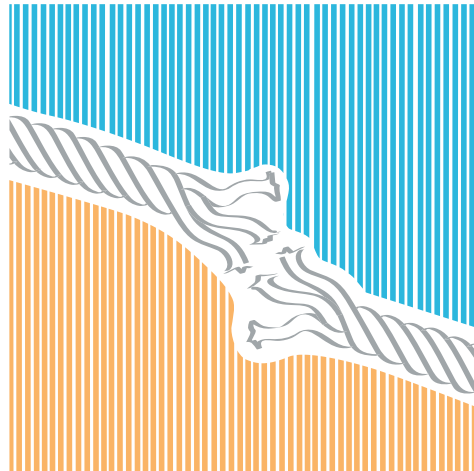
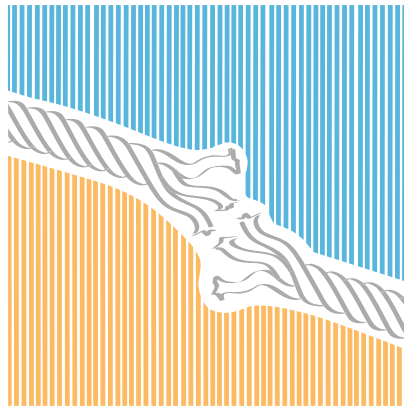


COST OF CONFLICT IN THE MIDDLE EAST



COST OF CONFLICT IN THE MIDDLE EAST



In cooperation with

AK Party, Turkey

Federal Department of Foreign Affairs, Switzerland

Ministry of Foreign Affairs, Norway

Qatar Foundation, Qatar





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Preface

The objective of this report is to provide comprehensive estimates of costs of conflict and potential benefits of peace in the Middle East. In doing so, we have focussed on people of the region and not merely matters that concern states. This report is essentially about human security in the Middle East.

It is necessary to clarify what we mean by 'conflict in the Middle East'. In the first few decades after Israel's birth in 1948, the term 'conflict' essentially referred to wars and antagonistic relationship between Israel and Arab countries in its neighbourhood. Once Israel signed peace treaties with Egypt and Jordan and entered into negotiations with the Palestine Liberation Organisation, the conflict seemed to be narrowing in its scope. A decade ago, the primary actors in the conflict involved Israel and PLO. There was also the unresolved conflict between Israel and Syria and internal strife in Lebanon, which had regional implications.

Since 2000, the conflict has metamorphosed into several conflicts. The Palestinians are now represented by Hamas and Fatah, two organisations that are at loggerheads with each other, though at times they negotiate truce under the auspices of Arab countries. Since 2003, the US invasion of Iraq has added another dimension. In 2006, the exchange of missiles between Israel and the Lebanon-based Hezbollah further complicated the conflict. It is widely believed that Iran supports Hamas and Hezbollah and thus is present in the Arab-Israeli conflict through proxies. In addition, the President of Iran has publicly threatened to wipe out Israel from the map and the United States has admonished Iran for its development of nuclear weapons, amidst speculation about a possible US or Israeli attack on Iran's nuclear sites. Al Qaeda and its affiliated terrorist network have pronounced a war against 'Jews and Crusaders'. Though Al Qaeda had its origins in the developments in Afghanistan and Pakistan, its rhetoric, manpower and support base is very much about the Middle East. Thus, what was an identity and territorial conflict in one geography a decade ago has now expanded into a multi-dimensional, cultural and psychological warfare of global dimensions. If we look ahead, there is a risk of this conflict getting even more complicated. A resurgent Russia may want to assert its interests in the region. China has developed several economic relationships. If history is any guide, extensive economic engagement often leads to political and security repercussions. In this report, we have focussed on the Arab-Israeli conflict but also reflected on the growing complexity of the situation.

It is necessary to explain what we mean by 'costs'. In this context our emphasis on human security is very important. States are concerned about measurable costs such as those having a bearing on resource allocation, arms race, destruction of assets, among others. People are concerned about costs that have a bearing on their living conditions, such as security at cafes and dignity at check-posts, opportunities for education, damage to environment and social fabric. Some costs have monetary value. It would be insensitive and inappropriate to interpret some other costs in financial terms. For instance, it is possible and useful to measure the economic burden of refugees for both home and host countries. However, it would be inappropriate to measure the economic costs of death of children. It would be useful to measure

financial implications of farms and trees destroyed as they provide livelihood for farmers. However, it would be inappropriate to try to measure loss of biodiversity in terms of money. Life, of human beings and others in the ecosystem, is valuable in itself and not for the economic returns it may generate. Our report throws light on all such costs.

We have placed certain emphasis on opportunity costs. When people are involved in a conflict, their losses are not confined to what they have lost as compared to what they have. Their losses also include what they do not have that they could have had in the absence of conflict. In terms of opportunities for growth, economist Paul Collier has observed in his study of conflicts in Africa that a violent conflict reduces GDP growth rate by 2%. In the Strategic Foresight Group study on Cost of Conflict between India-Pakistan we had estimated 1% reduction in GDP growth rate for India. Our assessment was questioned by Indian economists who suggested that the losses would be closer to 2%. In the case of countries in the Middle East, the opportunity loss would be at least 2% reduction in GDP growth rate. Since, several countries in the Middle East have shown an ability to grow at 6%, we assume that a framework of peace and cooperation along with good governance and sound economic policies would enable the countries in the region to have a GDP growth rate of 8% per annum. Our report obviously goes beyond GDP to examine complexity and depth of issues in their various dimensions.

We have used 1991 as the benchmark year for most of our calculations. We believe that the Madrid Conference provided a historic opportunity to reverse history in the Middle East. It did not deliver hope since the conference was a one-time event. Had there been a semi-permanent conference, the outcome might have been different. Peace was possible then and it is possible in the next couple of years. Therefore, we have made some estimates using 1991 as the basis and another set of calculations using 2010 as the basis.

This report does not advocate any particular formula to resolve conflicts in the region. It is for the stakeholders to design the solution they can live with and indeed determine what future they want. We have presented four scenarios for 2025, if alternative courses of action are followed.

The fact that this report was supported by the leaders or governments of four neutral countries – Norway, Switzerland, Turkey and Qatar – and made possible by the intellectual participation of more than 50 distinguished experts from the Middle East speaks for their concern for truth. The election of a new President of the United States, as well new leaders in the region, provides a window of opportunity in 2009. It is not only for people of the Middle East but also for leaders of the international community to decide if they want to put an end to costs and accrue the peace dividend. We hope that this report will prove to be a useful instrument for the choices they make.

January 2009

Sundeep Waslekar
President, Strategic Foresight Group

Introduction

The research project “Cost of Conflict in the Middle East” is an innovative approach to engage the broad public, experts and leaders of the Middle East to reflect on how much they have lost because of the conflicts, and how much more they could lose in the future. Or, to put it positively, how much everybody could win should peace eventually happen.

The study undertaken by the Strategic Foresight Group is based on research tools that were developed for studies on the India-Pakistan and Sri Lanka conflicts. It also focuses on future costs, using scenario building methodology for the years 2009-2025. The study is based on extensive macro-level research, inputs from top Middle East experts, numerous discussions with persons from the region, and advice provided by international policy experts. As an analytical tool, this report assesses past, present and future costs in the region taking into consideration a wide range of parameters. Thereby, our understanding of the conflict patterns is dramatically broadened, and so is our perception of the options that can be used to foster conflict prevention and resolution.

Conflicts in the Middle East have persisted for at least sixty years. Despite numerous initiatives, plans, road maps and processes on all tracks by governments and non-governmental actors, the ultimate goal – a just and lasting peace – remains illusive. As the Israeli-Palestinian conflict lies at the heart of the whole region’s dynamics, its resolution would have huge positive effects throughout the Middle East. The Madrid Conference and the Oslo Process marked the beginning of a decade, the nineties, providing hope that a solution was at hand at last. Yet promises have not materialised - neither the Camp David talks, nor the Arab peace initiative, nor the Annapolis conference have so far resulted in tangible success. The lack of political will or courage, the power of extremist forces, or simply the complexity of the issues can be blamed for this. Meanwhile violence or the risk of violence remains a daily nightmare for everyone.

Therefore, new initiatives and particularly new broader approaches are welcome. One of them could be the cost of conflict approach. The cost of conflict methodology takes into account different costs a conflict generates, including economic, military, environmental, social and political costs. It differentiates between costs to the people and to the states engaged in a conflict as well as to the international community. It contrasts these costs with the benefits that may derive from peace. The approach considers direct costs of conflict (for instance, human deaths, military expenditure, economic losses and the destruction of physical infrastructure) as well as indirect costs that measure the impact of conflict on a society (for instance, costs of migration, humiliation, growth of extremism, and lack of civil society).

Two main conclusions can be drawn from the report. Firstly, the enormity and diversity of the direct costs caused by the continued existence of conflicts, wars and instability in the Middle East is hampering the smooth development of each and every society in the region. Secondly, the magnitude of the gains that peace could bring to the whole region and beyond is presented in striking charts and figures. These data,

magnificently documented, show that the understandable feelings of fear and injustice that are at the root of the conflict are in urgent need of being overcome.

The Middle East has always been a strategically important region where many outside players (such as the USA, the European Union or Russia) are involved. Considering the enormity of the costs evidenced in this report, which have direct or indirect negative consequences for the whole world, the necessity of an international intervention is inescapable. Indeed, it is in the best interest of all countries in the world to see the conflicts in the Middle East being solved. The facts in this report should prompt all concerned international actors to intensify their efforts for a lasting solution on an urgent basis. They would certainly wish to take their own share of the dividends of peace.

This report should sensitise different audiences all over the Middle East and the wider world. Experts, opinion leaders and decision makers will find many concrete, precise arguments in the report to promote peace-oriented policies. The public at large in the Middle East will also easily realize that, beyond speeches and rhetoric, peace would bring tangible results in their own life. Last but not least, this report is aimed at the young generation, for it is they who will most suffer or benefit from the decisions their elders will take now and in the years to come.

Ambassador Thomas Greminger
Federal Department of Foreign Affairs, Switzerland

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Chapter 1 : Economic Costs

INTRODUCTION

The economic costs refer to several different kinds of costs.

- Direct costs incurred due to destruction and damage caused by war
- Opportunity costs reflecting growth that did not take place due to conflict environment
- Opportunity costs reflecting regional trade and investment opportunities missed
- Indirect costs

The countries in the Middle East, with a few exceptions, have sound fundamentals for growth in terms of high quality human resources, physical infrastructure, reasonably open economies, urbanised population and international exposure. They don't face the problems encountered by a number of developing countries in Asia, Africa and Latin America where over dependence on agriculture, structural bottlenecks, and infrastructure problems render fast growth difficult. The failure to achieve a higher growth in the Middle East is to a large extent the function of political uncertainties and the image of the region as one associated with extremism and violent conflicts.

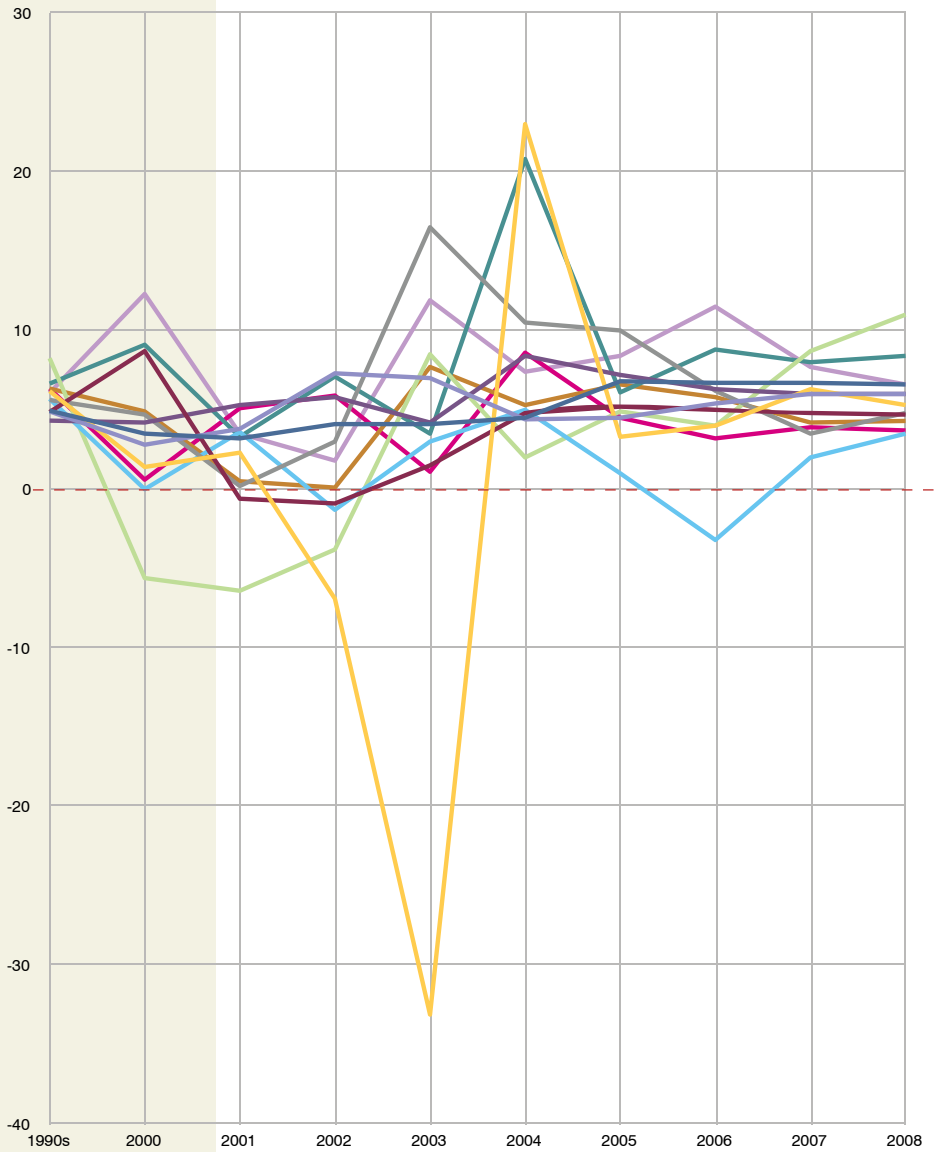
This is also a rather exceptional part of the world not to have any comprehensive regional free trade area agreement unlike Europe, North America, South Asia, South East Asia, Latin America and Africa. The Gulf Cooperation Council is limited in its scope. The Greater Arab Free Trade Agreement is not much effective. Israel only trades with the Palestinian Territories, Jordan, Egypt and Qatar – in the entire Middle East. There is no economic grouping that can bring together Israel, Saudi Arabia, Iran, Syria, Lebanon and others for preferential and cooperative trade and economic cooperation.

Besides the opportunity costs of missed opportunities, equally important are the direct costs on account of destruction caused by wars or armed hostilities of some kind.

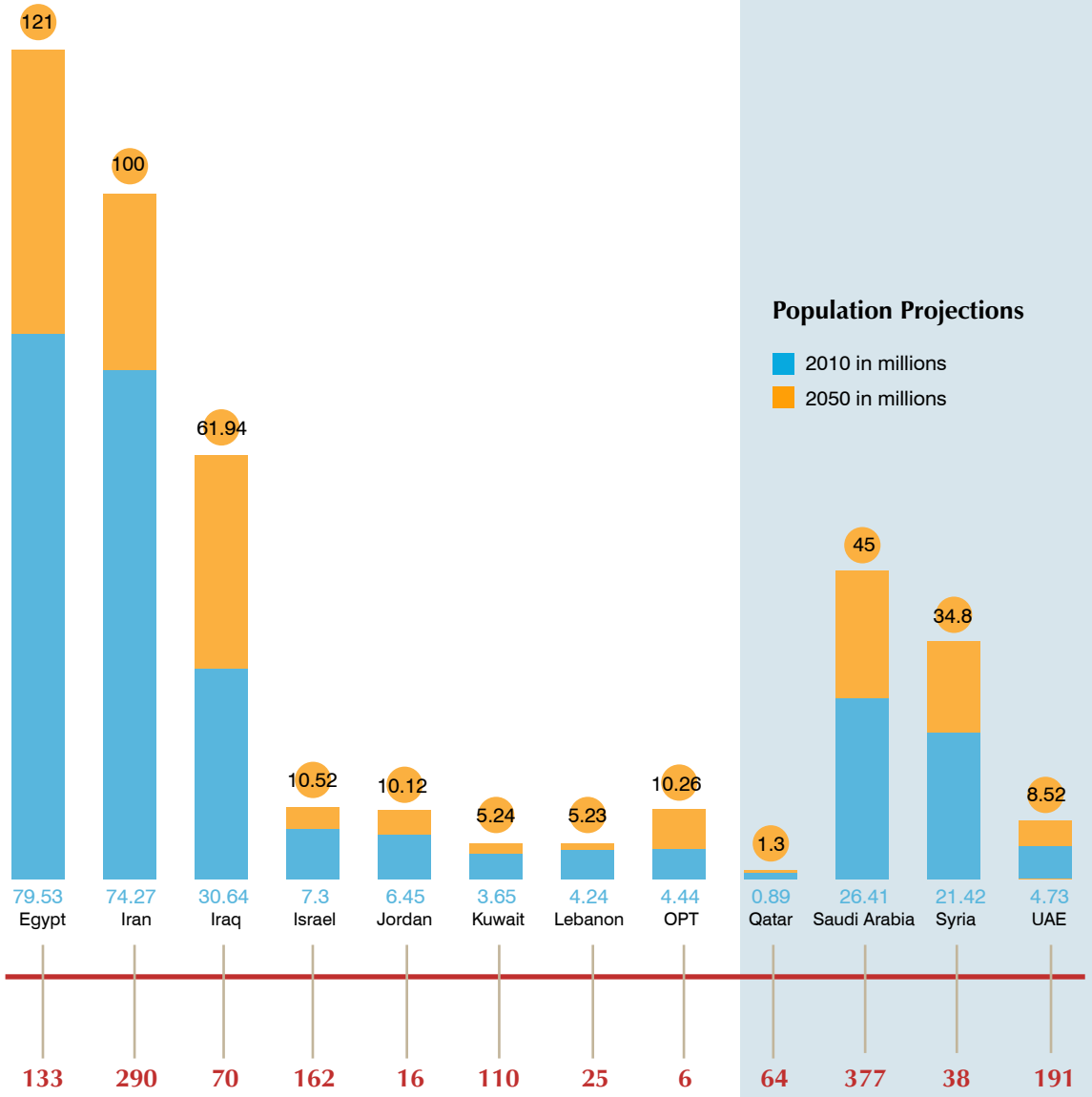


BACKGROUNDER

GDP Growth Rate: 1990s and 2000-2008 (%)



Egypt Iran Iraq Israel Jordan Kuwait Lebanon OPT Qatar Saudi Arabia Syria UAE



GDP by Country in 2008 (\$ billions)

Population Projections

2010 in millions
2050 in millions



1. OPPORTUNITY COST SINCE MADRID

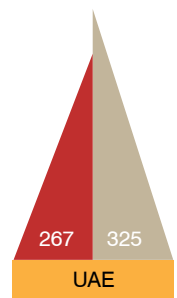
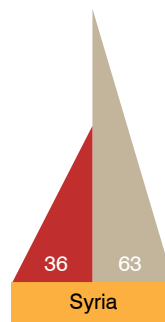
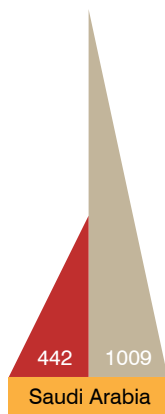
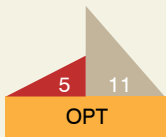
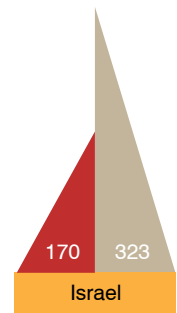
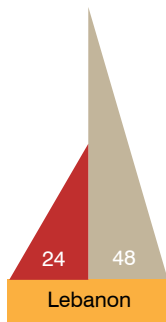
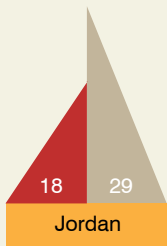
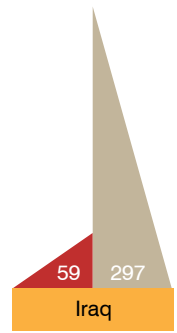
\$12,000,00

0,000,000
twelve trillion

The Madrid and Oslo processes provided an outstanding opportunity for peace and cooperation in the Middle East. They were instrumental in breaking the deadlock between the Israeli and Palestinian people. Had the leaders demonstrated vision in capturing the Madrid Opportunity to enter into a comprehensive peace and cooperation agreement across the region, the region would be experiencing different kinds of economic performance than the current ones. The peace intervals have demonstrated that countries can grow at 6% GDP per annum. In the 1990s the Palestinian Territories grew at 8% per annum. It should have been possible for all countries to grow at the average rate of at least 8% per annum in the last two decades. The failure to do so has resulted in this opportunity cost for the period 1991-2010 (in 2006 US dollar values).

OPPORTUNITY COST OF CONFLICT (In 2006 \$ billion)

- GDP (Projected) 2010
- GDP (Peace) 2010



Technical Notes

1. GDP Growth Rates 1991-2006: actual.
2. GDP Growth Rates 2007-2010: projected on the basis of hypothesis as given below, based on average rates of the two years, 2006, 2007.

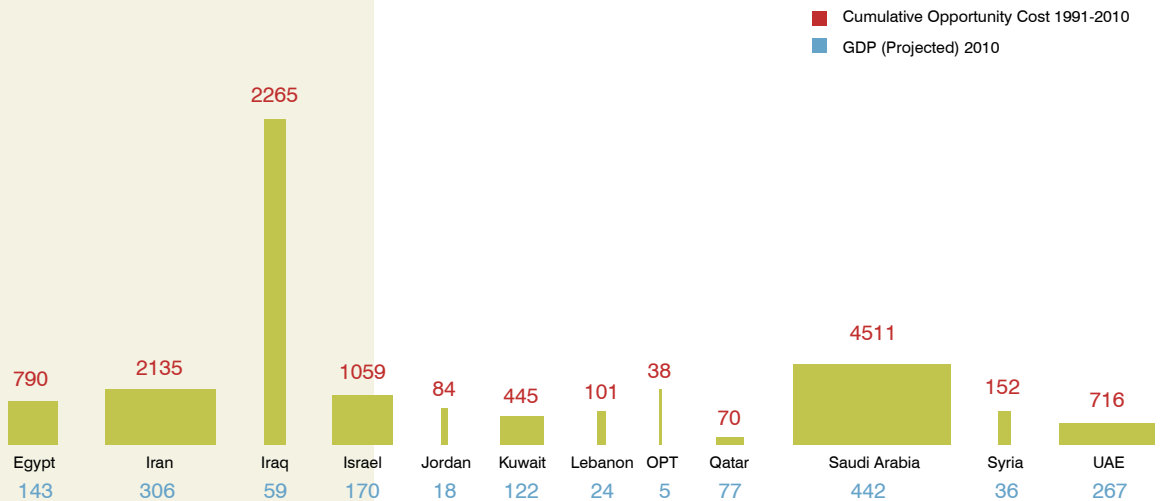
Egypt	6.70%
Iran	6.00%
Iraq	4.00%
Israel	5.00%
Jordan	6.70%
Kuwait	4.85%
Lebanon	2.00%
OPT	6.60%
Qatar	8.4%
Saudi Arabia	5.00%
Syria	3.50%
UAE	10.00%

3. $\text{GDP (Peace) 2006} = [342.59 \times \text{actual GDP 2006}] \div \text{UN Stats index number for 2006 (with 1990 base)}$.
4. GDP (Peace) Growth Rates pegged at 8 % p.a. for 1991-2010 for all countries
5. It is assumed that oil exporting countries would have been able to diversify their economies in the absence of conflict in the region by attracting investments, technologies and trading centres. Thus, much of their growth would emanate from economic modernisation, despite somewhat lowering of oil prices.
6. Calculations made on the basis of GDP figures for 2006, as provided in UN stats.

2. OPPORTUNITY COST RELATIVE TO SIZE OF ECONOMIES

The opportunity cost for 1991-2010 appears largest for Saudi Arabia at \$4.5 trillion or one third of the total opportunity loss incurred by 13 countries in the region. However, as compared to the size of its economy, Iraq has suffered the largest loss. Its GDP could have been more than 30 times of its present size. Moreover, we have used 1990 as the base year. Iraq had already spent a decade in a war with Iran by that time. If we examine Iraq's opportunity loss since 1980 when it entered a period of warfare – first with Iran, then Kuwait and finally the West – it would be at least 50 times of its GDP in 2010.

Opportunity Cost in Comparison with the Size of Economies (In 2006 \$ billions)

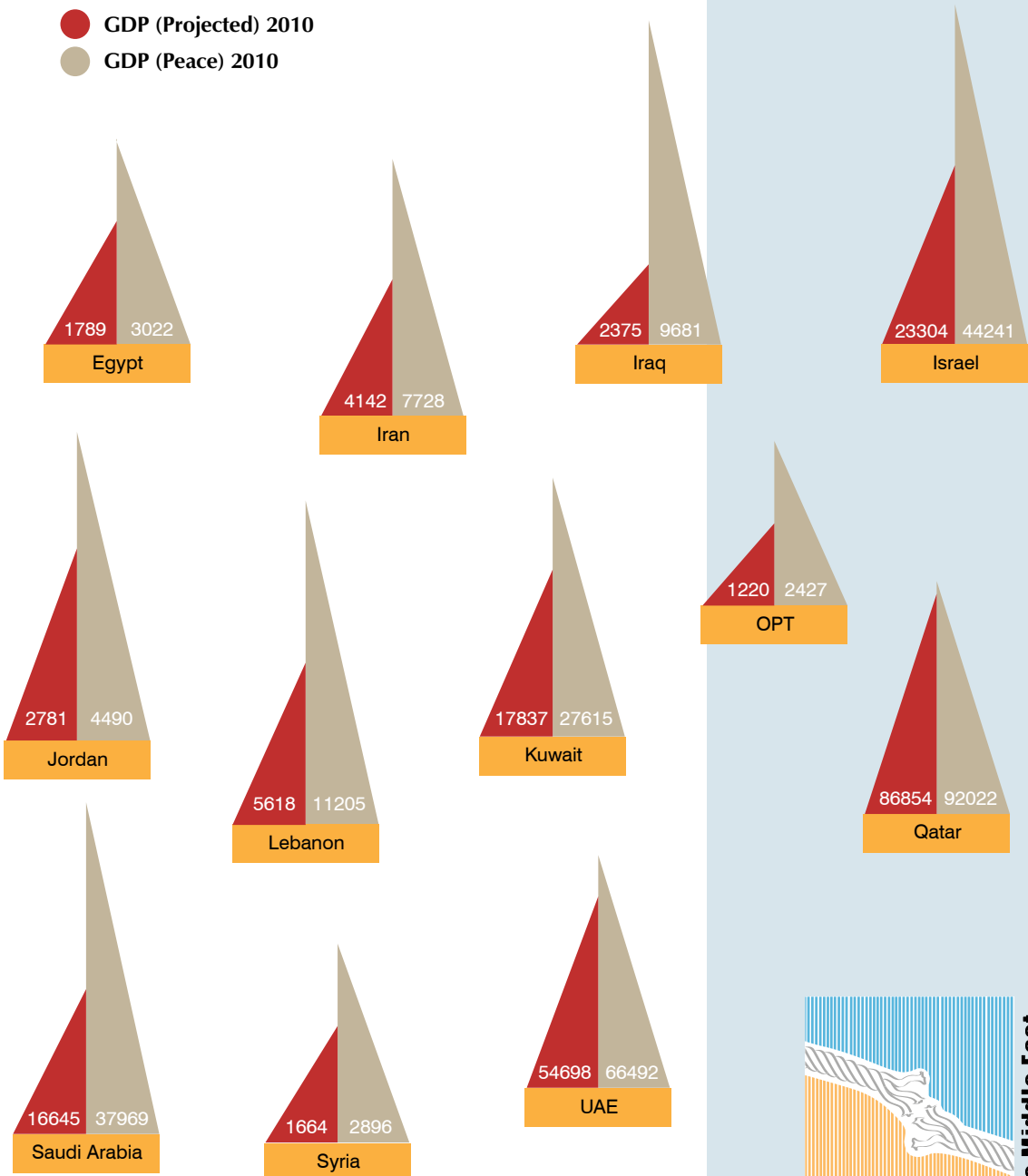


3. EVERYBODY'S LOSS

The opportunity loss of \$12 trillion for 1991-2010 means every citizen has lost. An average Israeli, Saudi, Palestinian and Lebanese would have enjoyed double the income level whereas an average Iraqi would have been 4 times richer.

Per Capita Losses in 2010 (in 2006 Constant Dollars)

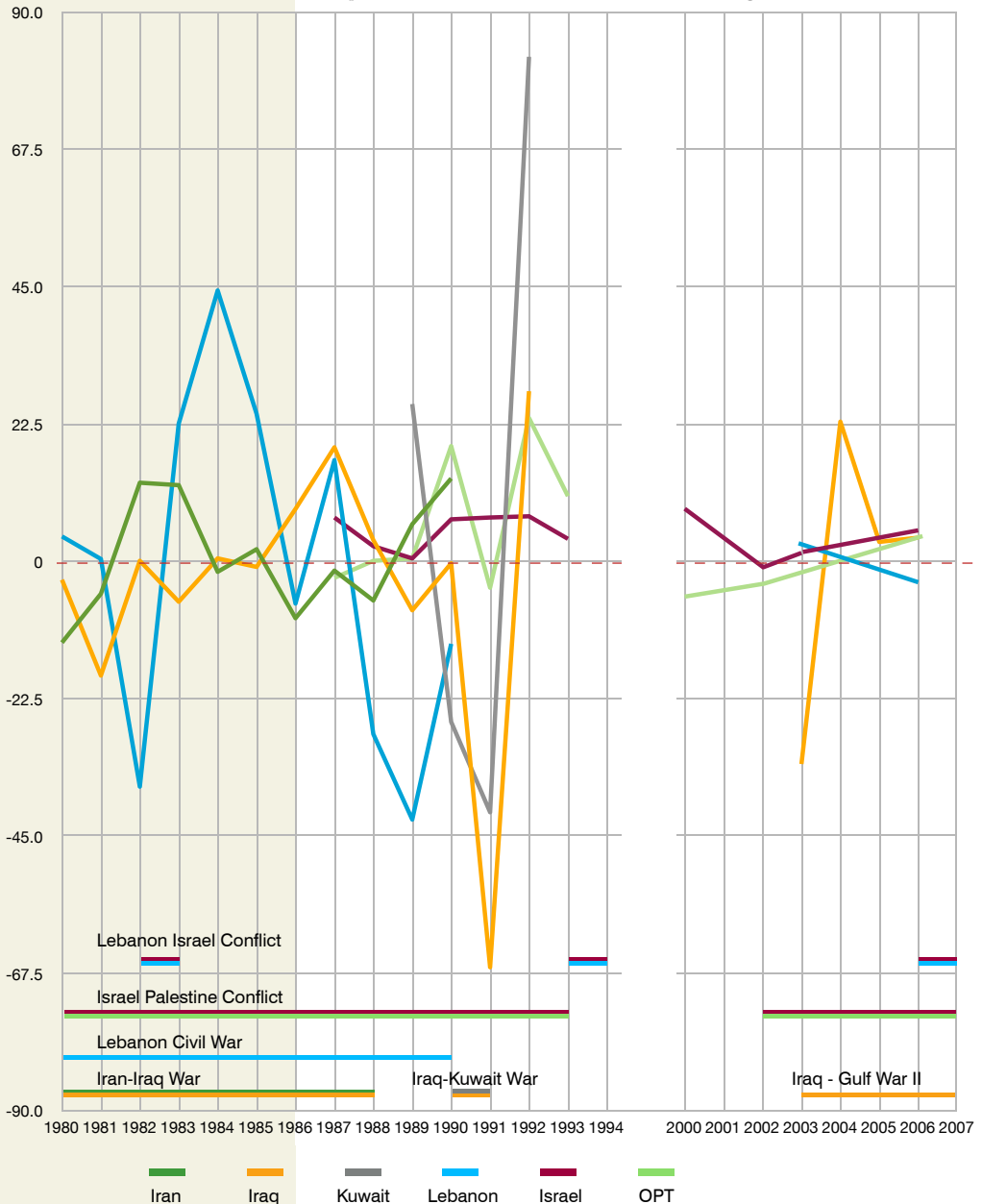
- GDP (Projected) 2010
- GDP (Peace) 2010



4. WAR, CIVIL WAR & GROWTH

The inverse relationship between war and economic growth is obvious. During Iran-Iraq War of the 1980s, both countries witnessed decline in their income year after year. Similarly, Iraq saw drop in its GDP during the two Gulf Wars. Israel, Lebanon and Palestine territories have had the same experience. When there was no war or civil war, these economies could grow by more than 6% GDP growth rate per annum. Israel does have an arms industry. However, its positive impact on economic growth appears marginal, since it accounts for only 3.5% of GDP.

Inverse Relationship between War & Growth - % Change in GDP



5. COST OF IRAQ WAR

What about costs incurred by Iraq's economy and society?

And all these estimates are about costs to the US.

In 2007, Prof Joseph Stiglitz published his estimates at **\$3 trillion**, until 2017.

In July 2006, CBO again revised estimates to **\$800-1200 billion** by 2016.

In 2005, CBO further revised the estimates to **\$500 billion** by 2015, only limited to direct US government costs.

In October 2003, CBO revised its estimates to **\$85-200 billion**.

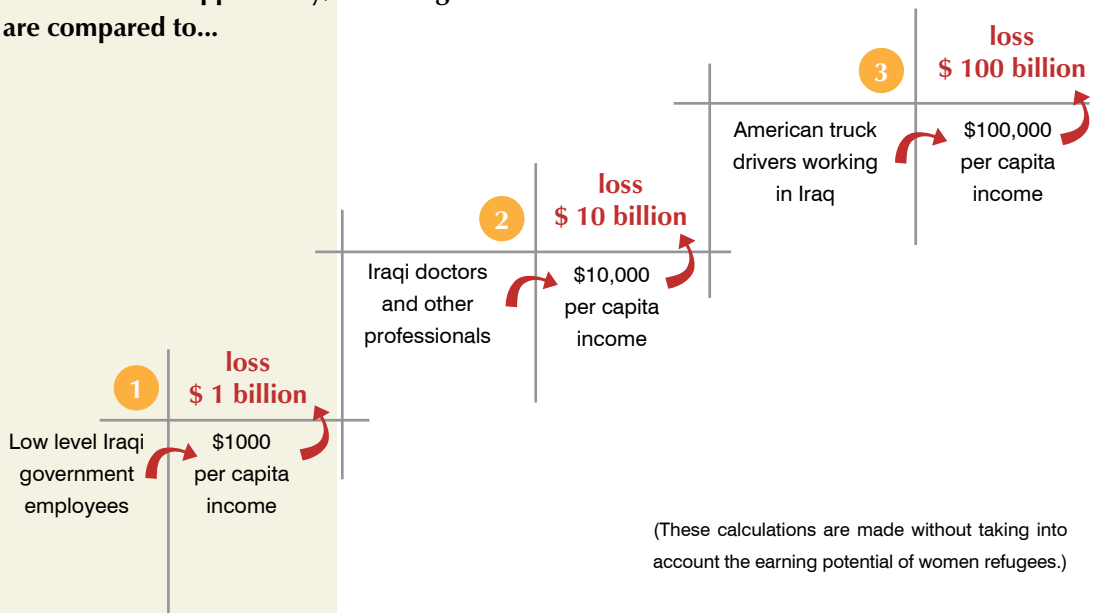
In 2002, a study by the Congressional Budget Office (CBO) projected **\$50-60 billion**.



6. REFUGEES & BRAIN DRAIN

Between March 2003 and September 2008, a period of five and half years, about 5 million Iraqis became refugees or internally displaced persons. The flight of Iraqis has become the largest forced displacement in the history of the Middle East – exceeding the Palestinian exodus of 1948. Among the Iraqi refugees and internally displaced persons about 4 million are women and children and 1 million wage-earners.

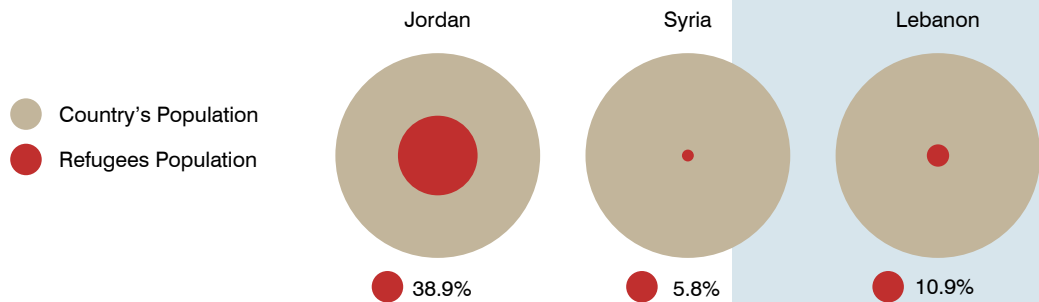
Loss of income opportunity, if the wage-earners are compared to...



The Middle East has become a land of refugees. Besides 5 million Iraqi refugees and IDPs, there are about 4.5 million Palestinian refugees and IDPs.

Iran loses more than 150,000 educated persons every year in the form of the flight of intellectual capital. If an average Iranian professional is able to contribute to gross capital formation of \$40,000 per year or 10 times of per capital GDP, Iran is losing \$6 billion a year in growth opportunities.

7. TRAVAILS OF HOST COUNTRIES



Jordan is accommodating refugees to the extent of more than a third of its population. In comparison, can the United States accommodate more than 100 million refugees in its population of 300 million? Jordan spends almost 7% of its GDP on refugees. In comparison, can the United States afford an expenditure of \$ one trillion on refugees?

Jordan, Syria, Iraq and the Palestinian territories pay a cost that cannot be reflected in official expenditure

- Pressure on land and housing prices
- Inflation in food and fuel prices
- Criminalisation of society
- Growth of prostitution
- Pressure on social services, especially education and healthcare

The Result is Hostility from Hosts towards the Refugees

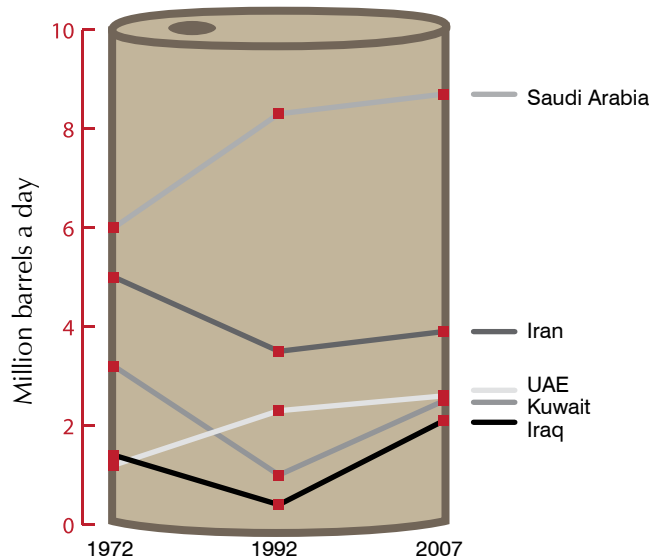
- Iraq's neighbours are imposing highly restrictive passport and visa requirements.
- Saudi Arabia is building a \$7 billion high tech barrier on its border.
- Jordan is restricting the entry of Iraqi men ages 18 to 35.
- Jordan is issuing a new G series passport that is tamper proof and difficult to obtain in Iraq.
- In the Iraqi Kurdish areas or the predominately Shia areas, IDPs are barred entry, denied access to civil services and not allowed to stay for a long time. It is estimated that 47% of IDPs do not have access to the Public Distribution System.
- Another group to be targeted is the Iraqi Christians; some 150,000 Assyrians are recorded to live in Jordan to escape extortion, killing, forced taxation, and church bombings in Iraq.

Jordan, Syria, Kuwait, Lebanon and Saudi Arabia are non signatories to the 1951 Refugee Convention. Lebanon is a non signatory to the 1967 Protocol on the Status of Refugees.



8. IRAQ, IRAN & OIL

Crude Oil Production in Selected Oil Exporting Countries in the Middle East



In the absence of war, Iraq could produce an extra 2 million bpd and Iran 1 million bpd in 2008.

Loss per year @ \$50 per barrel of oil.

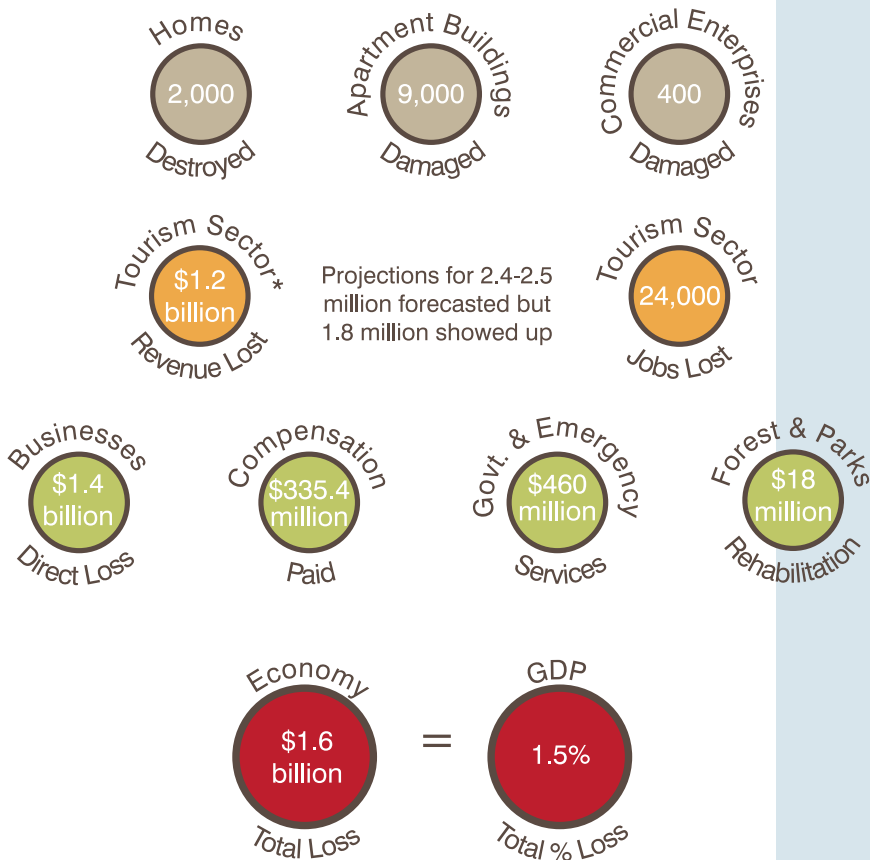
Iran \$18 billion = 4% of GDP

Iraq \$36.5 billion = 80% of GDP

These calculations are made on the basis of the lowest price seen in 2008, by the time this report went to press.

9. ISRAEL HEZBOLLAH CONFLICT IN 2006

Costs for Northern Israel

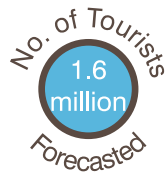


*Tourism Ministry estimates that for every 100,000 tourists, \$200 million are earned and 4,000 jobs are created.

The damage in Israel was mostly restricted to the Northern part of Israel, where small businesses were especially hard hit. This is significant in light of the fact that 20% of Israel’s population resides there. Nationally, the sector hit the hardest was the tourism sector.

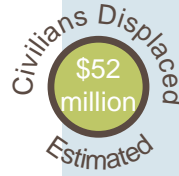


Costs for Lebanon

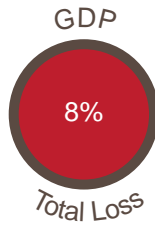




Govt. Spending



=



10. BOYCOTT CONTINUES

Israel, Iran and several of the Arab States are missing out on significant trade opportunities due to lack of trade between Israel and her neighbours until the 1990s, and very marginal trade with only a few of them since 1994.

Israel's trade in the region:

Egypt	✓
Iran	✗
Iraq	✗
Jordan	✓
Kuwait	✗
Lebanon	✗
Occupied Palestinian Territories	✓
Qatar	✓
Saudi Arabia	✗
Syria	✗
UAE	✗

The Arab Boycott of Israeli goods has evolved since 1948. It is at three levels; one, primary boycott prohibited Arab people and the states from doing any business with Israel. Second, the secondary boycott attempts to prevent business anywhere in the world from any economic activity with Israel threatening them with economic retaliation in return (against international law). Thirdly, a tertiary boycott that punishes firms that deals with blacklisted businesses. The last one even applies to international shipping, aviation and tourism - e.g. most ships and airplanes calling on Israel are barred from Arab ports, airplanes en route to and from Israel cannot even fly over Arab countries and Israeli or any travellers with Israeli visas in their passports may not enter most Arab countries. Though some Arab countries agreed to lift the boycott in the mid-1990s, there is in practice very little trade between Israel and Arab countries.

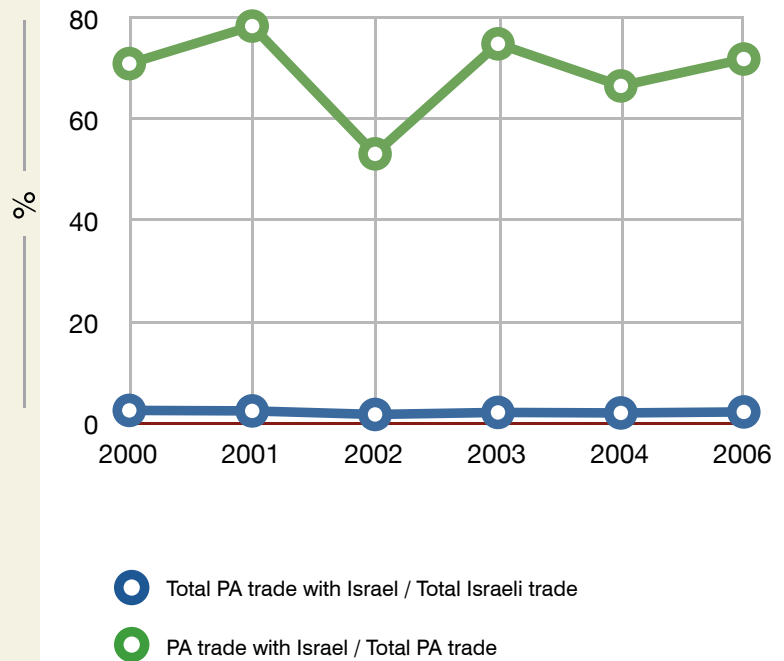
According to the estimates of the Israeli Chamber of Commerce, Israel loses 10% of its export potential due to the Arab boycott. Thus, in the current decade from 2001-2010, Israel lost an export opportunity of \$30-50 billion (in 2006 US dollars). The Arab states also lost an opportunity to export \$10 billion to Israel during the same period, assuming that they could provide 5% of Israel's import needs in a friendly atmosphere. In addition, the Arab States and Iran miss out on the possibilities of importing Israeli goods and technologies.

Israel spends about \$10-15 billion per year importing oil as per the market prices prevailing in 2008. The Gulf States and Iran could export most of it, which would be possible in the absence of conflict – as was the case of oil trade between Israel and Iran during the Shah years. Considering the current state of conflict, the Gulf States and Iran together would lose at least \$30 billion during 2008-2010 due to the opportunity cost of not exporting oil to Israel.

The lack of trade between Israel and the Arab States, as well as Iran is abnormal. Most countries in the world involved in conflicts engage in trade – such as the robust trade and investments between People's Republic of China and Taiwan and growing trade between India and Pakistan or Turkey and Greece.



11. ASYMMETRICAL TRADE BETWEEN PALESTINE & ISRAEL



Palestinian Trade with Arab countries in the last decade accounted for less than 10% of total Palestinian Trade. It is projected that access to GCC markets can increase Palestinian exports to these markets by over 50%.

Chapter 2 : Military Costs

INTRODUCTION

The countries in the Middle East are involved in conflicts and arms race at various levels.

- Conflicts between Arab countries and Israel
- Conflicts between Arab countries and external powers
- Hostility between Israel and Iran
- Rivalry between Arab countries and Iran
- Internal conflicts

These conflicts occur at various levels of intensity

- Acts of terror
- Low intensity warfare
- Civil war
- Attacks by states without a full scale war
- Troops mobilisation without a full scale war
- Wars

Military costs include costs incurred in all kinds of warfare including the preparedness for a war. They include human lives lost including military personnel, armed groups and civilians as well as financial costs.

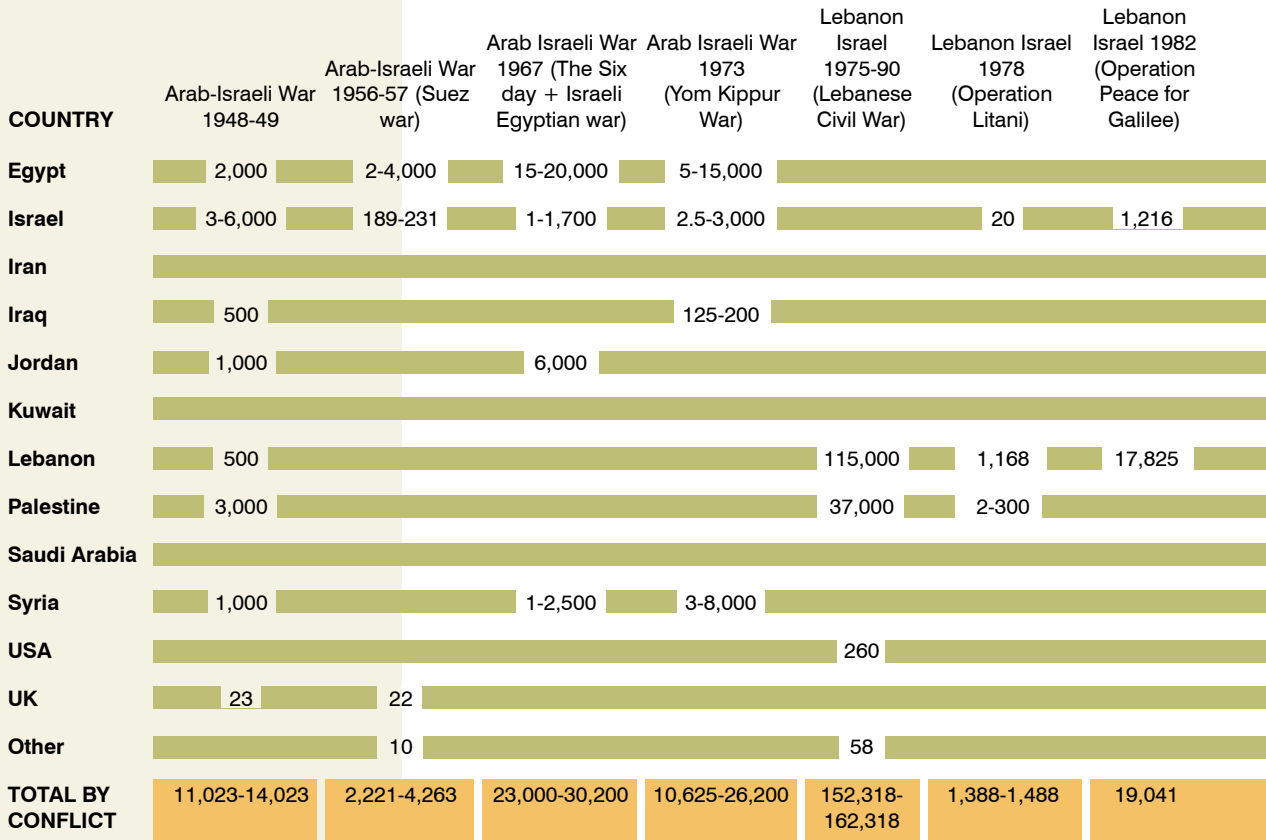
The Middle East has emerged as the most militarised region in the world by all parameters

- the proportion of GDP provided for defence expenditure;
- the number of young men committed to the security sector in the form of regulars, reserves, and para-military groups;
- civilian casualties.

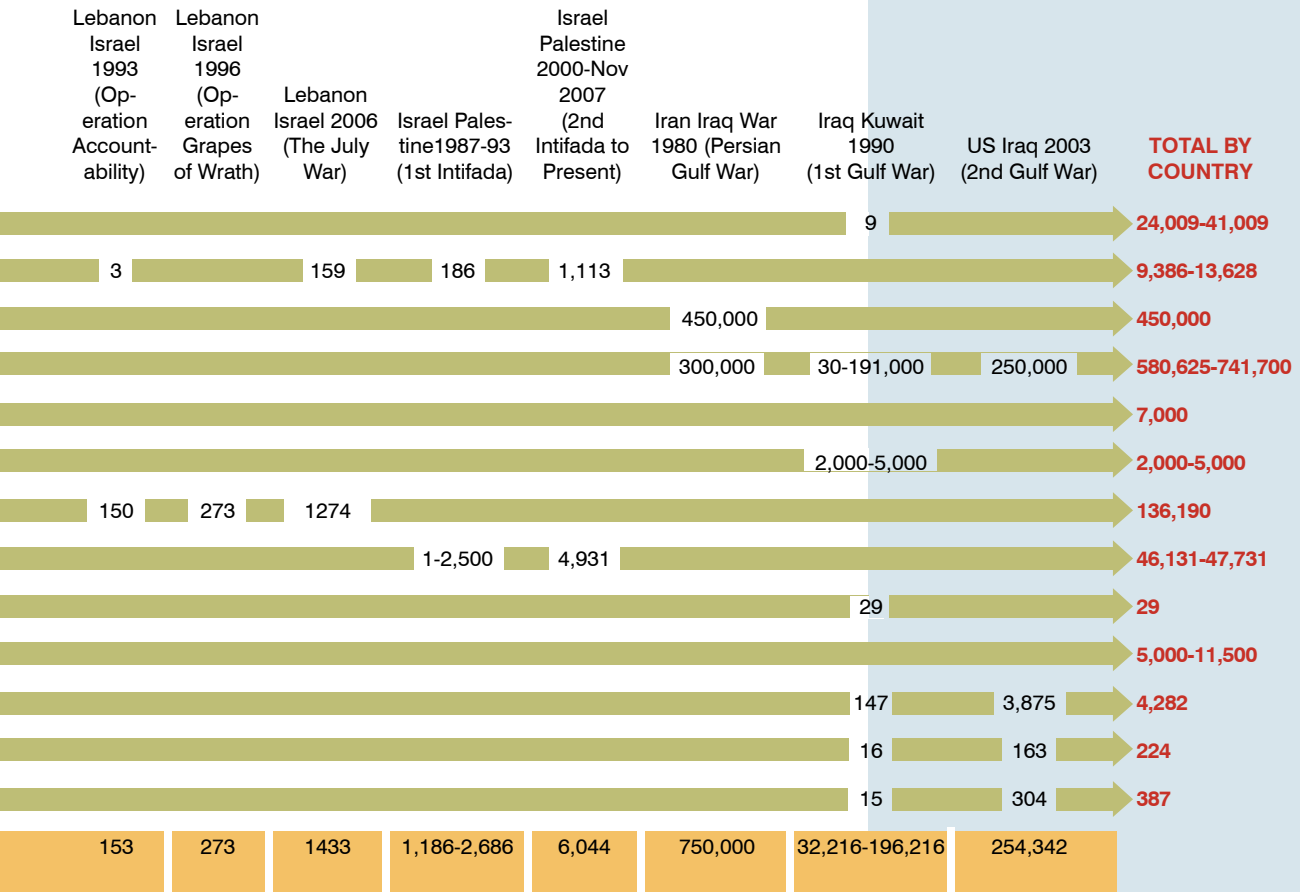


BACKGROUNDER

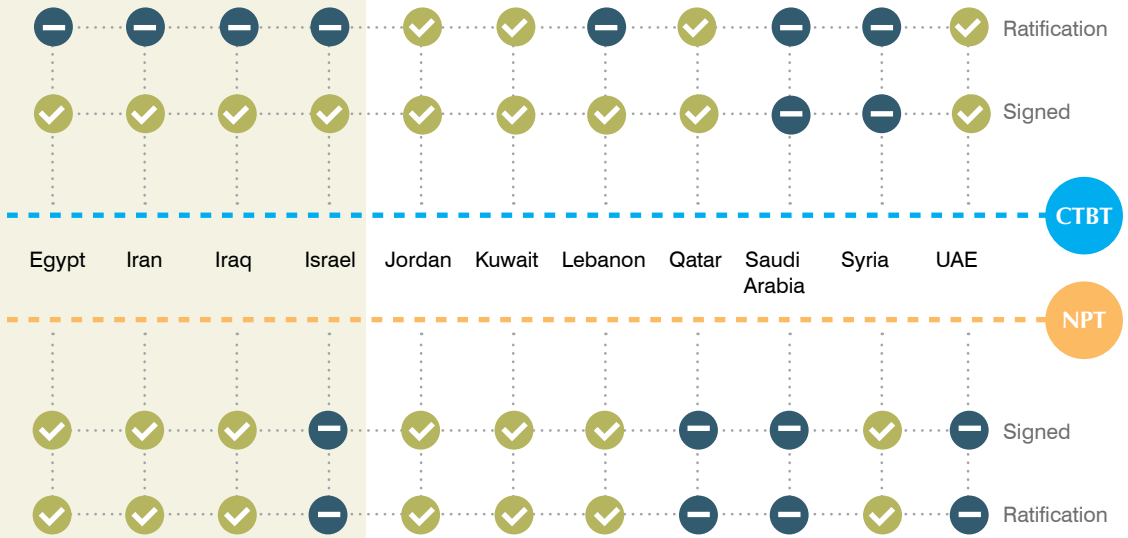
HUMAN COSTS OF MAJOR WARS IN THE MIDDLE EAST, 1948-2007



N.B. : Discrepancy in tally due to differences in total number killed and break-up by country. Numbers include both civilian and military deaths.



NUCLEAR NON-PROLIFERATION TREATY & COMPREHENSIVE TEST BAN TREATY



1. HUMAN COSTS OF MAJOR WARS

It is difficult to have reliable estimates of casualties in any war. The Middle East earns bad press around the world for the conflict between Israel and the Palestinian people, extended to a broader conflict between Israel and the Arab states and people. However, in terms of human costs, other conflicts inflict heavier damage.

Consider this:

The three Arab-Israeli Wars (1948-49, 1967, 1973) together cost somewhere between 40,000 and 80,000 lives. Israel's wars with Lebanon or groups within Lebanon (1978, 1982, 1993, 1996, and 2006) resulted in more than 20,000 human deaths. The two Intifada phases (1987-93 and 2000 onwards) have cost 10,000 lives. Thus, together the human loss is somewhere between 70,000 and 110,000.

Iraq-Iran War (1980s) resulted in a toll somewhere between 500,000 and 1,000,000. The First Gulf War toll was somewhere between 100,000 and 200,000. The Second Gulf War, including internal strife in Iraq, has so far resulted in a toll of somewhere between 100,000 and 500,000 depending on the source.

Therefore, the conflict in the Middle East cannot be seen from the narrow prism of the Israel-Palestinian conflict. There are other fault-lines in the region, which make the conflict multi-dimensional.

Direct losses of human lives in the two Intifada phases were around 10,000. The losses from the two Gulf Wars together could be around half a million or 50 times as much.

While the world's attention is focussed on Israel's conflict with the Arabs - particularly the Palestinians - much greater damage is done by the US war in Iraq and radical-moderate conflict involving Iran.



2. MILITARY EXPENDITURE

The SIPRI yearbook 2007 has published data on the military expenditure in most countries in the world from 1997 to 2005.

The Middle East has the highest military expenditure burden in the world. Between 1997 and 2005, the Middle East had an average of 6% of their GDP allocated to military spending while the world average for military expenditure stood at 2% of GDP in 2005. Further, the global data is heavily lop-sided because of the United States military expenditure.

Out of the world's 10 largest military spenders as a proportion of GDP, 7 are from the Middle East.

World's Highest Military Expenditure as % of GDP, 2004 and 2005

Top 10

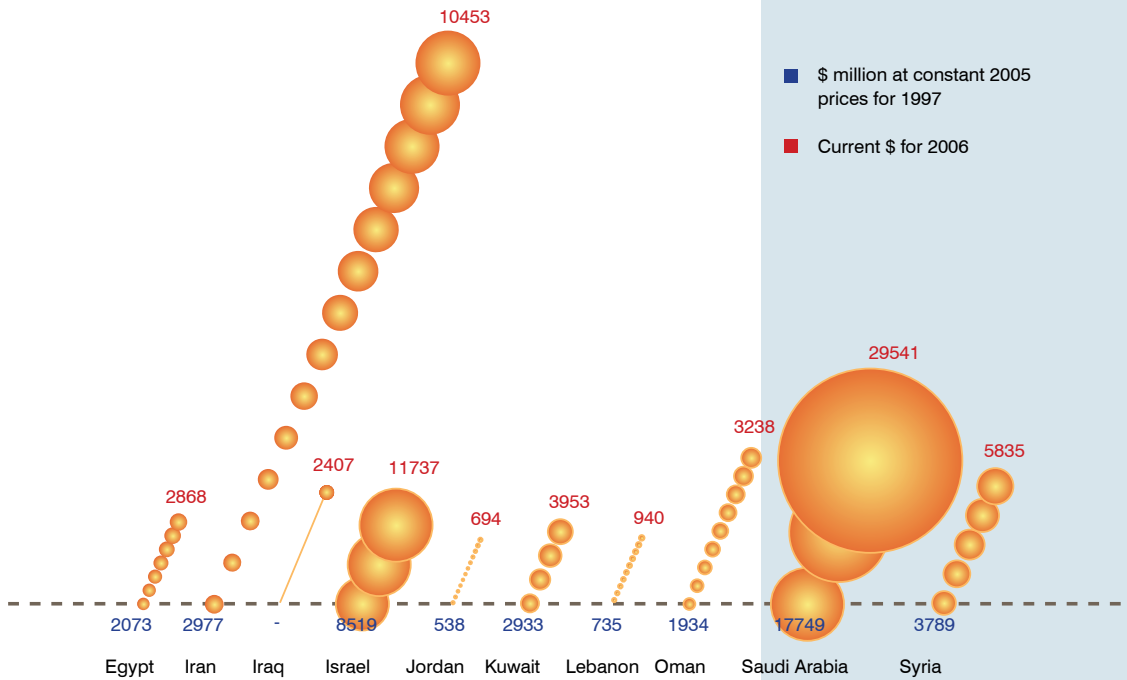
Others ■
Middle East ■

COUNTRY	2004	2005
Afghanistan	11.9	9.9
Burundi	6.6	6.2
Eritrea	23.0 +	23.0 +
Israel	8.3	9.7
Iran	4.5	5.8
Iraq	I	I
Oman	12.0	11.9
Saudi Arabia	8.4	8.2
Syria	6.4	5.1
Yemen	5.7	7.0

+ Eritrea: figures for 2004 and 2005 not available. Trends from 1998 indicate higher than 23%.

I = impossible to measure but huge by all circumstantial indicators

Total Military Expenditure by Country

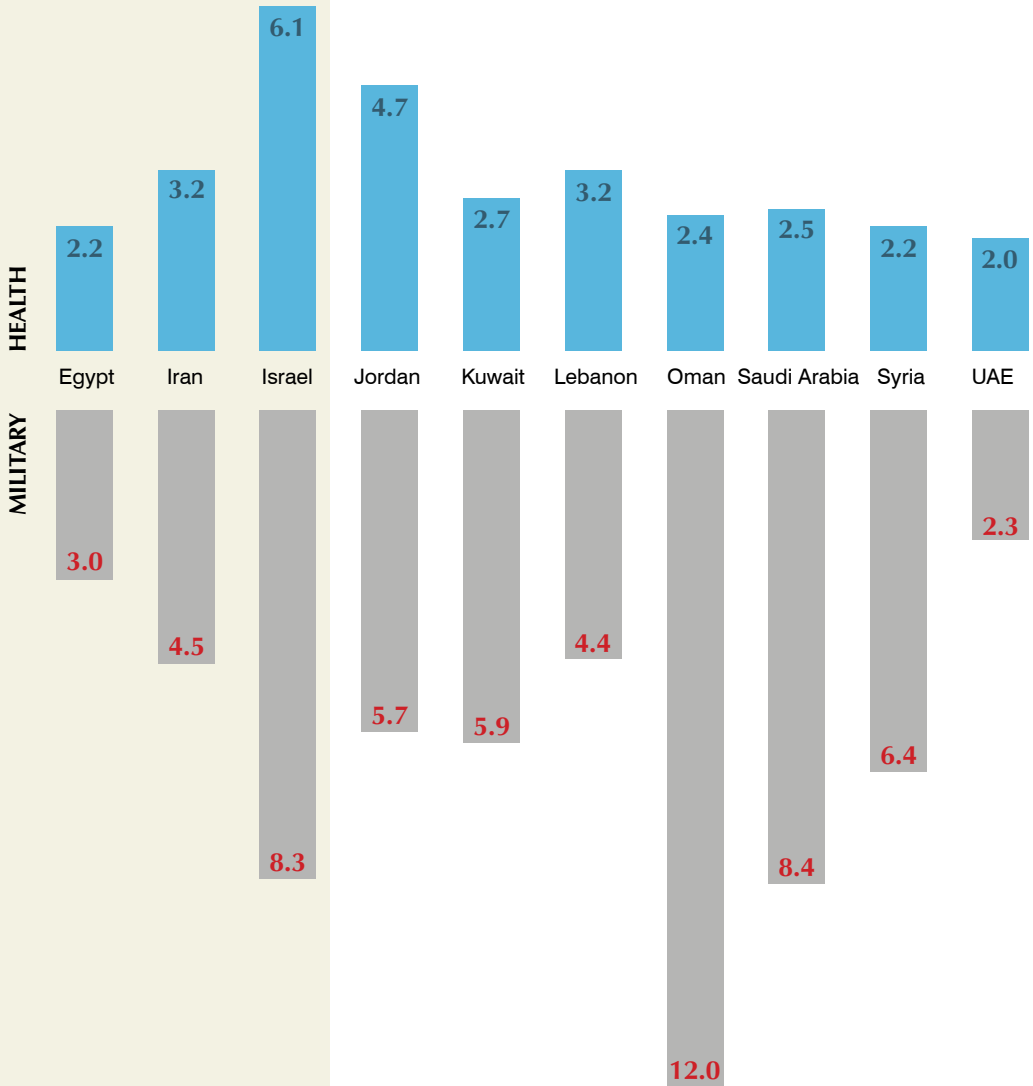


There is a race going on in the Middle East – an arms race. Saudi Arabia leaps in a decade from \$18 billion to \$30 billion, Iran from \$3 billion to \$10 billion, Israel from \$8 billion to \$12 billion – and this was in the times before the dollar began its slide. As a region, it registered the highest increase in the world in the decade ending 2006, closely followed by the United States, which is extensively involved in the Middle East in any case.



3. MEDICINE AND MILITARY

Health and Military Expenditure as % of GDP in 2004



4. BOTTOMLESS PIT

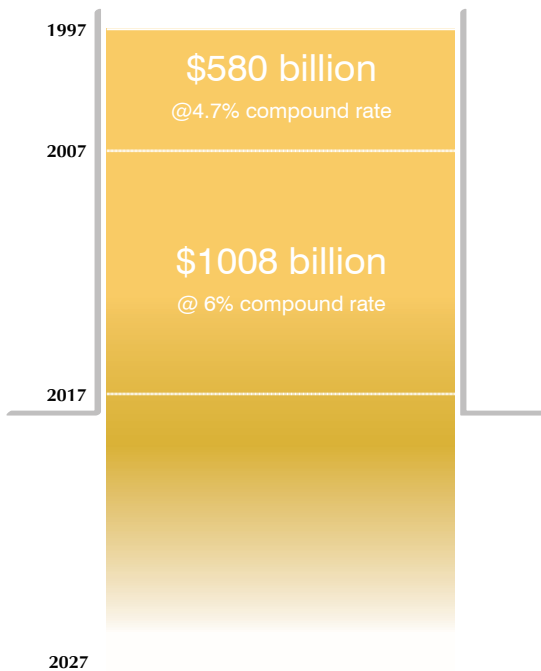
The US announced \$63 billion military assistance and arms sales package for Israel, Egypt, and the Gulf States in 2007, over the next 10 years.

Israel	\$30 billion
Egypt	\$13 billion
Gulf States(*)	\$20 billion

(*) Saudi Arabia, UAE, Kuwait, Qatar, Bahrain, Oman

At one stroke, military expenditure of these states increases by 10% every year through the next decade. Also, it provokes Iran and Syria at least to match with extra additional expenditure. Thus, the cumulative spending on military in the region will be double in the next decade of 2007-2016 as compared to the previous period of 10 years.

Cumulative Military Expenditure in 2005 dollars



The expected expenditure on defence in the next decade for the Middle East is almost equal to the entire GDP of Israel, Egypt, Saudi Arabia, Kuwait, Qatar, Bahrain and Syria, or more than half of the GDP of the entire region from Iran to Egypt in 2008, or almost comparable to the entire world's annual military expenditure in the same year.

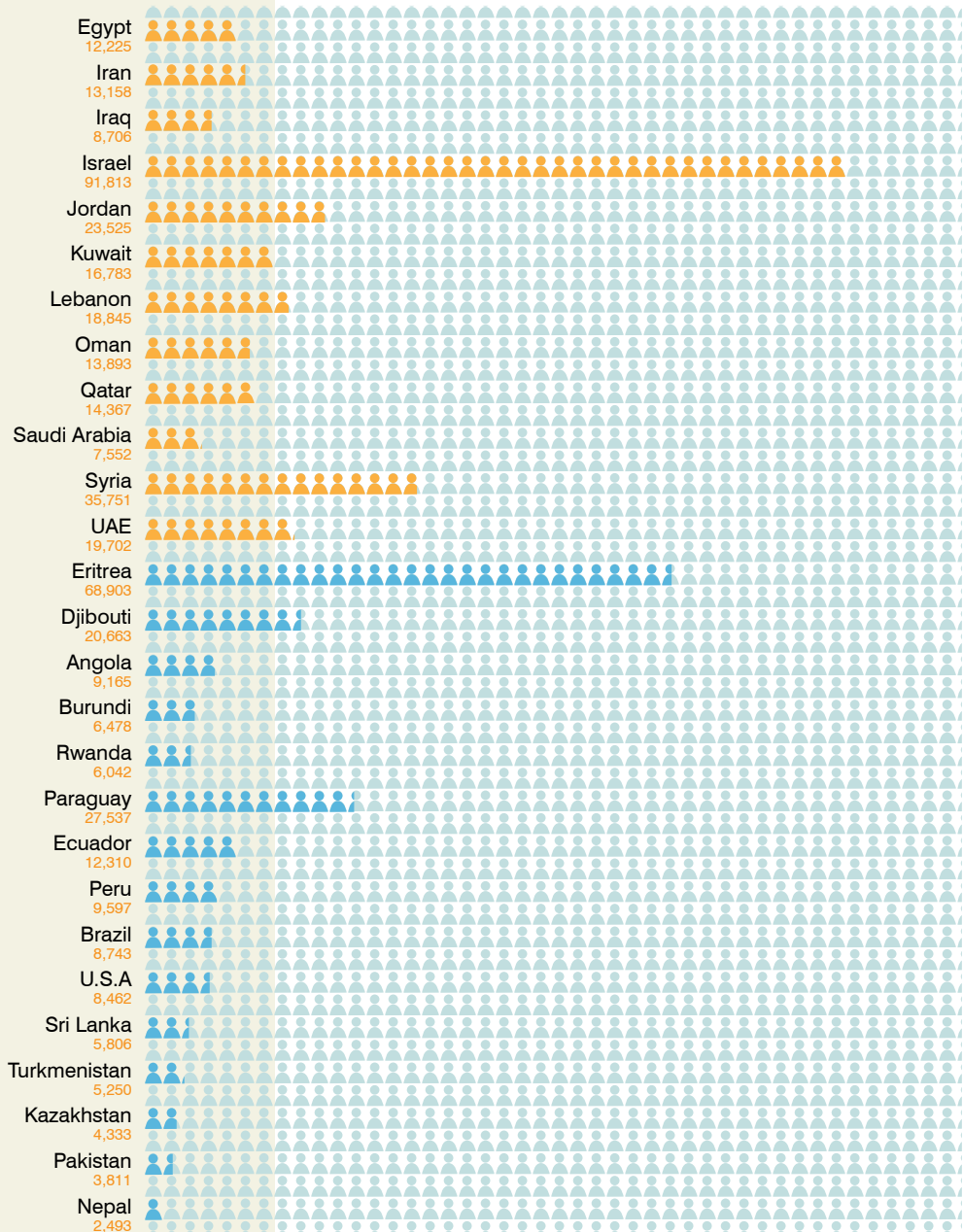
If there is a significant outbreak of war in the next decade, the expenditure can be expected to increase even to higher levels.

Will the security of people of the Middle East increase by spending a trillion dollars equivalent on arms in the next decade?



5. MILITARIZATION OF THE SOCIETY

Armed Forces by Country : Military personnel per million people

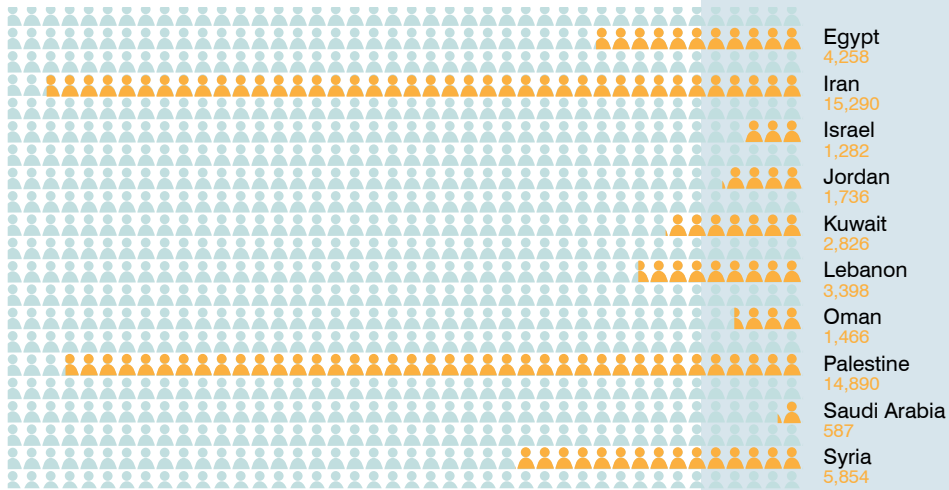


The Middle East is by far the most militarized region in the world in terms of per capita military personnel. Certain countries like Israel, Syria, Lebanon and Iran have a compulsory conscription service.

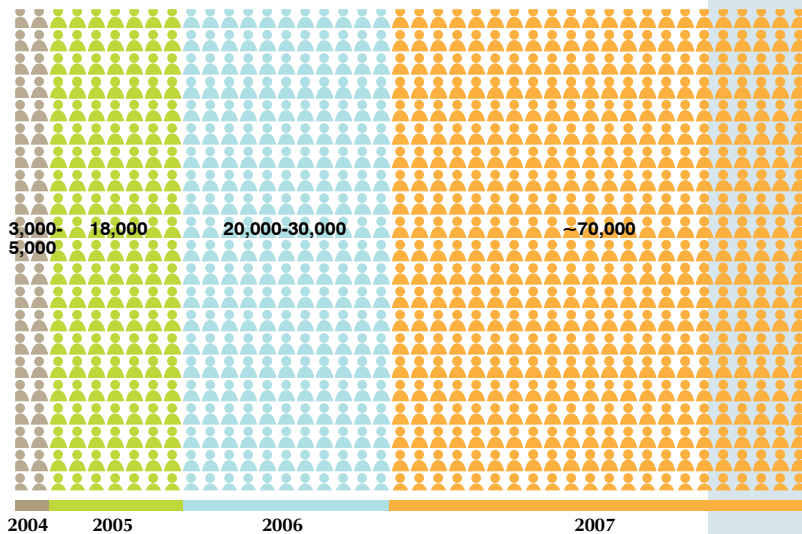
The Middle East competes with Eritrea, Djibouti and Paraguay in the militarization of its people. Not too far from the Middle East, Sri Lanka is the most militarized society in South Asia. And the degree of Sri Lanka's militarization is 1/15th that of Israel.

6. BEYOND REGULARS AND RESERVES

Number of Paramilitary Forces by Country
(per million people)



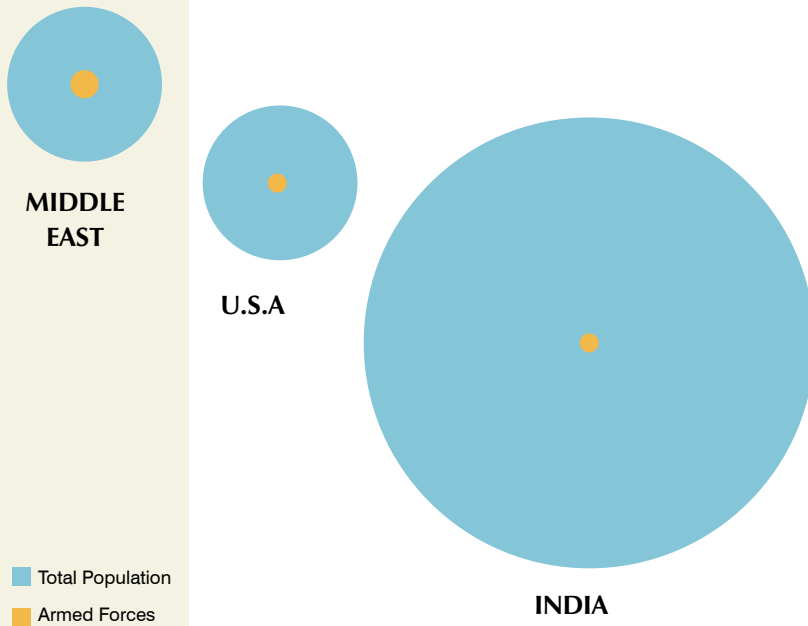
Estimated Strength of Insurgency in Iraq: 2004-2007



According to reports, a number of men from Shia militia units such as the Badr organization and the Mehdi army as well as from the Sunni Awakening Council have infiltrated into Iraqi security forces. This poses a potentially dangerous dynamic within the Iraqi security apparatus as there are now both Shia militia forces and Sunni tribesmen, thirsting for a stake in the Iraqi power game.

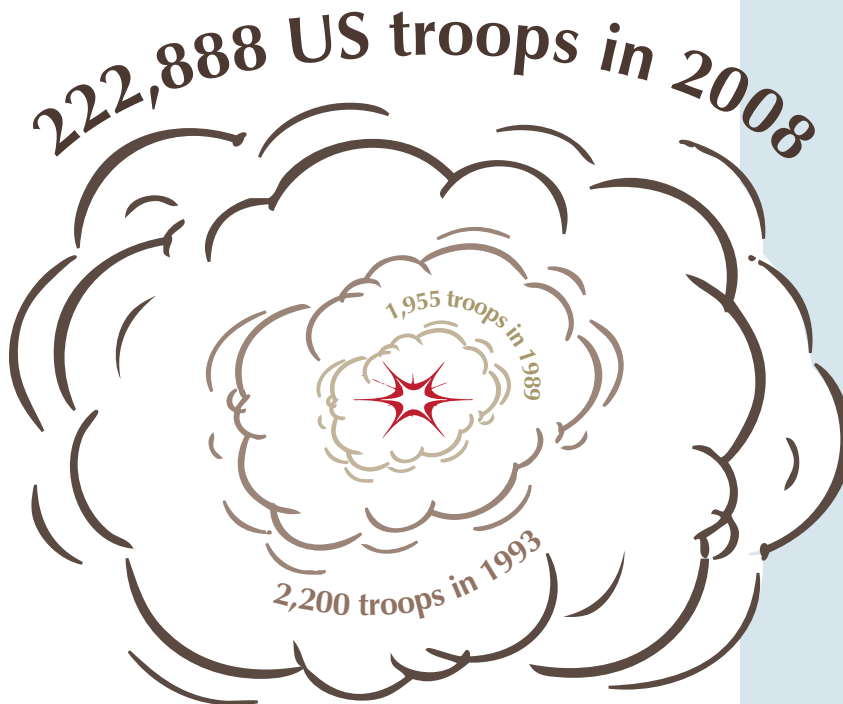


If military personnel, reserves, para-military and foreign troops are all included, the Middle East has more than 5-6 million armed people. The United States with a population almost the same as the Middle East (around 300 million) has 2.5 million armed forces, including army, navy, air force, marines and reserves. India with more than 3 times the population of the Middle East has 2.5 million forces, equally divided between the military and para-military. The human resources in the Middle East are diverted to the security sector in a much greater proportion than any other part of the world. Accordingly, the security sector has a vested interest to continue conflict - subtly or directly encouraged by agents of the arms industry.



7. US MILITARY PERSONNEL

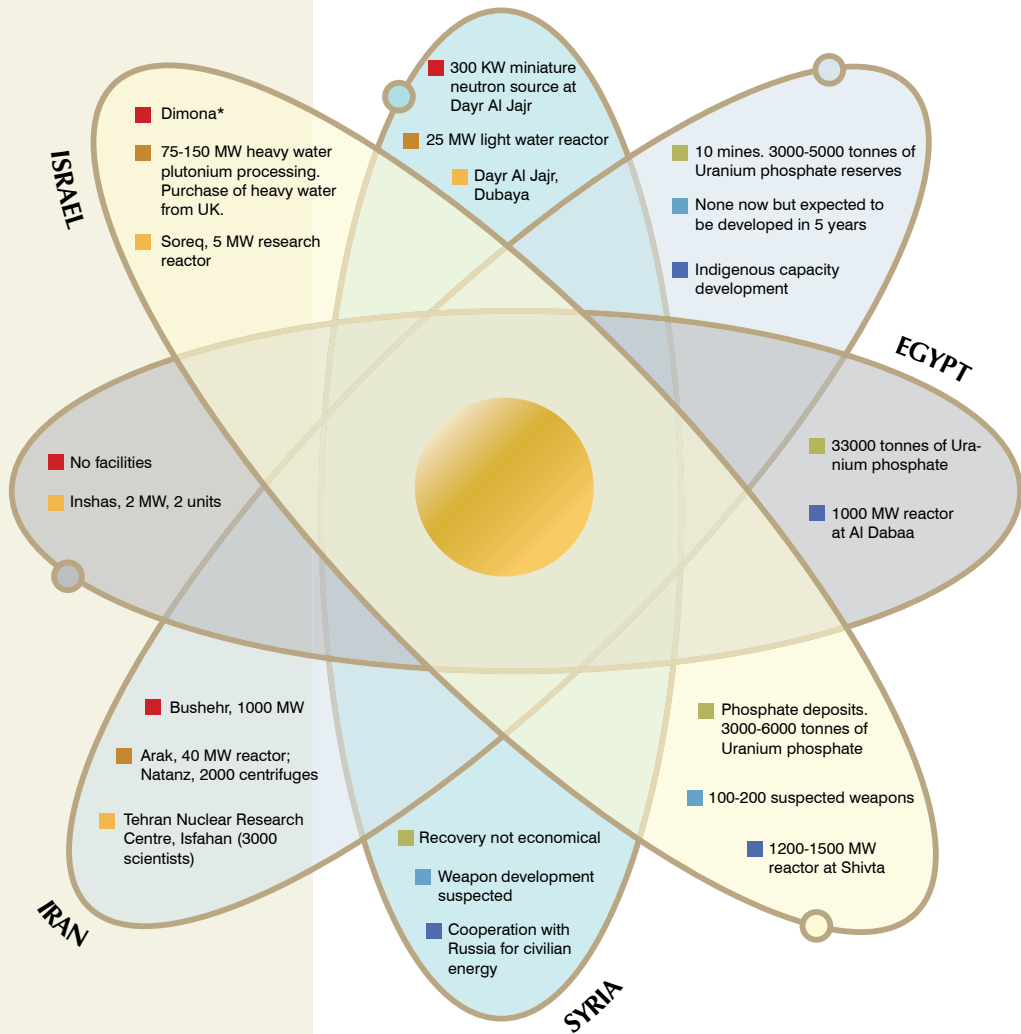
The US currently has more than 222,000 military personnel stationed in the Middle East, a number that is greater than the military manpower of 8 out of 14 countries in the region.



The US military presence in the region has increased 120 times in the last 20 years. It has increased 100 times in the last 15 years, since 1993 - much of it since 2003 due to the war in Iraq.

8. NUCLEAR ACTIVITY

NUCLEAR CAPACITY IN THE MIDDLE EAST



- Power Plant
- Heavy Water Production Plant and Enrichment Facilities
- Nuclear Research Centres/ Reactors
- Mines/Deposits
- Suspicion about Weapons
- Future Plans

*Israel keeps information about its nuclear sites a secret, but Prime Minister David Ben Gurion admitted to the existence of the Dimona plant in 1960. This plant is now considered to be at risk for accidents due to its age.

According to the World Nuclear Association, an industry group, 15 million cubic meters of seawater is desalinated every day in the Middle East, mostly in hydrocarbon-powered plants. Now the GCC states are looking to switch from hydro-carbon to nuclear energy for desalination and this is one of the biggest incentives for civil nuclear power in the Middle East. GCC has launched a study on the feasibility of nuclear power for desalination, while the United Arab Emirates signed an agreement for nuclear cooperation with France in January 2008. The problem is that the transition to nuclear weapons from civilian nuclear power projects cannot be easily detected.

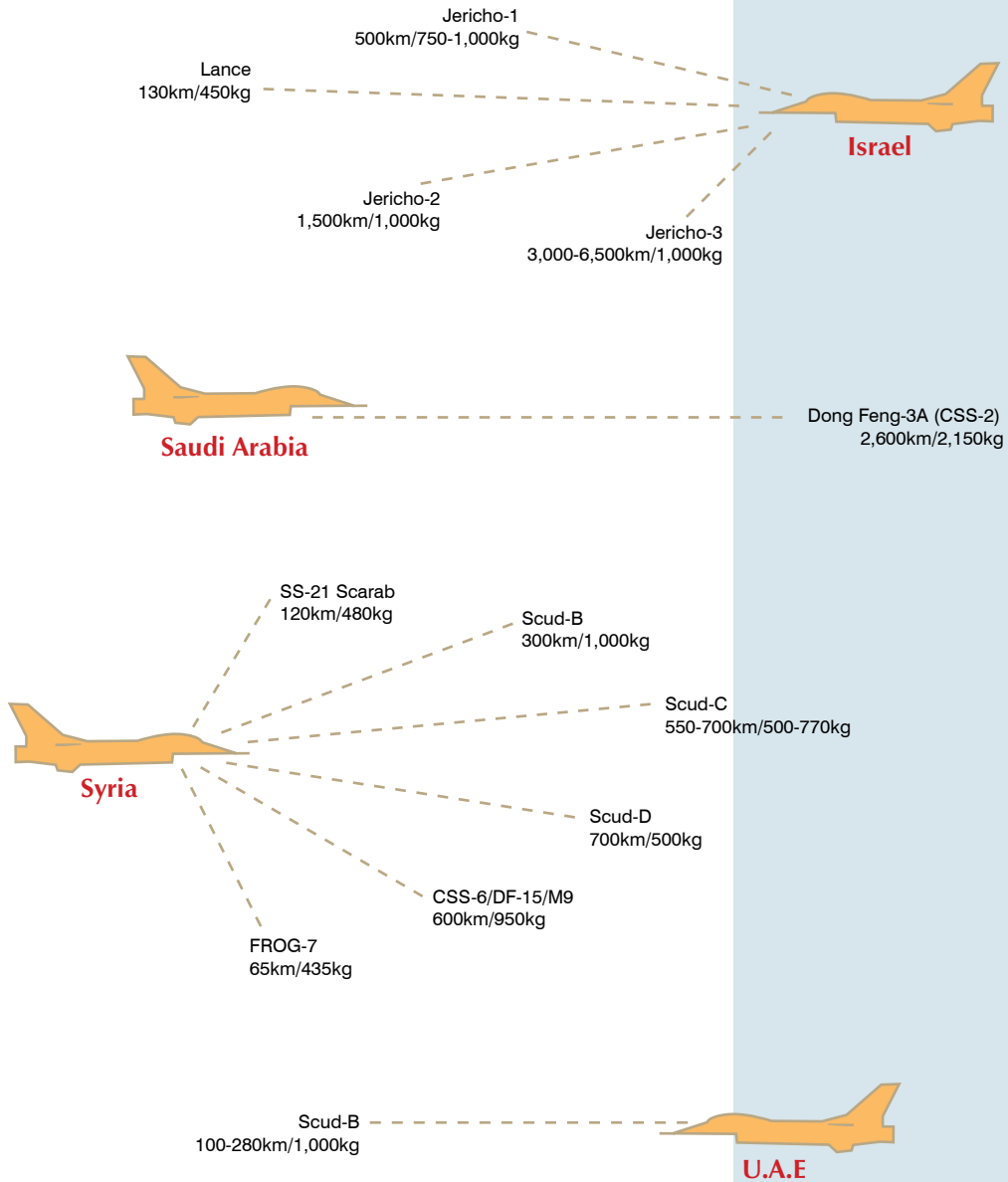
Currently, civilian nuclear programmes and plans in the Arab countries are for peaceful purposes. However, there is a serious academic speculation that the development of nuclear weapons by Israel and Iran will one day motivate Saudi Arabia and Egypt to develop weapons. If this happens, Turkey will want to join the race. It is also possible that some of the Arab states may want to develop weapons in anticipation of developments in Iran. A race driven by expectations about the plans of rival states is possible just as a naval race between Britain and Germany had taken place at the beginning of the last century leading to the First World War.



9. MISSILE MANIA

NUCLEAR CAPABLE MISSILES BY COUNTRY (range /payload)



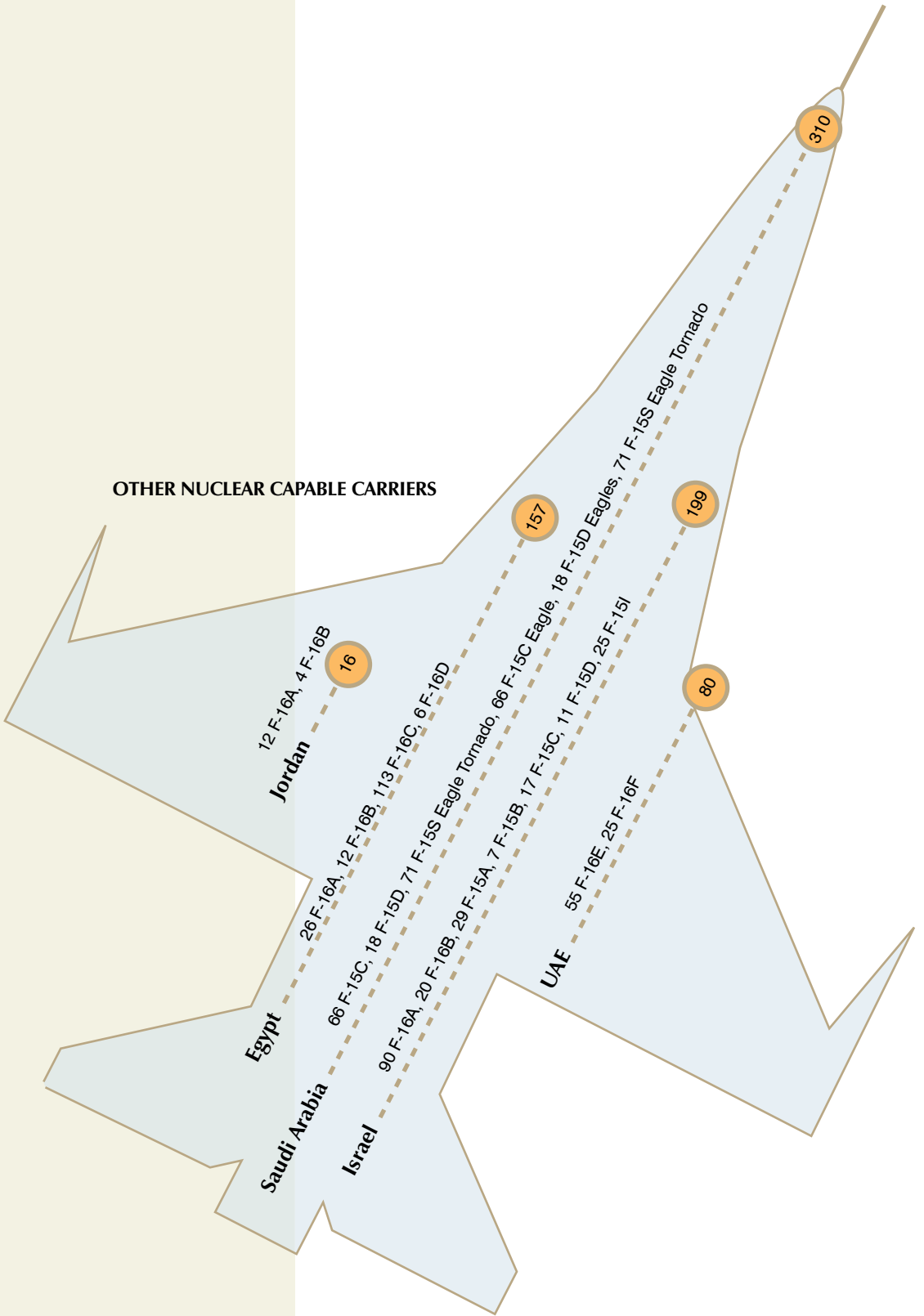


Short-range ballistic missiles, travel less than 1,000 km;
 Medium-range ballistic missiles, travel between 1,000-3,000 km;
 Intermediate-range ballistic missiles, travel between 3,000-5,500 km;
 Intercontinental ballistic missile (ICBMs), travel more than 5,500 km.

In July 2008, Iran test-fired 9 missiles, including at least one medium-range ballistic missile, capable of reaching Israel.



OTHER NUCLEAR CAPABLE CARRIERS



10. NUCLEAR ARMAGEDDON: 2017

The countries in the Middle East have delivery systems for nuclear weapons. They are in the process of acquiring nuclear energy, which can be used for nuclear weapons. What is the worst that can happen? The scenario outlined below is for the purpose of illustrating consequences - it is not our assumption that it will play out.

The Setting

Date : circa 2017; 50th anniversary of the 1967 war.

Nuclear weapons : Israel more than 200 weapons, Iran 20 weapons, Saudi Arabia 4 or 5 weapons – all unaccounted, untested and unacknowledged by the respective countries.

Delivery systems: Israel – Jericho 3; Iran – Shahab 4; Saudi Arabia – Dong Feng; hundreds of F-16 Fighting Falcons all over the region.

International environment : International community fails to initiate a credible and sustainable process, acceptable to all parties in the region to address all conflicts and their inter-linkages in the region.

Regional environment : Excessive use of force by Israel against pockets of population in Lebanon and the Palestinian territory; violent attacks against Israeli civilian targets by various non-state groups practising terror methods; heated exchanges between Israel and Iran at a high frequency; Lack of united Arab leadership; failure in Iraq.

Social environment : extremely high frustration among youth and armed forces in the region

The Attack

Israel has committed to a No First Use Policy since the 1960s and honoured this commitment during the 1973 war and the First Gulf War, despite being hit by missiles. In this scenario, Israel launches a conventional attack on Iran's military installation. Iran launches a nuclear strike against Israel.

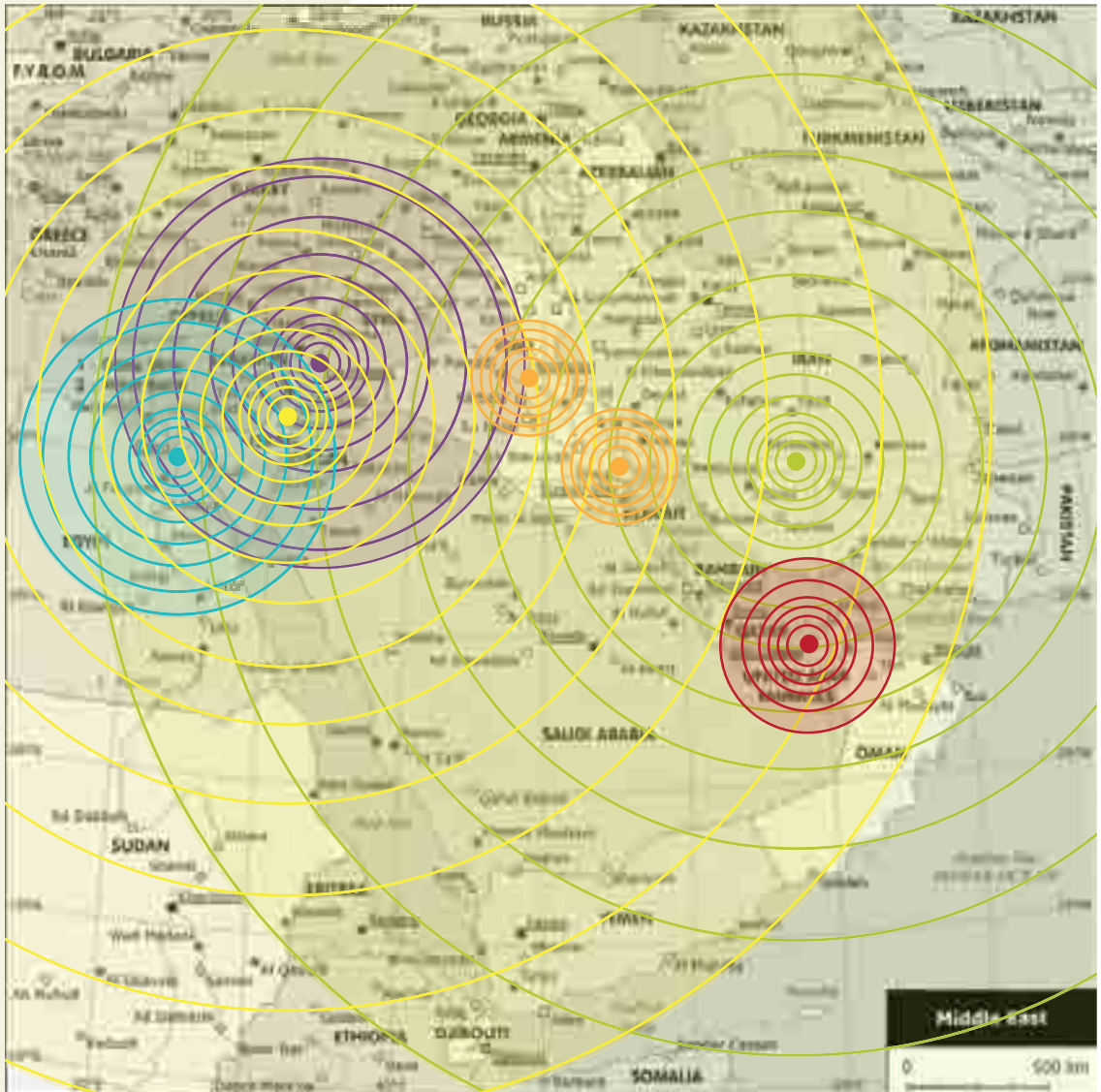
Iran uses a 15 kiloton weapon. The attack takes place at a height of 600 meters. Since Iran is not confident of target accuracy, it launches a triple attack on Tel Aviv area. While one missile fails to deliver payload, two hit the target within a kilometer of each other.

All people within 1.1 km of the hypocentre die instantly. People in the second zone in a radius of almost 2 km from the hypocentre suffer from mechanical



The Range of Missiles in the Middle East

■ Syria ■ Israel ■ Egypt ■ Iraq ■ Iran ■ U.A.E.



effect of a pressure blow, followed by blast overpressure and high velocity winds. Physical objects such as cars, poles, bridges are propelled outwards like missiles. While the initial death toll will be 50%, it will eventually increase to 90%. In the area beyond a radius of 2 km but within 3.5 km, there will be partial fires, small explosions and a complete breakdown of infrastructure.

In a swift retaliation, Israel uses a 50 kiloton weapon. The attack takes place at a height of 600 meters with clear visibility in early hours of the morning. It is a weekday. Children have just reported to the schools. Office goers are on their way. Israel attacks a few different cities simultaneously.

All the people within 2.5 km of the hypocentre of the attack will be killed. All buildings will be destroyed. All objects that can catch fire will burn out. The school children will be the biggest number of victims. In the second circle beyond a radius of 2.5 km but within 5 km, the immediate casualty rate will be 50%. However, it will go up to 70-80% in the subsequent weeks due to the death of those succumbing to burn and radiation injuries. In the third circle of a radius of 7 km, the immediate death toll will be 10% due to flying objects and collapse of weak buildings. It will increase to 50% in the subsequent weeks due to the injured succumbing to burn injuries.

Since Israel is confident of the accuracy of the attack, it attacks a few different cities with one bomb on each city focussed on a high commercial value or military targets.

In either case, it is important to note that the nuclear explosion results in the release of great amount of energy in the form of X-rays that get absorbed in the air, increasing the temperature of the area around hypocentre and creating a fireball. While it expands, the fireball cools down by emitting radiation. Within 0.1 milliseconds the radius of the fireball can be 15 meters for the smaller attack (Iranian attack) and temperature around 300,000 degree Celsius. Together, the hot air, the products of explosion and other debris rise to form a mushroom cloud. As a result of this effect, the entire area around the hypocentre (1.1 km of Tel Aviv and 2.5 km of Tehran) will be totally devastated with no survival and no chance of recovery of physical assets.

While the impact beyond the first circle around the hypocentre is less damaging in terms of physical destruction, the psychological impact, panic, breakdown of infrastructure, and the collapse of the social system is totally devastating.

The precise impact of an attack will vary according to two types of details – (1) time of the year, time of the day, weather conditions, winds, size of weapon and the altitude at which it explodes (2) population density, closeness of population to other targets, social-economic systems.

There is bound to be asymmetrical impact of two attacks in the short run, depending on the details mentioned above. However, in the medium run, both societies come out of the tragedy as extremely weak, vulnerable, and psychologically destroyed.



Here we have used the smallest possible bombs as examples. In reality in 2017, both Israel and Iran will have an ability to deliver much higher payload.

Death Toll

About 50 million, comparable to the Second World War.

Consequences

A nuclear attack essentially robs the involved societies of their future. There is an impact on several fronts.

Health

- Inadequate medical facilities to provide specialised treatment to radiation victims;
- Acute survival syndrome including disorientation, fear, helplessness, nervous breakdown and apathy;
- Radiation effects including leukemia, cancer of intestine and reproductive organs, chromosomal damage, birth defects, vision defects, hair loss, etc.;
- Psychological setback to entire population.

Economy

- Total collapse of infrastructure including ports, road, trains, and telecommunication systems;
- Capital flight, disruption in trade, inflation, unemployment, imposition of trade and aid sanctions (except humanitarian aid);
- Collapse of public finance and taxation system;
- Destruction of records of financial and industrial institutions;
- If oil wells or gas reserves are near the hypocentre, oil spills and fires spreading over several miles and destroying all assets on the way.

Environment

- An area of 10 to 25 sq km will be unfit for inhabitation for a few generations.

Political

- Loss of sovereignty of all countries concerned;
- International isolation (unlike an earthquake or Tsunami which attracts worldwide sympathy, a nuclear exchange would invoke disdain);
- Extension of conflict from two players to several more players and the risk of use of nuclear, chemical and other weapons of mass destruction by them;
- Collapse of governments and regimes.

Global

- End of faith in core human values;
- Breakdown of international order;
- End of the world as we know it, either leading to a World War or reordering of global priorities.

Chapter 3 : Environmental Costs

INTRODUCTION

The Middle East has abundant oil resources and scarcity of water. Wars and violent conflicts can damage both these vital resources. The experience of the two Gulf Wars as well as the Israel-Hezbollah conflict in the summer of 2006 provides evidence of how environment can be a direct casualty of conflict. There is an adverse impact on health, bio-diversity and eco-systems of the region.

Economists measure the financial costs of environmental damage resulting from wars. Such exercises serve limited utility. Environmental protection should be considered as a value in itself. Health of the environment is essential for long-term survival of humanity in each part of the world.

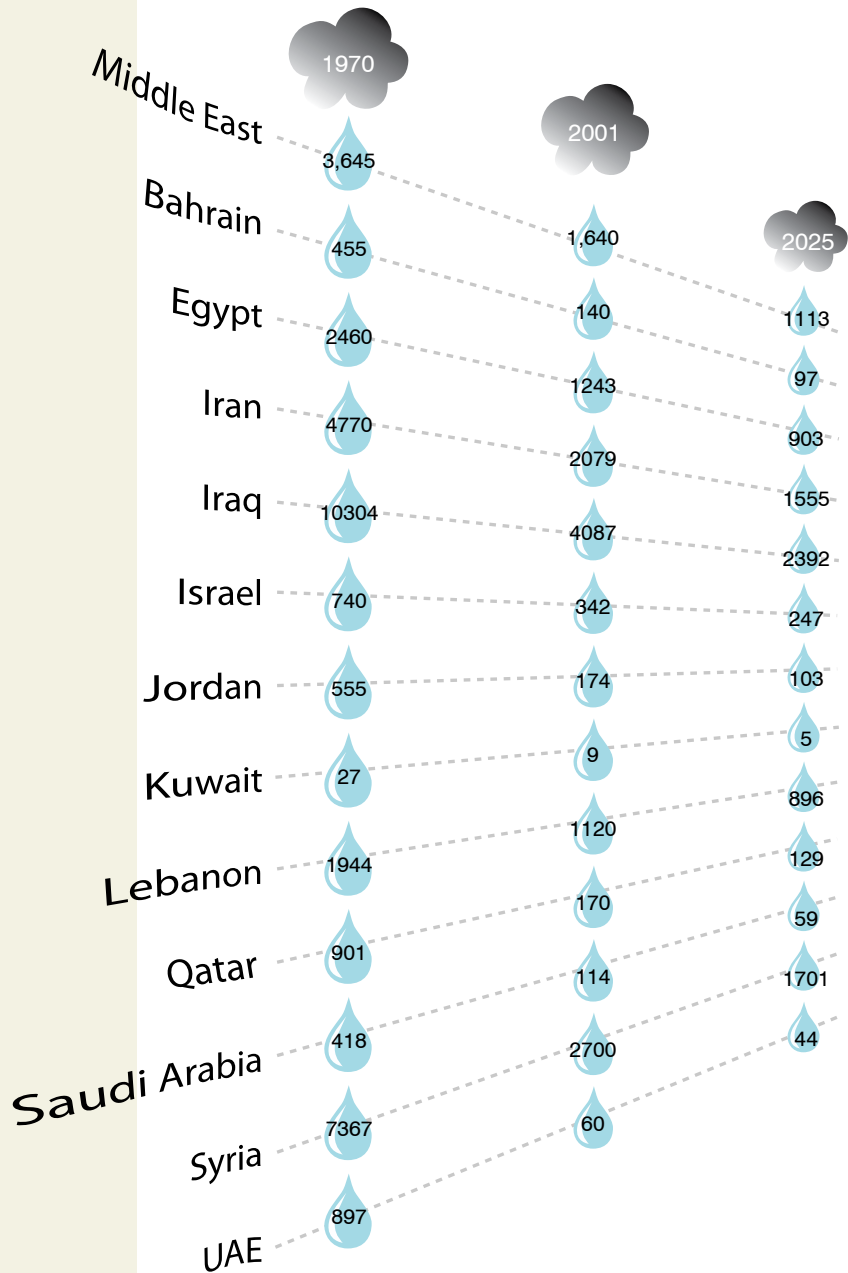
The general phenomenon of global warming should be distinguished from the specific environmental costs of conflict. Expert studies show that deliberate and large-scale damage to natural resources in a war adds to global warming in a specific way. Conversely, the consequences of global warming, climate change and depletion of water can give rise to new conflicts. The inability to deal effectively with cross border environmental challenges is a significant indirect cost of conflict.

The conflicts in the Middle East from 1948 to 2008 were essentially political with strong social and religious dimensions. The damage to environment was a cost of these conflicts. However, in the future, environment – in particular water scarcity – may prove to be both cause and cost of conflict.



BACKGROUND

Annual per Capita Renewable Fresh Water Availability in the Middle East (in cubic meters)

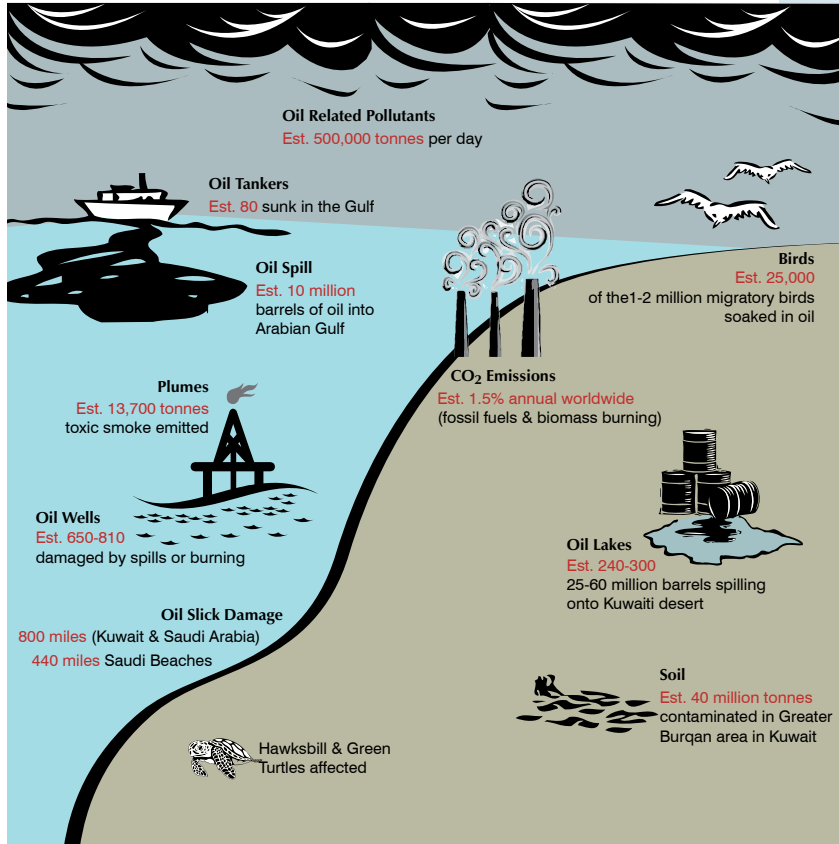


'Water-scarce' countries have an average of less than 1,000 cubic meters of renewable freshwater per person per year. A majority of the countries in the Middle East have already fallen considerably below this mark.

1. SPILLS, FLAMES & WELLS OF WARS

Environmental Consequences of Oil Related Damage

First Gulf War: 1990-1991



According to Iraqi estimates, 15 million barrels of oil and 1.5 million cubic meters of petroleum products were burnt during the First Gulf War. It took 9 months to extinguish all Iraqi oil wells. On an average most beaches contaminated by oil slicks take 5 years to recover, whereas beaches affected during the First Gulf War needed more than a decade for recovery.

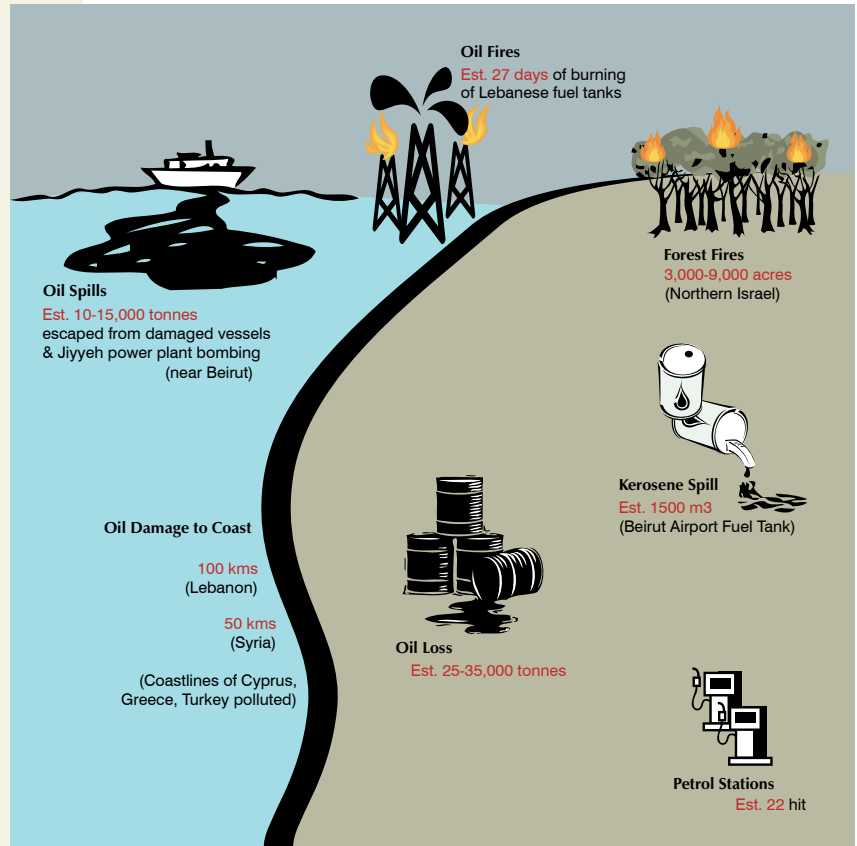
The war caused severe landscape degradation as well.

In Kuwait, an estimated 375,000 bunkers and trenches were hollowed into the ground. About 50% of the desert surface was compacted. 20% of tree cover in the country was felled as a result of the war.

In Iraq, 160 sq. km of forest land was destroyed and Iraqi marshlands shrunk from 15,000 sq. km to an astounding 50 sq. km, displacing a 100-300,000 people who lived in the area. Presently only 10% of people living in Iraqi marshlands can lead a traditional life of subsistence.



Israel-Hezbollah War: 2006

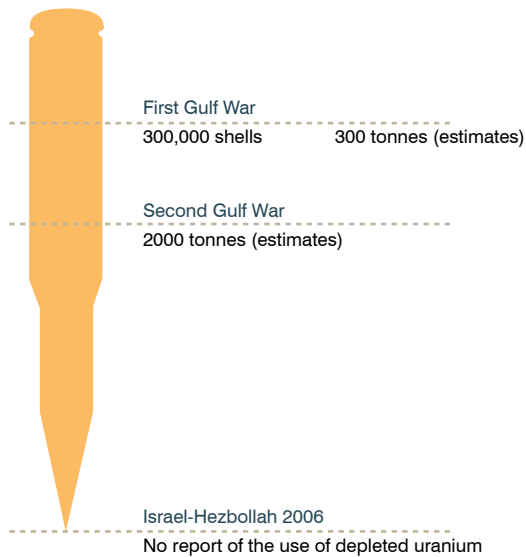


The damage to critical infrastructure in Lebanon during the July 2006 war was extensive and severe. Statistics show that for every 1 tonne of oil spill to be cleaned up, 10 tonnes of hazardous material is created. In the case of oil spills, at best a mere 10-15% of oil is recovered.

During the First Gulf War, 10 million barrels of oil were spilt in the sea, while 45 million barrels were spilt in the Kuwaiti desert. In a future war, if the volume of oil spill only doubles to 100-120 million barrels a day, it would be equal to 1 day of oil supply for the whole world in the next decade.

2. DEPLETED URANIUM SHELLS

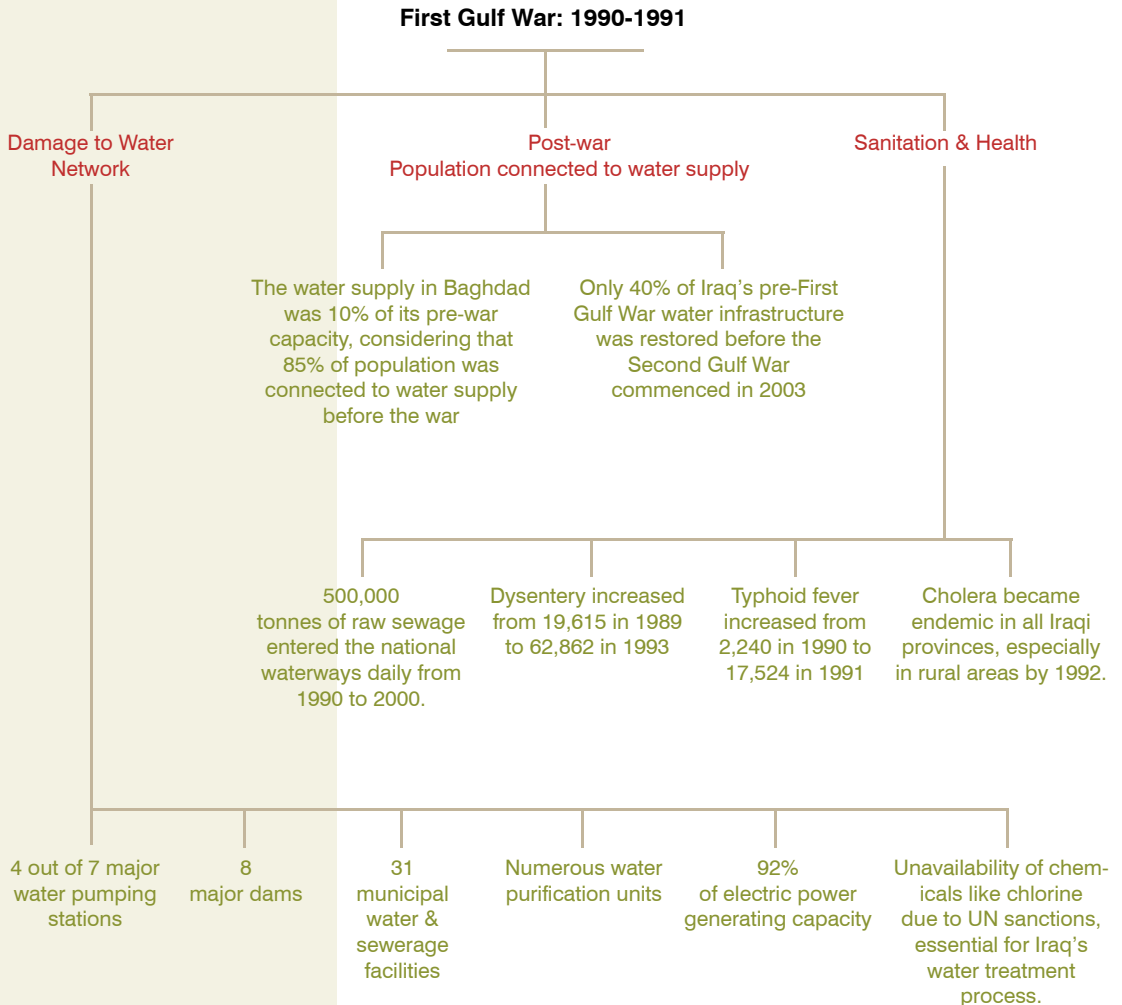
Depleted Uranium Shells Use by the United States (in tonnes)



For comparison, the use of Depleted Uranium (DU) ammunition by the US was 9 tonnes and 3 tonnes respectively in Kosovo and Bosnia-Herzegovina. Clean up operations require soil removal and deactivation costing an estimated \$4-5 billion for 200 hectares. Furthermore, DU ammunition is expected to contaminate the environment for 25-35 years. A secret US Military Study revealed that 50 tonnes of depleted uranium pollution inhaled could cause up to half a million additional cancer deaths over several decades.

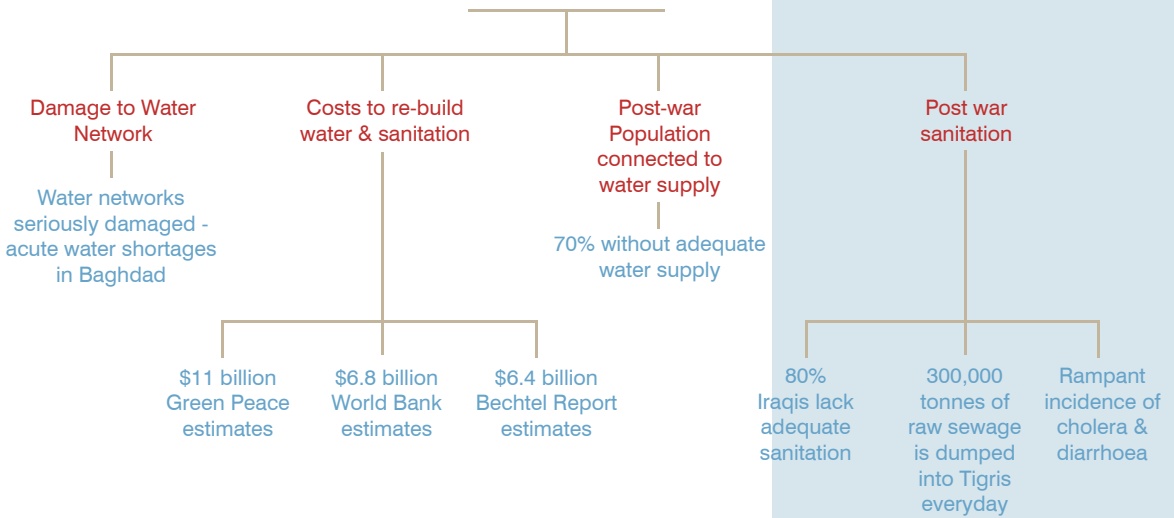
3. WAR & WATER

Environmental Consequences Of Water Related Damage

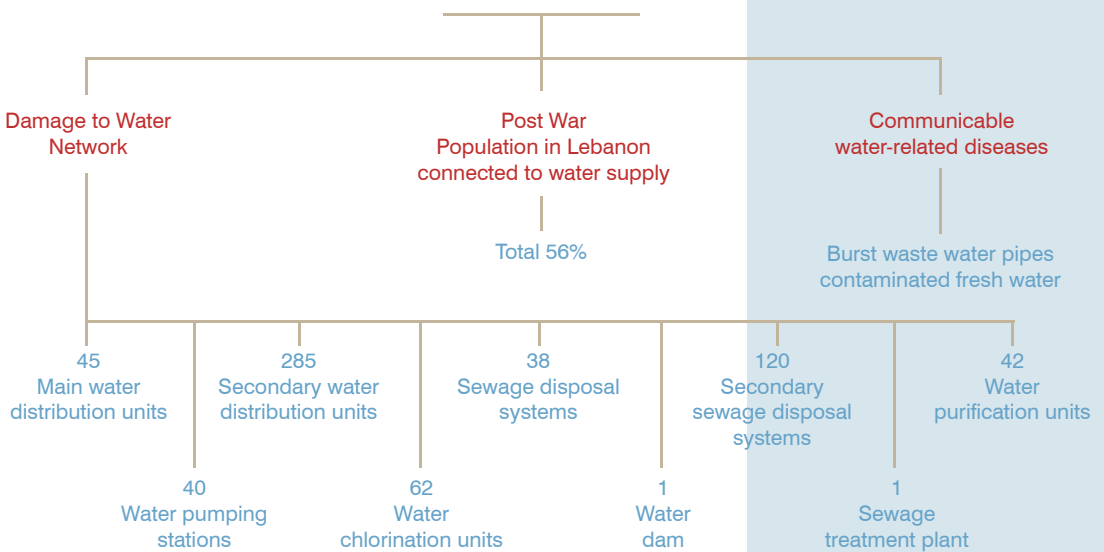


The First Gulf War caused untold marine damage at the Iraqi port of Umm Qasr and the Khawr Al Zubayr as well as in the Shatt Al Arab waterways. About 80 ships were sunk during the conflict damaging marine life.

Second Gulf War: 2003



Israel-Hezbollah War: 2006



Streambeds, other water resources and agricultural fields were contaminated with UXOs (Unexploded Ordinances). It took more than a year to clear. Irrigation infrastructure along the Litani canal suffered severe damage. It will take several years to rebuild. South Lebanon experienced the worst damage where agriculture constitutes 70% of all household income.



4. WARNING: WATER WARS AHEAD

Water Dependency Ratio in the Middle East By Country



Dependency Ratio indicates the proportion of renewable fresh water resources that originate outside the country. Bahrain, Egypt, Iraq, Israel, Kuwait and Syria have a dependency ratio above 50% and hence are highly dependent on other countries for their freshwater resources.

Iraq and Syria depend on the Euphrates to a large extent for agriculture. Any future conflict that interrupts free flow of the river can severely undermine the life-system of farmers in Iraq.

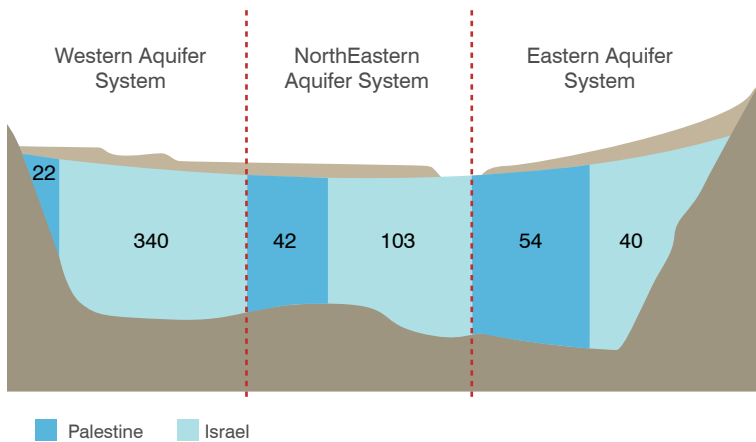
Jordan River - 4 Tributaries

Yarmouk (Syria)
Banias (Golan Heights)
Hasbani (Lebanon)
Dan (Israel)

The Jordan River is one of the most complex and contested water resources in the Middle East. Since the 4 tributaries originate in Syria, Golan Heights, Lebanon and Israel respectively, ownership becomes extremely complex.

West Bank Coastal and Mountain Aquifers

West Bank Groundwater Allocation to Israel & Palestine (mcm/year)



Overall water consumption per capita per year in cubic metre

Safe pumping rate = 55 mcm/year
 Current pumping rate = 120 mcm/year

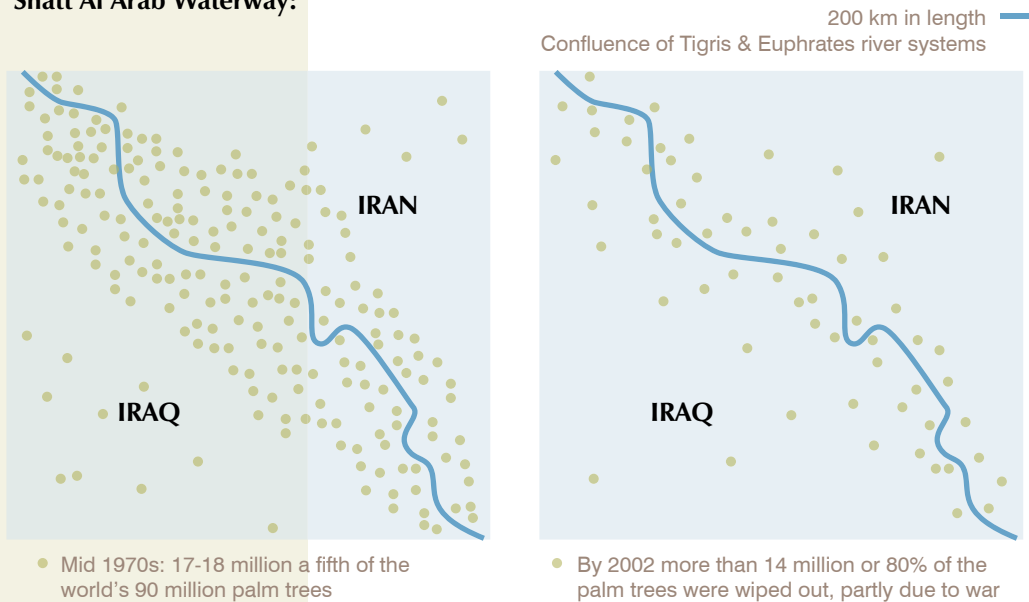
There are currently two main problems that Israel and Palestinian authorities face with regards to water:

- a) The West Bank aquifers are technically under the territory of the Palestinian National Authority (PNA) but used by Israel, with Israel taking more than 80% of water. It pumps water from these aquifers through outlets based within Israeli territory and claims joint rights over the water.
- b) Salt water intrusion in the Gaza coastal aquifers due to over pumping.



Cost of Conflict in the Middle East

Shatt Al Arab Waterway:

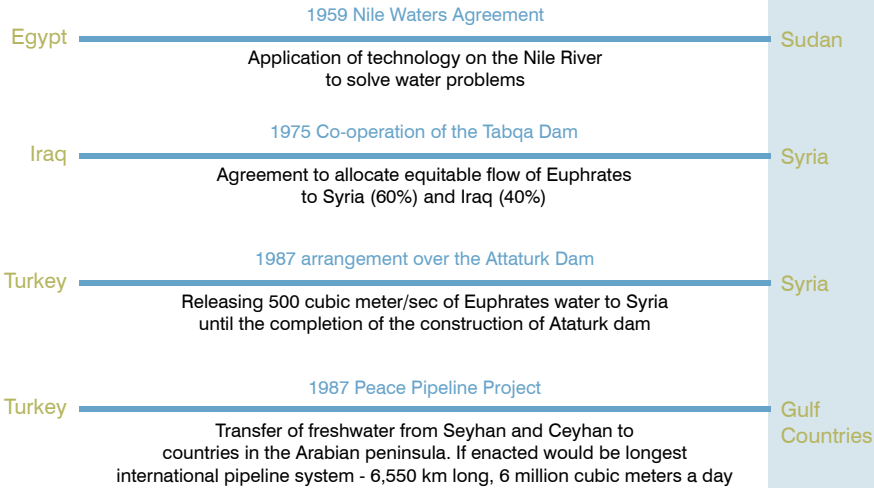


A border dispute over the waterway was one of the main reasons that led to the Iran-Iraq war in 1980s. Perhaps the group of people that suffered the most during the dispute were the marsh Arab tribes that lived on both sides of the waterway. The Shatt Al Arab waterway is Iraq's only outlet to the Persian Gulf and thus, it forms the country's only access to the sea.

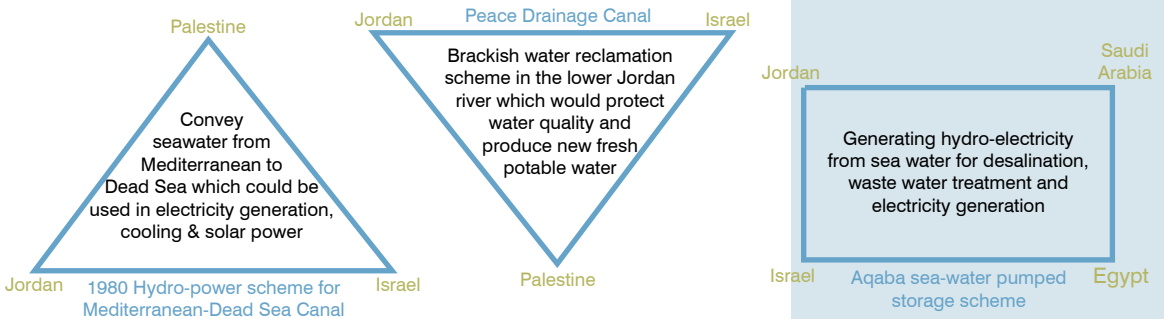
The water systems in the Middle East are extremely inter-linked. In each war, water supplies and sanitation are damaged, reducing their efficacy for all countries concerned. The Israeli and Palestinian leaders and experts often express concern about the use of water as a weapon in a future conflict. Merely because water has not been a direct reason behind war in the past does not mean it will not be so in the future. Indeed, not only in the Middle East but also in other parts of the world, depleting water resources, may give rise to violent conflicts in the 21st century. Conflicts over water and water scarcity problem can be dealt with by finding practical solutions through dialogue and cooperation. An ongoing escalation of conflict over water may lead to the destruction of water installations and to a substantial worsening of water scarcity in the region.

Integrated Water Development

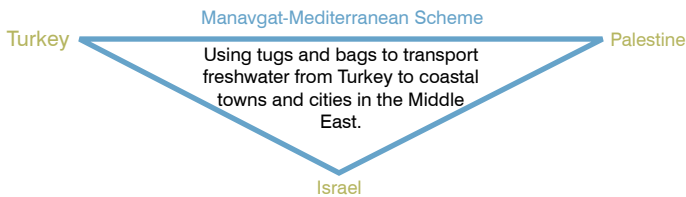
Water Co-operation



Co-generation of non-conventional water-resources



Importation by pipeline, tankers, barges or floating water bags

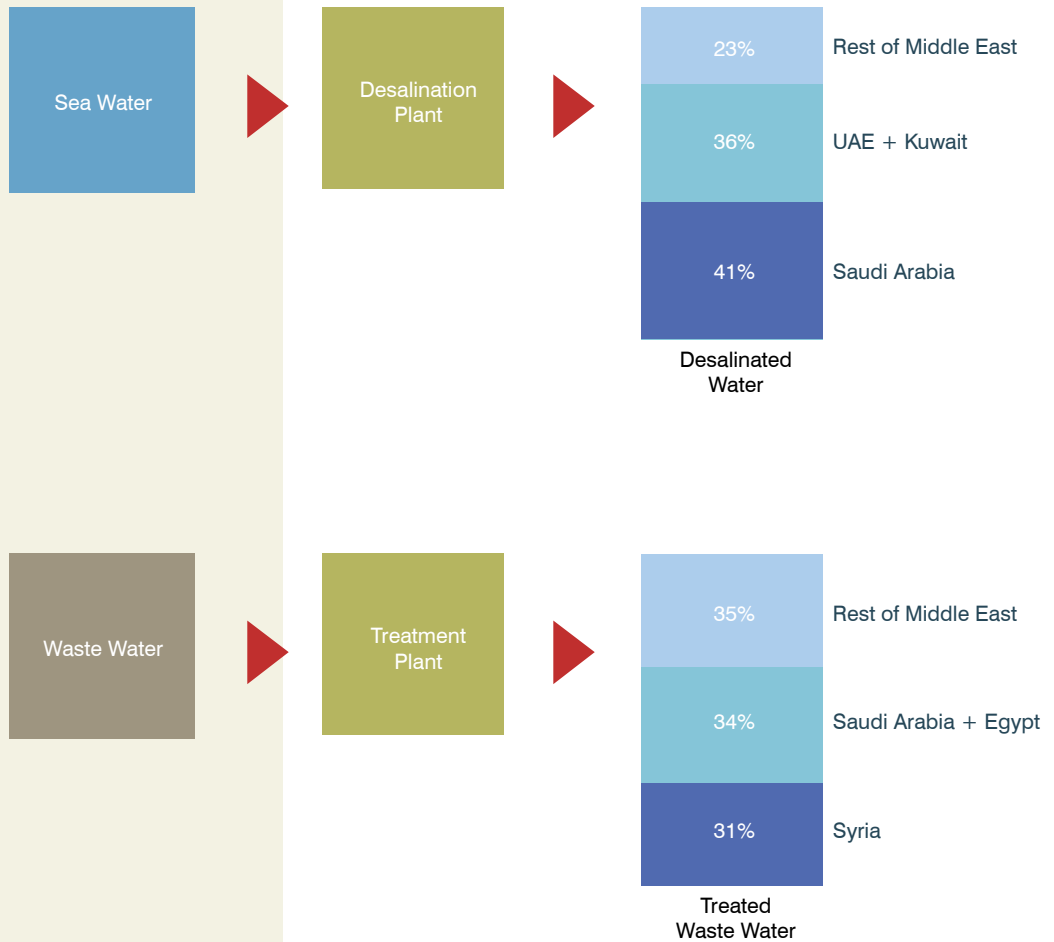


Diversions in a peaceful future

Nile to Gaza and Israel;
 Euphrates from Iraq to North Jordan;
 Shatt Al Arab from Iraq to Kuwait and Iran to Qatar

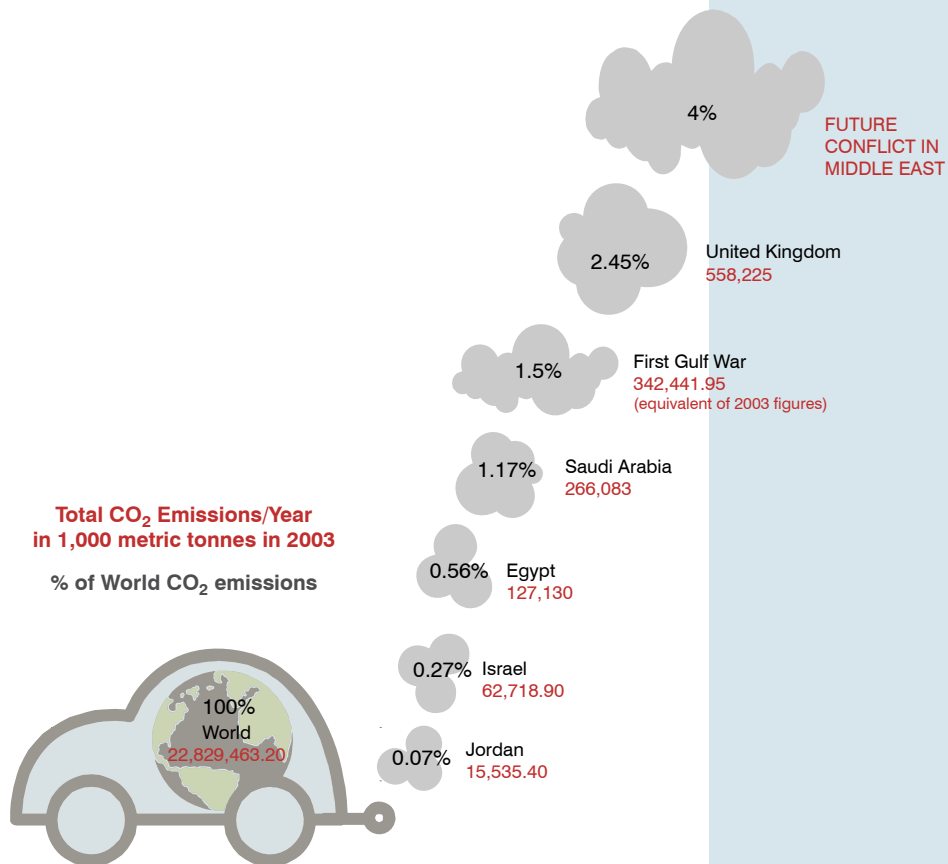


5. ATTACKS ON DESALINATION PLANTS IN FUTURE CONFLICTS



Saudi Arabia, Syria, UAE, Kuwait and Egypt are heavily dependent on treated or desalinated water. Hence, damage to these facilities during conflict can severely cut off the freshwater supply and create a crisis for clean water in these countries.

6. CARBON EMISSIONS IN A FUTURE WAR



The First Gulf war led to a 1.5% increase in world wide CO₂ emissions. In the case of a severe future conflict in the Middle East, CO₂ emissions could be double or triple, accounting for an increase of 3-5% of annual worldwide emissions. This would be more than the emissions of most of the Middle East in a normal year or more than the emissions of an industrialised country such as UK.



7. LOSS OF BIO-DIVERSITY



The loss of marshlands in Iraq has had tremendous impact on biodiversity not only in the region but also beyond:

- Reduction of global biodiversity from Siberia to southern Africa
- Losses in fisheries in the northern Gulf, dependent on the marshlands for spawning grounds for the multi-million shrimp industry
- Extinction of mammals such as a sub-species of Otter and the Bandicoot Rat
- Threat to three unique endemic wetland bird species (Iraq Babbler, Basra Reed Warbler, Grey Hypocolius) and five endemic or near-endemic marshland sub-species (Little Grebe, African Darter, Black Francolin, White-eared Bulbul, Hooded Crow)
- Loss of agricultural land where rice and sugarcane were grown
- Increase in the salinity of the water and creation of crusts of salt on the ground
- Loss of the traditional homelands of the indigenous Ma'dan people.

This is merely an example of damage to biodiversity in one area in one period.

8. AGRICULTURE

Agricultural potential has suffered in all conflict zones in the region. The Palestinian Territories and Lebanon need to import food. The data on Iraq is not available.

Occupied Palestinian Territories

Commodities Imported



Wheat flour, sugar, oil, pulses, dairy products and meat/fish

Current problems, Future prospects

- Food insecurity is strongly correlated with the intensity of Israel's closure regime (severe restriction on freedom of movement).
- Palestinian controlled area is mainly urban with small area of agricultural use.
- Severe degradation of land due to ambiguity of land ownership, inaccessibility of land, lack of liquidity and cash, lack of economic motivations, limited education to farmers, lack of credit and marketing facilities.
- The declining quality of arable land and water.

Lebanon

Commodities Imported



Cereals, mainly wheat

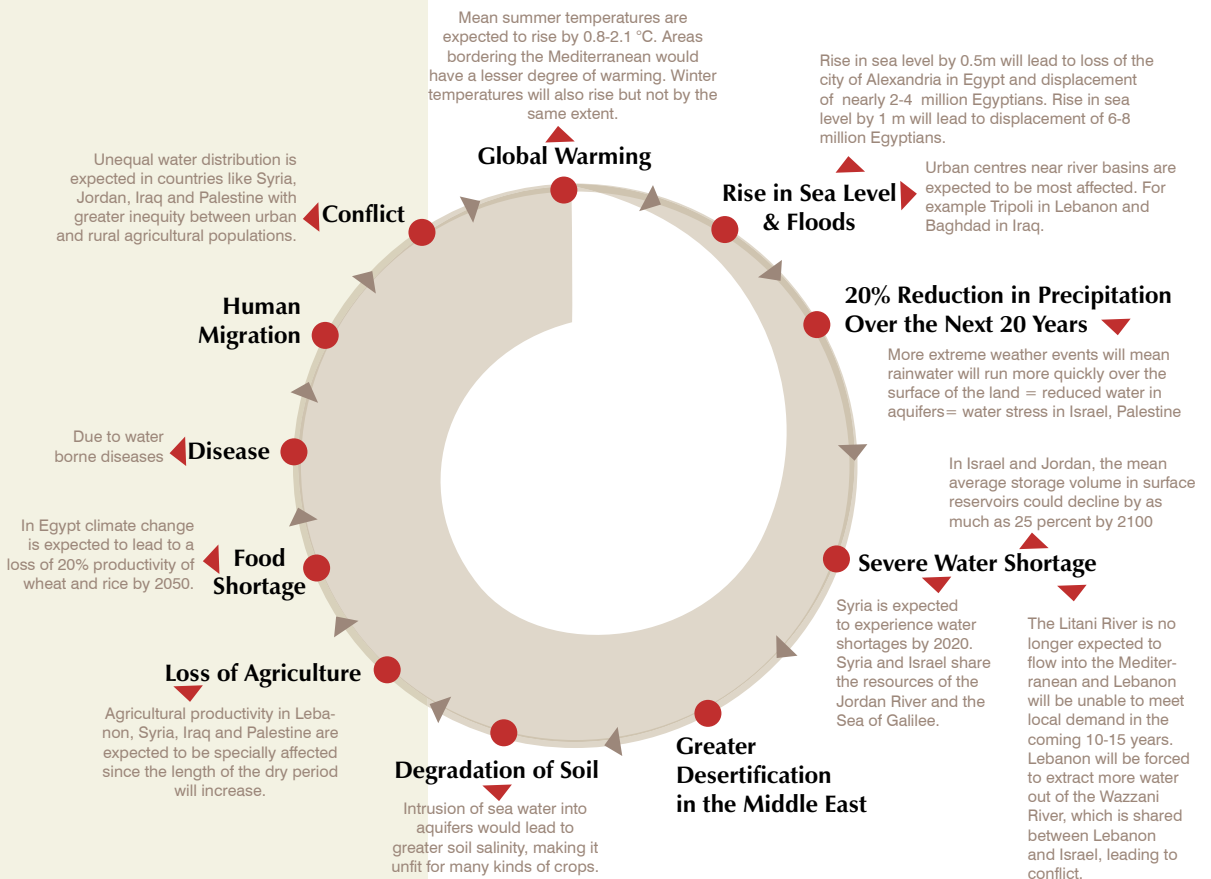
Current problems, Future prospects

- The conflict in the summer of 2006 affected the agriculture sector directly, with crops, livestock and equipment damaged by the bombing.
- In Southern Lebanon, 25 per cent of agricultural fields and pastures have been rendered useless, until unexploded bombs can be removed.
- Approximately 3050 head of dairy cattle, 1250 bulls, 15000 goats and sheep, 18000 beehives and over 600000 broilers were lost as a direct consequence of the hostilities.
- Agricultural sector needs a huge infusion of investment to be able to capitalize on its potential. Due to continuing conflict and tensions, fiscal conditions make it difficult to raise significant amount of resources.



9. IMPACT OF CLIMATE CHANGE

The water stress in the Middle East is expected to be further exacerbated by climate change over the next decade. While climate change can not be directly ascribed to the atmosphere of conflict in the Middle East, it is likely to act as a threat multiplier – exacerbating water scarcity and tensions over water within and between nations. If there is no cooperation and collaboration between neighbouring countries that share water resources, the fight over natural resources could lead to a war.



Chapter 4: Social & Political Costs

INTRODUCTION

The continuous persistence of conflicts in the Middle East and the presence of terrorist groups in the region have created the perception of it being a problem region. In reality, there are violent conflicts and terrorist groups in Latin America, Africa and Asia. The death toll caused by the Nepalese Maoists, Tamil Tigers, the FARC operatives in Colombia, Lord's Resistance Army in Uganda, and New People's Army in the Philippines in the last decade has been much more than that resulting from acts of violence and terror in the Middle East. Yet, the Middle East is associated with terror in the Western mind. Al Qaeda, which was clearly behind the 9/11 terrorist attacks and several attacks in Europe took birth in Afghanistan under the patronage of organs of the state in Pakistan. Yet the United States chooses to attack Iraq, threaten Iran, and effectively ignore the cause of the Palestinian people, while equipping the Pakistani army with F-16 aircrafts and more than a billion dollars of military aid. These discriminatory perspectives indicate the serious image problem the Arab societies have in the world.

The Gulf States have made impressive strides to develop the service sector and attract the best of human resources from around the world. Managers from multinational companies take postings there. Western universities have opened branches in Qatar and UAE. And yet, to an average American or European, Asia is hope and the Middle East is trouble. When the Western media talks about Asia, it recalls Bangalore and Shanghai and not Rangoon and Vientiane. On the other hand, the Middle East is symbolised by the strife in Basra and Beirut and not dynamism in Doha and Dubai.

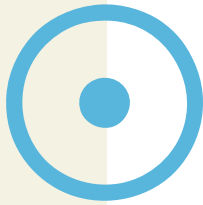
Within the region, the context of conflict creates a sense of despair, promotes social orthodoxy, strengthens forces with absolutist vision and authoritarian tendencies, curbs innovation, and kills hope. Wars in the Middle East have destroyed children and intellectuals. There are no normal civil relations between common people in many countries. New fault-lines are emerging every few years. The fabric of human relations based on trust and decency has been weakened.



BACKGROUNDER

Country by Governance : Peace & Violence

■ Active Conflict



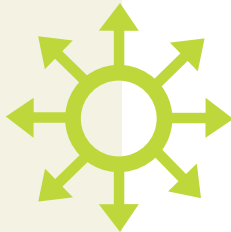
Presidential

Egypt
Syria



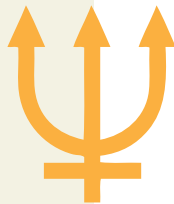
Parliamentary

- Iraq
- Israel
- Lebanon
- OPT



Theocracy

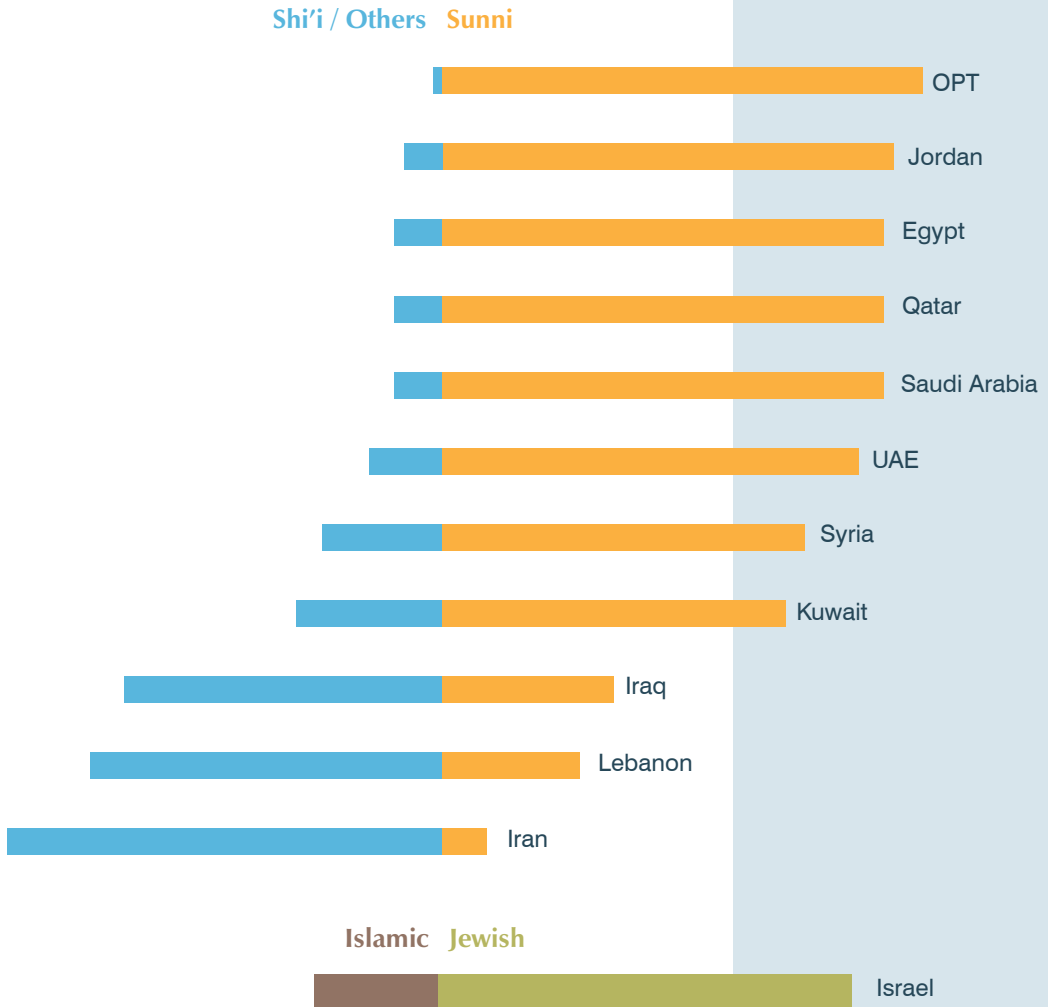
- Iran



Monarchy


Jordan
Kuwait
Qatar
Saudi Arabia
UAE

Religious Demography




1. BREAKDOWN OF HUMAN INTERFACE


The Middle East was like a unified region for almost 400 years from 1517 to 1917. Despite wars between states, relations between families and communities flourished. Now the fabric of human relations has been torn apart.




- Citizens of Israel and several Arab countries can not travel to each other's countries.




- Citizens of Israel and Iran as well as Israel and Lebanon cannot interact in a conference in the region or anywhere else in the world.




- There are no direct flights to Tel Aviv from almost any city in the region, except Amman and Cairo.



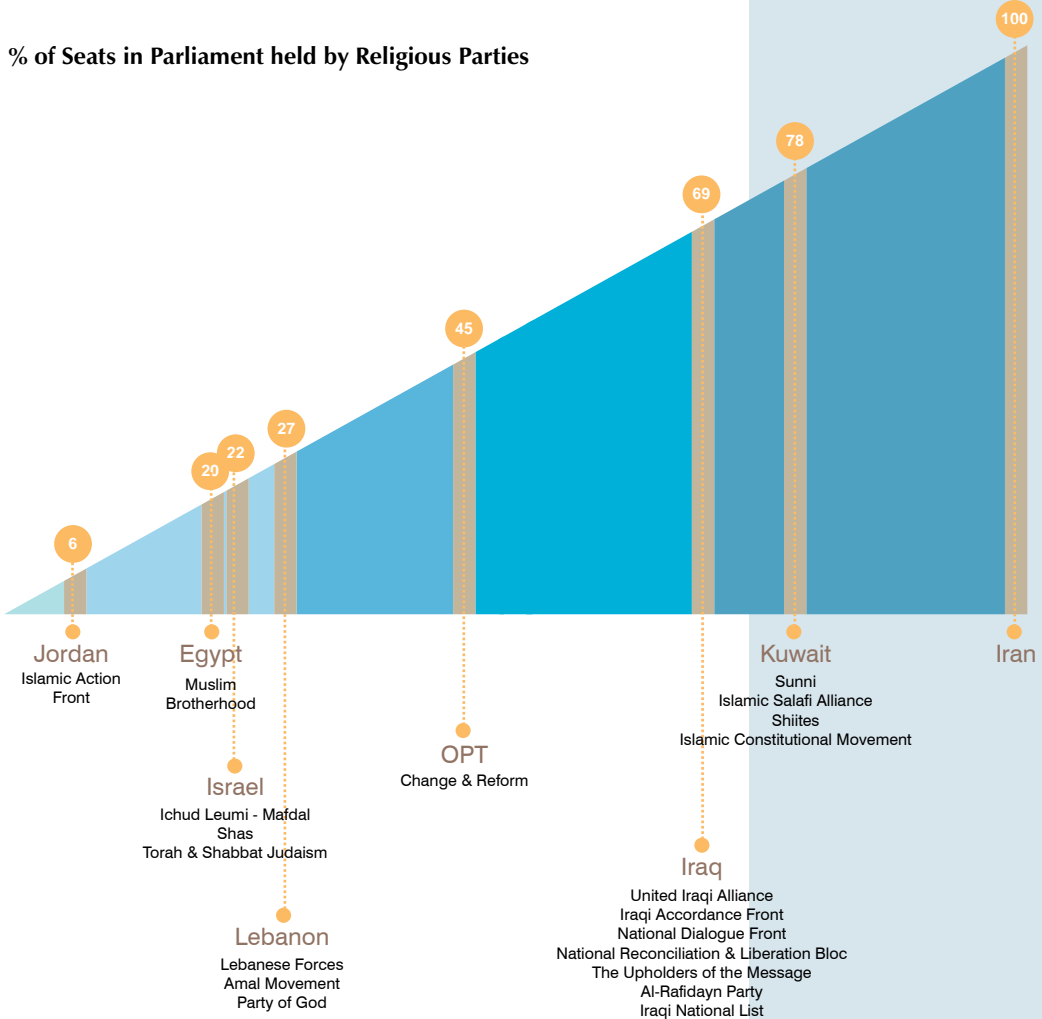
- Citizens of third countries cannot travel to Arab countries if they have Israeli Visa on their passport and they can travel to Israel but are subjected to tough interrogation if they have several Arab stamps on their passport.



- There is almost no exchange of music, movies, fine arts, literature, cultural shows, and other forms of people to people contact between Israel and Arab states as well as Israel and Iran. In this respect, the Middle East has particularly deprived itself of knowledge and happiness from interaction at the level of common citizens – the United States and the former Soviet Union during the Cold War, India and Pakistan, Japan and China, and other pairs of countries involved in hostile relations have not completely prevented their people from cultural exchanges.



2. RELIGION IN POLITICS

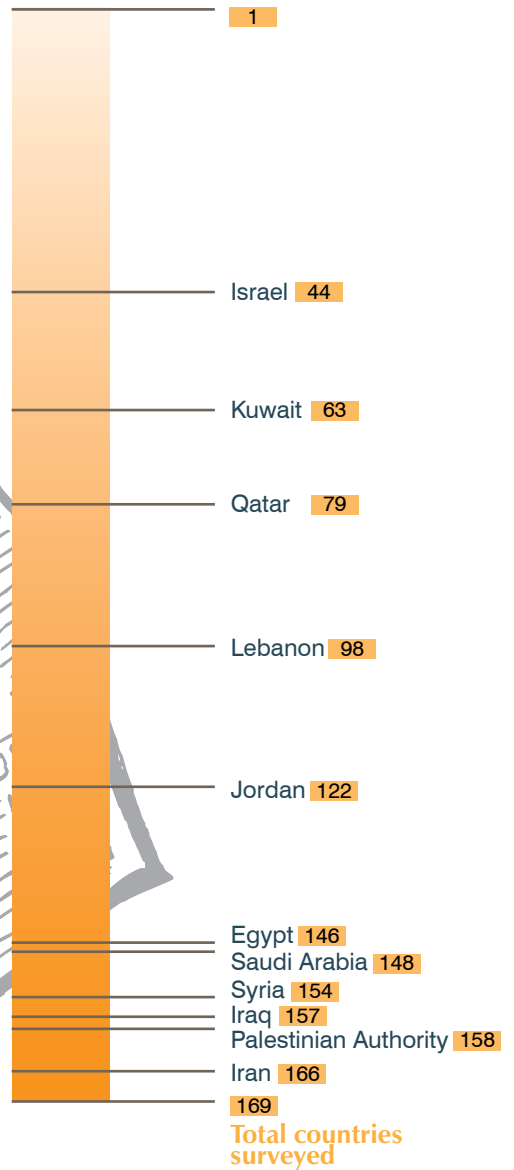


The conflict in the Middle East has made it easy for political groups and parties to mobilise people using religion. Iran remains fully theocratic 20 years after the revolution. Saudi Arabia's ruling structure is a partnership between the al-Saud family and the religious al-Shaikh family ever since the founding of the present state. In other countries, the number of legislators in Parliaments who are directly or indirectly associated with groups that advocate the role of religion has increased since 2003.



3. FREEDOM OF PRESS

The Worldwide Press Freedom Index prepared by Reporters Without Borders ranks 169 states according to the degree of freedom of the press. The state with the highest degree of press freedom ranked 1 and the lowest ranked 169.



Since the beginning of the decade the freedom of expression has been curbed in the Middle East - as reflected in the relative standing of countries in an index of press freedom. It is true that freedom of press is a function of authoritarian nature of governance. However, conflict provides justification for curbing the freedom of media. The United States asks its journalists covering Iraq to be 'embedded' with the military and imposes restrictions on what and how they can report. Thus, conflict may directly or indirectly impact press freedom.

4. CURBS ON CIVIL LIBERTIES

A protracted conflict breeds authoritarianism. It provides a good excuse to rulers to curb civil liberties and perpetuate their rule. Authoritarianism has its own life. It may find space due to historical, cultural, economic and social factors that may not be related to conflict. However, in the context of the Middle East, conflict has made it easy for regimes to introduce draconian laws and practices that restrict freedom.

EGYPT

- Remains subject to the Emergency Law since 1981.
- Law of Association
 - Prohibits the establishment of groups threatening the national unity
 - Restricts foreign funding of NGOs
 - Allows the Social Affairs Ministry to dissolve NGOs without a judicial order.
- The unified labour laws limit the unions' right to strike.
- Gender related laws discriminate against women in issuing passports and in inheritance laws.
- The government is involved in all academic and judicial appointments.
- The three leading daily newspapers are state controlled; editors are appointed by the President.
- Anti-Christian employment discrimination in the public sector, especially the security services and military.
- Members of the Baha'i faith are denied a range of civil documents, including identity cards, birth certificates and marriage licenses.
- Anti-Shiite sentiment on the rise.

IRAN

- Morality laws
 - Aimed at preventing 'social corruption'
 - Restrict the meeting of men and women in public
 - Enforce a strict Islamic dress code.
- The government controls all television and radio broadcasting; restricts any associations and publications that it deems harmful to the stability of the government.
- Conversion by Muslims to a non-Muslim religion is punishable by death.
- Minorities cannot hold senior or government positions, enjoy virtually no rights and are banned from practicing their faith.
- Several scholars have been beaten, detained and jailed for endangering national security and insulting Islam, which is a punishable under the law.

“laws discriminate against women”

“...state controlled newspapers”

“anti-Christian employment discrimination...”

“Muslims converting to a non-Muslim religion is punishable by death”



“most number of juvenile executions”

“woman’s testimony is given only half the weight of a man’s”

“violence targets nearly all religious communities...”

“women... frequently harassed, or even killed...”

“journalists who travel ... without government permission can and have been prosecuted”

“increase in police brutality”

- Independent labour unions are banned.
- Most number of juvenile executions.
- The penal code is based on Sharia and provides for flogging, stoning, amputation, and hanging for a range of social and political offences.
- Reports of torture in interrogations persist.
- Women face systematic discrimination in social and legal matters
 - Cannot obtain a passport without the permission of her husband or a male relative.
 - Do not enjoy equal rights under Sharia statutes governing divorce, inheritance, and child custody.
 - A woman’s testimony in court is given only half the weight of a man’s.

IRAQ

- Legislation passed in 2006 criminalized the ridicule of public officials; a number of Iraqi journalists have been charged with the offence.
- Broadcasters reporting on sectarian killings have been arrested for inciting violence.
- Freedom of Religion is guaranteed by the constitution. In reality, sectarian violence in Iraq targets nearly all religious communities and minority faiths.
- The lack of a legal framework and registration system for nongovernmental organizations hinders the NGOs’ ability to function and attract donor funds.
- The Iraqi High Tribunal (IHT) statute does not explicitly require that guilt be proven beyond a reasonable doubt.
- The constitution promises women equal rights under the law. However, women who held jobs, attended university, or went out in public unveiled were frequently harassed, or even killed, by radical Islamist groups of both major sects.

ISRAEL

- Government authorities rely on Defence Regulations of 1945 to censor publications and mail, and restrict the movement of individuals.
- Arabs residing in East Jerusalem can be stripped of their Jerusalem residency if they remain outside the city for more than three months.
- More than half of the approximately 160,000 Negev Bedouins reside in unrecognized villages, which the state refuses to provide with a planning structure and place under municipal jurisdiction. They are under pressure to relocate to government-planned urban centres that completely disregard their traditional lifestyle.
- Journalists who travel to Arab countries such as Syria and Lebanon without government permission can and have been prosecuted.
- Increase in police brutality.

OCCUPIED PALESTINIAN TERRITORIES

- Palestinians under Israeli control in the West Bank and Gaza cannot vote in Israeli elections.
- Israel blocks journalists' access to active conflict zones, harasses Palestinian journalists.
- On several occasions during the latest Intifada, Israel prevented Muslim men under 45 from praying on the Temple Mount/Haram al-Sharif compound.
- Since 1967, over 10,000 houses have been demolished in OPT, including 2000 in East Jerusalem. Over 10,000 more houses are feared of being demolished in the future in East Jerusalem.
- There is enormous restriction on freedom of movement, as illustrated elsewhere in this report.

JORDAN

- The king may dissolve the National Assembly and dismiss the cabinet at his discretion.
- Legislation criminalizes criticism of the royal family, slander of government officials, and speech that harms foreign relations, enflames religious sensitivities, or undermines the state's reputation.
- The parliament in 2006 approved a measure that allows only state-appointed councils to issue religious edicts, or fatwas, and makes it illegal to criticize these fatwas.
- Law on General Assemblies bans public demonstrations lacking written authorization from the regional governor.
- NGOs are prohibited from participating in political activity and workers must receive government permission to strike.
- Suspects may be detained for up to 48 hours without a warrant and up to 10 days without formal charges being filed; courts routinely grant prosecutors 15-day extensions of this deadline.
- Jordanians of Palestinian descent face discrimination in employment by the government and the military, and in admission to universities.

“Palestinians under Israeli control ... cannot vote”

“enormous restriction on freedom of movement”

“the King may dismiss the cabinet at his discretion”

“criminalizes criticism of the royal family”

“Palestinian descent face discrimination...”



“stateless residents... considered illegal residents, do not have full citizenship rights”

“Palestinian refugees living in Lebanon are denied citizenship rights”

“religious freedom does not exist”

“academic freedom is restricted...”

“women are not treated as equal members of society”

“freedom of expression is curtailed”

“public demonstrations are illegal without official permission”

KUWAIT

- The government imposes restrictions on freedom of assembly and association, although those rights are provided by law.
- The government restricts the registration and licensing of associations and nongovernmental organizations.
- Stateless residents, known as Bedouins (estimated 90,000 -130,000) are considered illegal residents, do not have full citizenship rights, live in wretched conditions.

LEBANON

- A number of vaguely worded laws criminalize critical reporting on Syria, the military, the judiciary, and the presidency. General Security Directorate has the authority to censor all foreign media.
- Nearly 350,000 Palestinian refugees living in Lebanon are denied citizenship rights and face restrictions on working, building homes, and purchasing property.

SAUDI ARABIA

- The royal family forbids the formation of political parties.
- The government tightly controls domestic media and dominates regional print and satellite television coverage.
- Religious freedom does not exist. Islam is the official religion. The government prohibits the public practice of any religions other than Islam and restricts the religious practices of both the Shiite and Sufi Muslim minority sects.
- Academic freedom is restricted; the teaching of Western philosophy and religions is banned.
- No freedom of association and assembly. Imprisonment and detainment of political activists who stage demonstrations or engage in other civic advocacy.
- Women are not treated as equal members of society. They are discriminated against with respect to travel, political representation, driving, and use of public spaces, education and crimes such as rape.

SYRIA

- The only legal political party is the ruling Baath party and its several small coalition parties. A 2007 law restricts electoral transparency and monitoring.
- Freedom of expression is curtailed.
- The 2001 press law permits the authorities to deny or revoke publishing licenses and compels private print outlets to submit all material to government censors.
- Public demonstrations are illegal without official permission, usually granted only to pro-government groups.

- All non-worship meetings of religious groups require permits, and religious fund-raising is closely scrutinized.
- The government tightly monitors mosques and controls the appointment of Muslim clergy.
- All nongovernmental organizations require registration with the government; leaders of unlicensed human rights groups have frequently been jailed.
- Union activity is heavily controlled through the unified GFTU (General Federation of Trade Unions).
- Security agencies have unlimited authority to arrest suspects and hold them incommunicado for prolonged periods without charge. They extract confessions by torturing suspects and detaining their family members
- 200,000 Syrian Kurds are deprived of citizenship and unable to obtain passports, identity cards, or birth certificates, in turn preventing them from owning land, obtaining government employment, voting and travelling out of the country.
- Travel-ban on opposition figures, relatives of exiled dissidents, signers of the Beirut-Damascus Declaration, former Damascus Spring detainees, human rights lawyers, and their family members.
- Personal status law for Muslim women is governed by Sharia (Islamic law) and is discriminatory in marriage, divorce, and inheritance matters.

UAE

- All decisions about political leadership rest with the dynastic rulers of the seven emirates, who form the Federal Supreme Council, the highest executive and legislative body in the country.
- Restrictions on freedom of assembly and association. Small discussions on politics in private homes are tolerated, but there are limits on citizens' ability to organize broader gatherings.
- The new 2007 Labor Law does not give foreign workers the right to organize, bargain collectively, or strike.
- Although the constitution bans torture, Sharia courts sometimes impose flogging sentences for drug use, prostitution, and adultery.
- Discrimination against non-citizens occurs in many aspects of life, including employment, education, housing, and health care. Fewer than 20 percent of the country's residents are UAE citizens.
- Women's social, economic, and legal rights are not always protected because of incomplete implementation of the law and traditional biases against women.

“security agencies have unlimited authority to arrest suspects”

“200,000 Syrian Kurds are deprived of citizenship...”

“Personal status law for Muslim women... is discriminatory in marriage, divorce...”

“all decisions about political leadership rest with the dynastic rulers...”

“...fewer than 20 percent of the country's residents are UAE citizens”



5. CHILDREN'S CONDITION

Iraq

1,350 + 800

children detained by military/police + multinational security forces

40%

internally displaced persons are children

30%

children are currently not attending school

40%

achieved a passing grade out of the 28% of the 17 year olds who gave the exams

760,000

children out of primary school

Large Number

deliberate targeting of educational establishments in 2007

Large Number

living outside Baghdad do not have access to water and sanitation

4%

under five do not survive

Lebanon

33%

of fatalities were children in July 2006 conflict

45%

displaced persons are children

20,000

children living in Nahar El Bared refugee camp

1,000,000

cluster bombs have exposed children to fatal risks

Large Number

of schools damaged in 2006

Palestine

1,000

children killed during 2000-2008

Many Incidents

400

of gun-firing in UNRWA schools by both IDF and Palestinian Groups

children under detention of Israeli authorities

Several

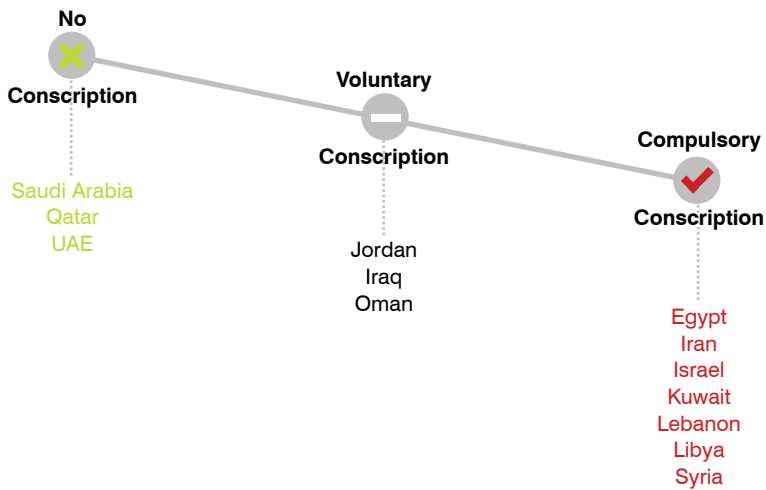
schools and hospitals burned and damaged every year

1,000s

of abductions of children by rival security forces

6. CONSCRIPTION

The Middle East is a region with the most widespread practice of compulsory conscription.

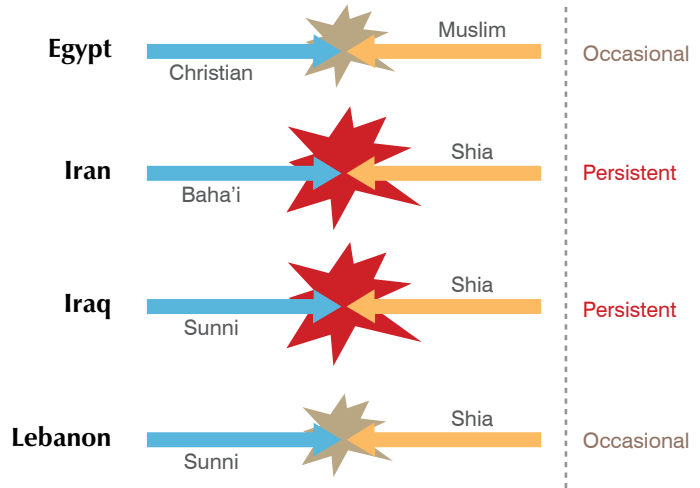


- Israel is a rare country to have compulsory conscription for women along with Cuba. Men are required to serve for 3 years and women for 2 years.
- In Israel, the right to conscientious objection is not legally recognized in the case of men. It is only partially recognized in the case of women under Article 39 of the National Defence Service Law.
- During the Iran-Iraq war (1980-1988) conscription took place at an unprecedented scale in both countries. In 1982 the armed forces consisted of 200,000 troops, but by 1988 one million men (about a quarter of Iraq's labour force) were under arms - the vast majority being conscripts. A further 700,000 civilians were recruited into temporary forces of the so-called Popular Army.

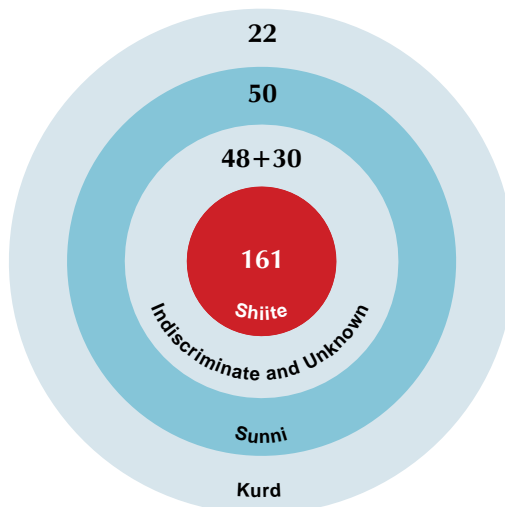


7. SECTARIAN STRIFE

The conflict in the Middle East has deepened the sectarian divide. There were sectarian conflicts in Iraq prior to 2003. However, the war has prompted them to surface in an extremely violent way. Similarly, in Lebanon, Iran, Egypt and elsewhere in the region, sectarian differences have turned into violent clashes.



Multiple Fatality Bombings By Sectarian Groups in Iraq - 2007



8. CRASH OF CIVILIZATION

Iraq is known as the cradle of Arabic civilization. It was attacked and destroyed twice – in 1257 by the Mongols and in 2003 by the Americans. The 2003 attack led to widespread looting which the new rulers of Baghdad could not control. Artefacts, books, manuscripts, and items of cultural importance have been stolen or damaged.

National Museum of Iraq, Baghdad

- The museum contains priceless relics from the Mesopotamian era, also known as the Cradle of Civilization, more than 5,000 years old.
- The museum remained closed from the First Gulf War I until 2000.
- Since April 2003 almost 15,000 items have been looted including coins, sculptures, ceramics, metalwork, architectural fragments, cuneiform tablets and most of the Museum's collection of valuable Sumerian cylindrical seals. Out of these about 5,000 items have been recovered, resulting in a net loss of 10,000 items.
- The stolen items include the famous alabaster "Warka Lady" dating from about 3100 BC; Bahrani's Sumerian statue, the gold-and-ivory carved plaque of a lioness attacking a Nubian, and the almost life-size head of the Goddess of Victory, from Hatra, made of copper.

Libraries and Archives

- National Library lost about half a million books.
- National Archives of Iraq lost documents from the Ottoman period.
- Al-Awqaf Library, part of the Ministry of Religious Affairs, lost over 5,000 Islamic manuscripts.
- The Central Library of the University of Baghdad lost about 600,000 printed books, serials and maps.
- Al-Mustansiriya University Library lost about 200,000 printed books.
- The library of Bayt al-Hikma was completely destroyed.

Destruction of ancient archaeological sites

- Satellite images show that archaeological sites equivalent in size to 3,000 football pitches have been dug up and plundered by looters.
- Entire cities such as the 5,000 year old city of Umma, cities of Bad-Tibra and Isin, have been pillaged and plundered.
- The American air base of Tallil outside Nasiriya in central Iraq is over the great Ziggurat of Ur, reputedly the earliest city on the earth. Ur is safe within the base compound. But its walls are pockmarked with wartime shrapnel and a blockhouse is being built over an adjacent archaeological site.
- Other reports indicate that the location of the great city of Babylon has been converted into a base for American troops, in the process of which a 2,500-year-old brick pavement to the Ishtar Gate was smashed by tanks and the gate itself damaged. Babylon is being rendered archaeologically barren.
- Outside the capital some 10,000 sites of incomparable importance to the history of civilization have been looted.



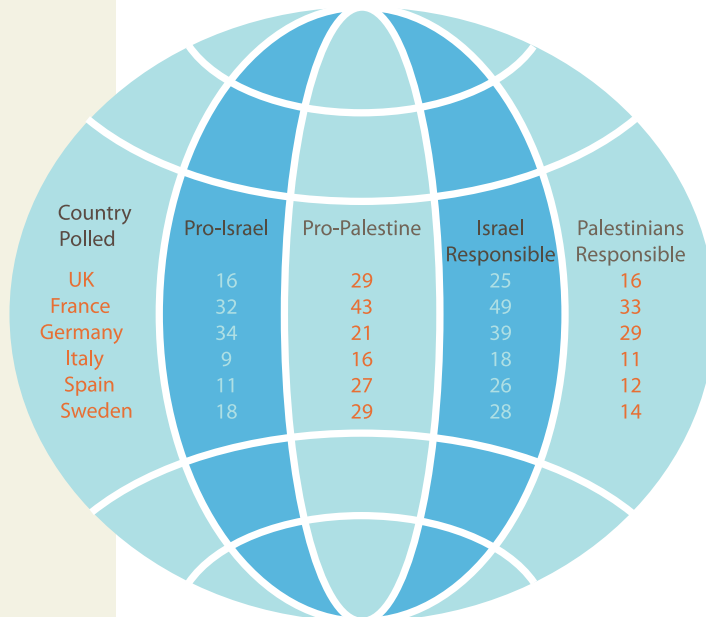
9. GLOBAL IMAGE

The conflict in the Middle East has cost all countries in the region a serious dent in their global image.

In 2003, in a European Union poll, 59% of the Europeans cited Israel as the greatest threat to world security.

In 2007, in the Pew Global Attitudes Survey, Europeans expressed unfavourable opinion of Israel holding the Israelis responsible for the conflict with the Palestinians.

Opinion of People Polled on Israel-Palestine Conflict (in%)



It must be noted that the majority opinion the United States is favourable to Israel and holds the Palestinians responsible for conflict.

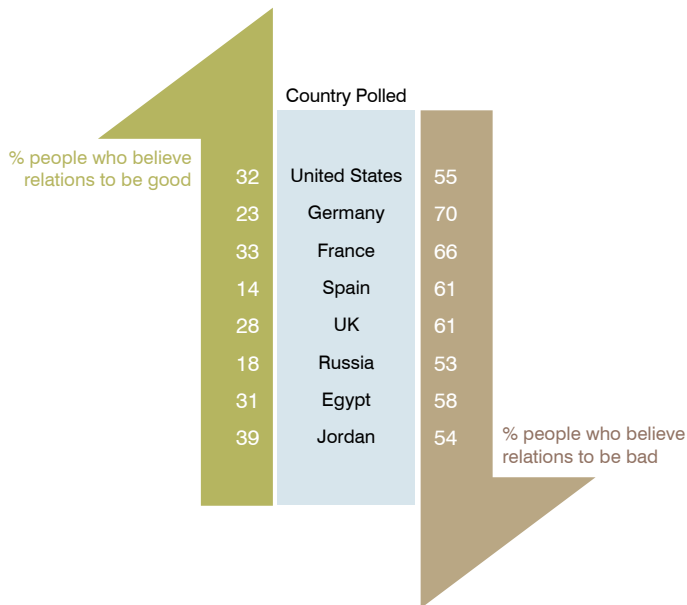
The opinion of Iran is negative across the board. In the 2007 Pew Global Attitudes Survey, the proportion of people who viewed Iran as somewhat unfavourable and very unfavourable was as follows.

France	84%
United States	71%
Canada	67%
Germany	85%

The conflict in the Middle East, 9/11 attacks, and the war in Iraq have weakened the fabric of trust between the Western and Islamic countries.

In 2007, the Pew Global Attitudes Survey included the most pro-West Arab countries and yet the divide was evident.

Pew Global Survey on Relations between the Muslim and Western Countries



Besides opinion polls, several other developments indicate the image of Arab nationals in the world. These include:

- Visa restrictions on Arab nationals
- Incidents like the Cartoon Crisis
- Resistance to strategic investments by Arab sources such as the Dubai Port
- Neglect of major Arab countries like Saudi Arabia in invitee list for G8 Outreach
- Negative depiction of Arab issues in the Western media
- Hate campaigns against Islamic countries in the Western universities.

Extraordinary attention

The Middle East has been the focus of extraordinary attention in international fora.

The Middle East (Palestine, Israel, Lebanon and Syria)

- represents 2 per cent of the 192 member states of the United Nations
- 0.5% of the world's population

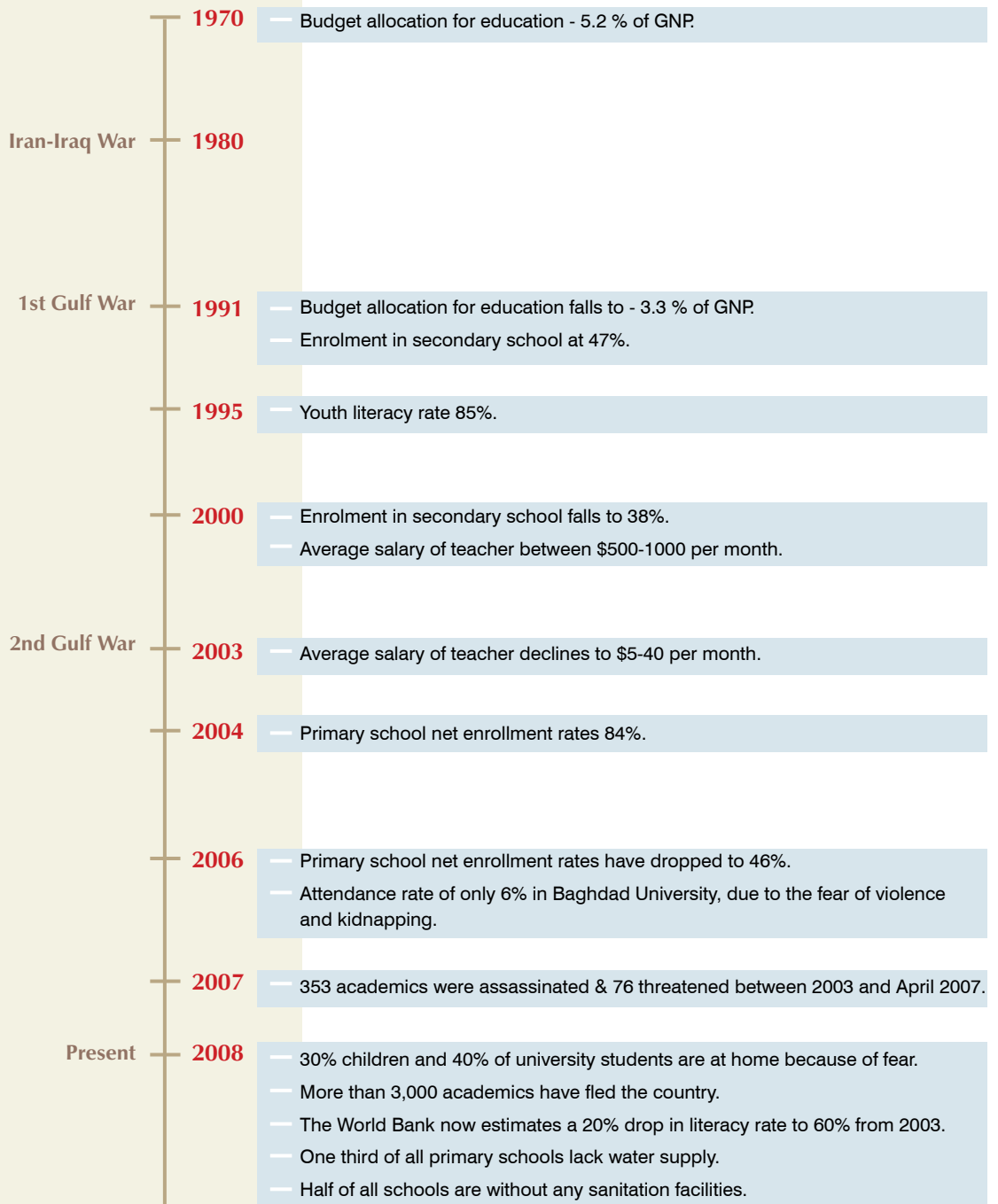
In 2006, it was subject of

- 75.86 per cent of country specific General Assembly resolutions
- 100 per cent of resolutions from the Human Rights Council
- 13.5 per cent of Security Council resolutions.



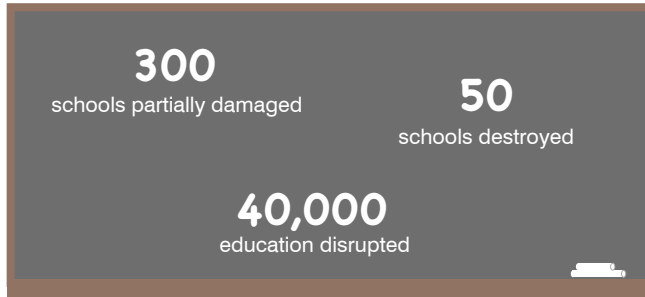
10. IRAQ'S CRISIS OF EDUCATION

Iraq has seen consistent decline in its education infrastructure since the 1970s. It is to some extent reflected in budgetary allocation for education.



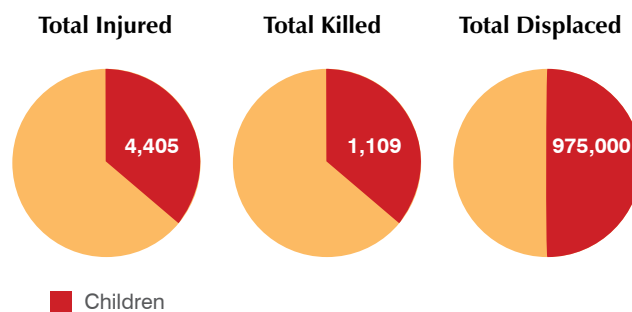
11. EDUCATION COSTS OF LEBANON'S 2006 WAR

Lebanon - July 2006 War



Furthermore:

- A large number of children had to travel longer distances to go to school because their schools were destroyed or damaged.
- Teachers reported that many children were psychologically scarred by the turmoil of war.
- Several families were displaced from their homes thus making it even harder to continue with the day to day realities of school and academics.
- An assessment of 45 schools in 4 rural districts in Lebanon revealed that there was a high rate of aggression and attention problems amongst students between November 2006 and March 2007. It also revealed a significant drop in grades in the summer following the July 2006 war.



12. CULTURE OF VIOLENCE

In a normal human society, people seek peace, friendship and trust in enlightened self interest. In a society ravaged by the culture of violence, there are primary indicators of debasement of human life. There are also secondary indicators which may not be directly linked to conflict but which easily surface because of the context of violence and despair. The indicators identified here are illustrative and not exhaustive.

Substance abuse and addiction

Psychological trauma

Fear driven by rumours

Feeling of vulnerability and uncertainty

Trafficking of women

Rape

Revenge mentality

Segregation of communities

Honour killings

Missing persons

Hardening of positions

Erosion of institutions

Miscarriage of justice

Torture

Domestic violence

Eulogising of death by violence

Demonising the "other"

Rise of militias Growth of extremist groups and cults

Suicide bombings Daily killings of civilians

Gun culture Abductions Curbs on freedom

Use of violence to settle personal scores

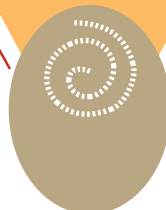
Indoctrination of children for
conscriptioin and martyrdom

Radicalisation of society

Polarisation of the media

Skewed textbooks

Intolerance



Chapter 5 : Costs for the Palestinian People

INTRODUCTION

Ever since the birth of Israel, the conflict over a homeland for the Palestinian people has dominated the politics of the Middle East. The Oslo Accords provided hope for constructing a two-state solution in the early 1990s. However, the failure of the Camp David Summit in 2002 has given rise to the Second Intifada. Since September 29, 2000, Israel and the Palestinian groups have been engaged in an ongoing violent confrontation, a sequel to the first Intifada that had lasted from approximately 1988 to 1992.

Israel and the Arab states have proposed counter-initiatives for resolving the Palestinian conflict – i.e. the Israeli Disengagement Plan and the Arab League Peace Plan. Neither finds favour with the other side. The international community in the form of the United Nations and the Quartet have also failed to find a solution, which can be acceptable to the two sides.

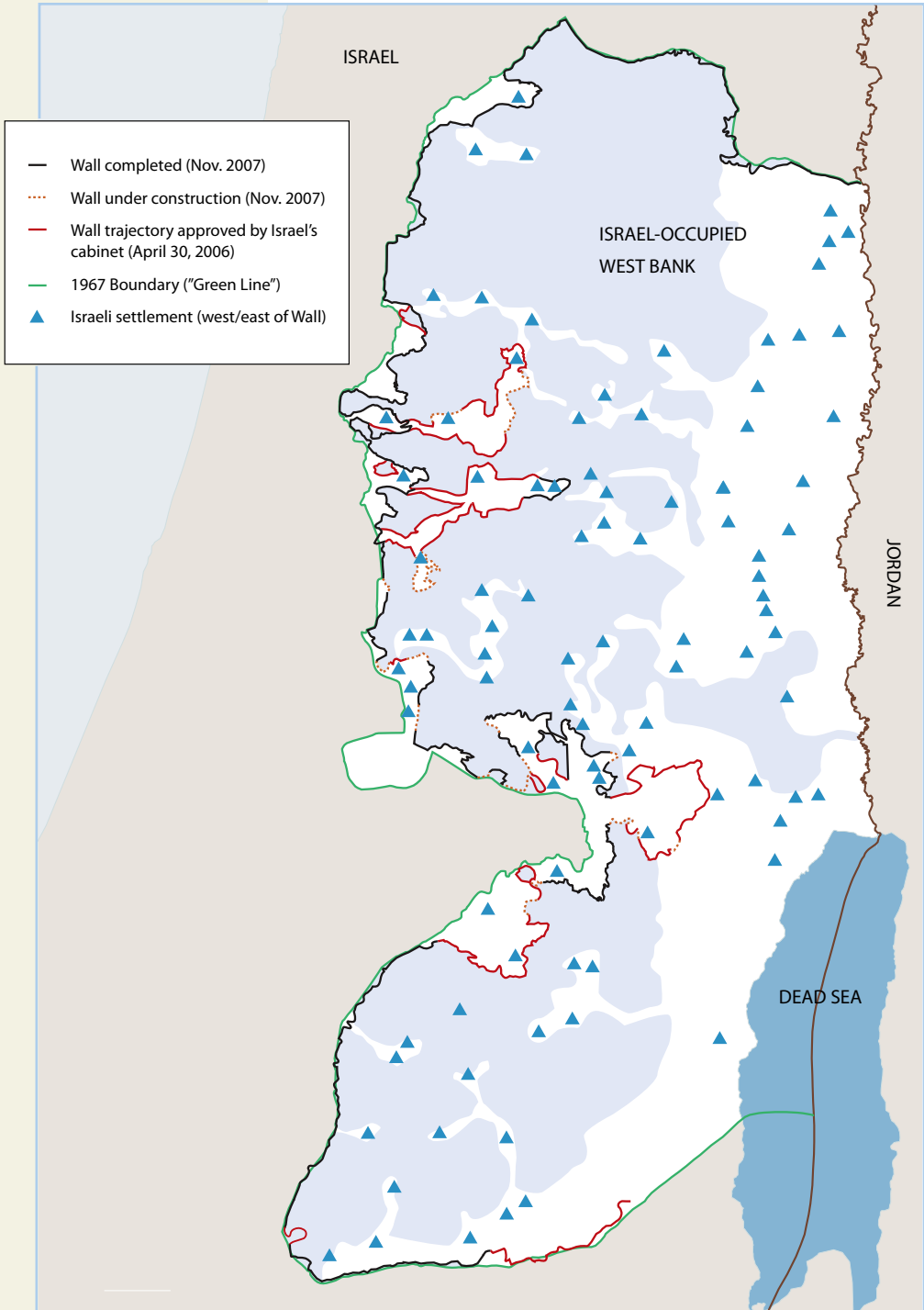
For the first five decades, from 1948 to 1998, the Palestinians were primarily represented by the Palestine Liberation Organisation (PLO). In the last ten years, in addition to the Fatah, the main constituent of the PLO, Hamas has emerged as a representative organisation of the Palestinian people. It has won elections for the Palestinian Authority. However, Israel describes it as a terrorist organisation and therefore refuses to negotiate with it since the Hamas Covenant of 1998 vows to eliminate the state of Israel. The Arab societies consider Hamas a legitimate representative organisation and negotiating agent of the Palestinian people. As a result, there is a deadlock.

In terms of the number of deaths and economic indicators, the Palestinian conflict is much smaller than some of the other conflicts in the Middle East. In terms of emotional value, it is at the core of the politics and conflict in the region. The resolution of the Palestinian conflict can pave way for comprehensive and sustainable peace in the region.



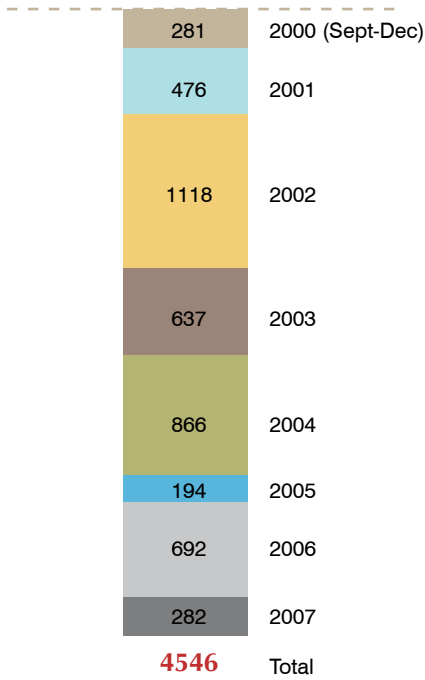
BACKGROUNDER

This map represents the Palestinian version and includes East Jerusalem – Israel may disagree with it since it does not consider East Jerusalem as an occupied territory.

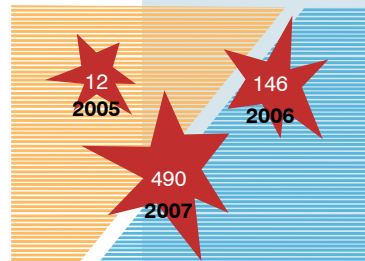


1. HUMAN COSTS

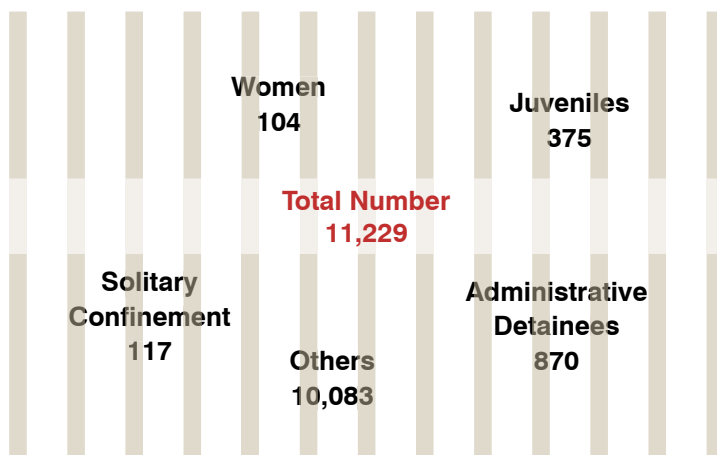
Palestinian fatalities since the beginning of the Intifada (2000)



Deaths due to Hamas-Fatah fighting

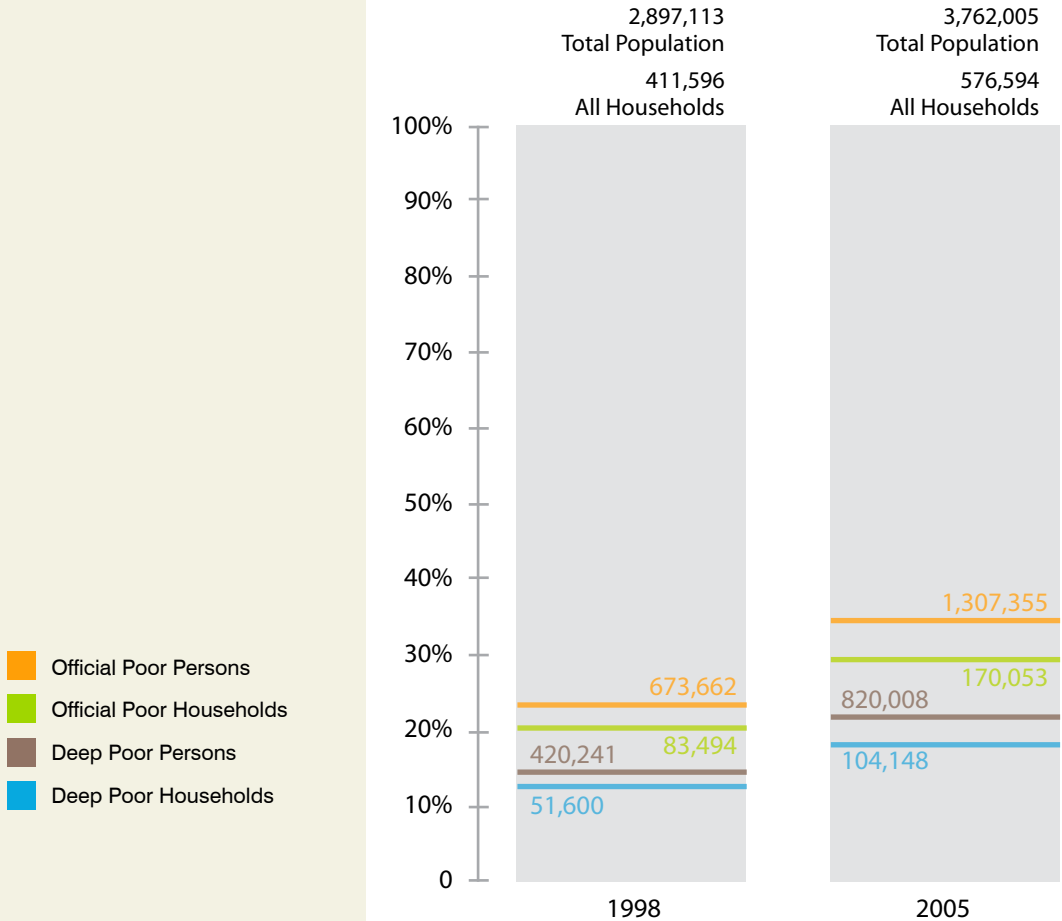


Number of Palestinians in Israeli Detention Centres – April 2007



2. POVERTY

Official and deep poverty among individuals and households in Palestine



In 1998, the Palestinian National Commission for Poverty Alleviation defined two poverty lines—official poverty and deep poverty—on the basis of actual average consumption expenditures of Palestinian households.

Official poverty line = per day per capita \$2.4

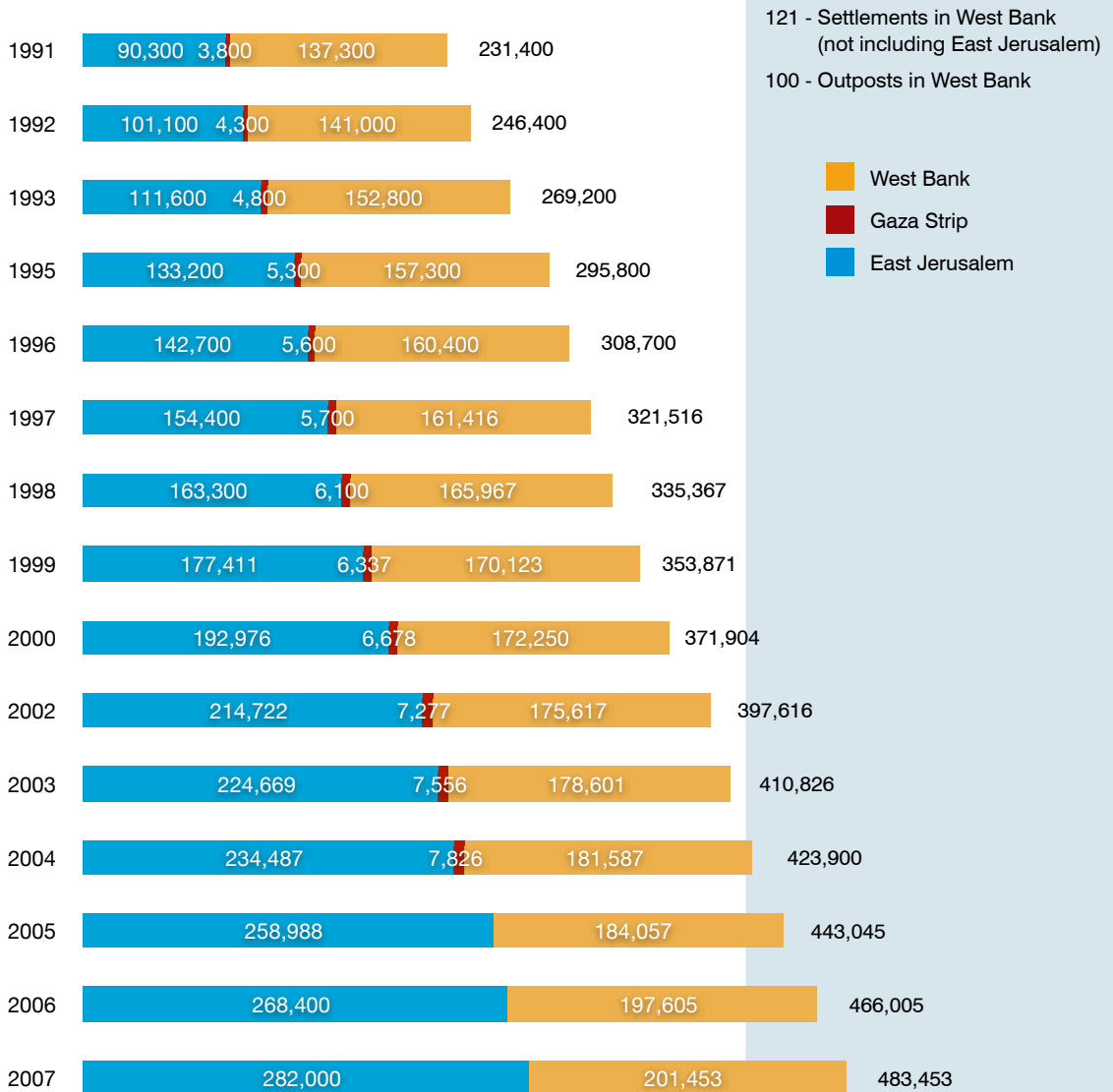
Deep poverty line = per day per capita \$2.0

(based on exchange rates in 2004)

The number of people in deep poverty in 2006 increased to more than 1 million.

3. ISRAELI SETTLEMENTS

Growth of Settler Population 1991-2007



4. STAGNANT HEALTH SERVICES

Number of hospitals, beds and beds per 1,000 population in the Palestinian Territory in mid year by region 1996-2005:

West Bank

	1996	2000	2005
No. of Hospitals	31	48	54
Beds per 1000 population	1.2	1.2	1.3

Gaza Strip

	1996	2000	2005
No. of Hospitals	6	17	22
Beds per 1000 population	0.92	1.6	1.4

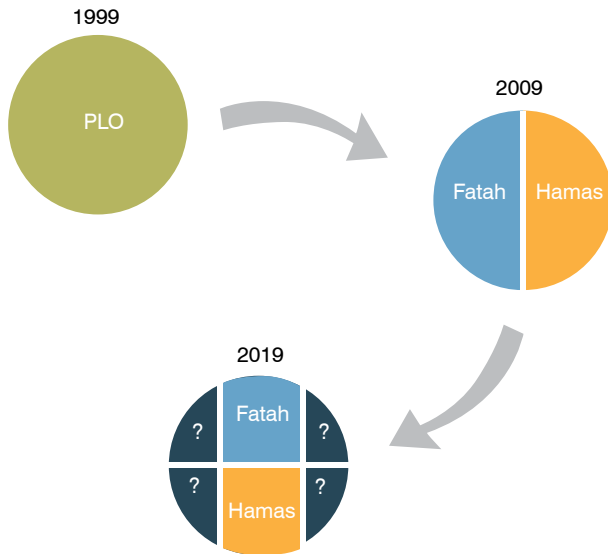
Palestinian Territories

	1996	2000	2005
No. of Hospitals	37	65	76
Beds per 1000 population	1.1	1.4	1.3

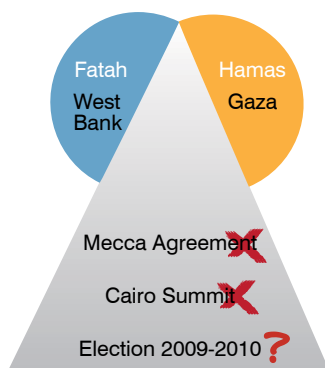
- Some 42.1% of the Palestinian households in localities affected by the separation wall have problems of access to health services.
- Of some 4,074 patients in Gaza who applied for travel permits on medical grounds between June-Nov. 2007, 713 have had their applications denied.
- As of May 2007, the level of anaemia among children 0-9 months old stood at 72.2% in Gaza and 45% in the West Bank.
- As a result of fuel and electricity restrictions imposed in 2007, Gaza hospitals experienced power cuts for 8-12 hours a day. In 2008, there was a 60-70% shortage reported in the diesel required for hospital power generators.

5. A SPLIT WIDE OPEN

The most devastating impact of conflict has been the breakdown of the Palestinian institutions.

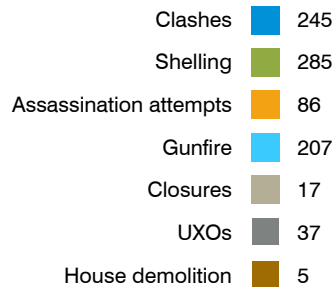
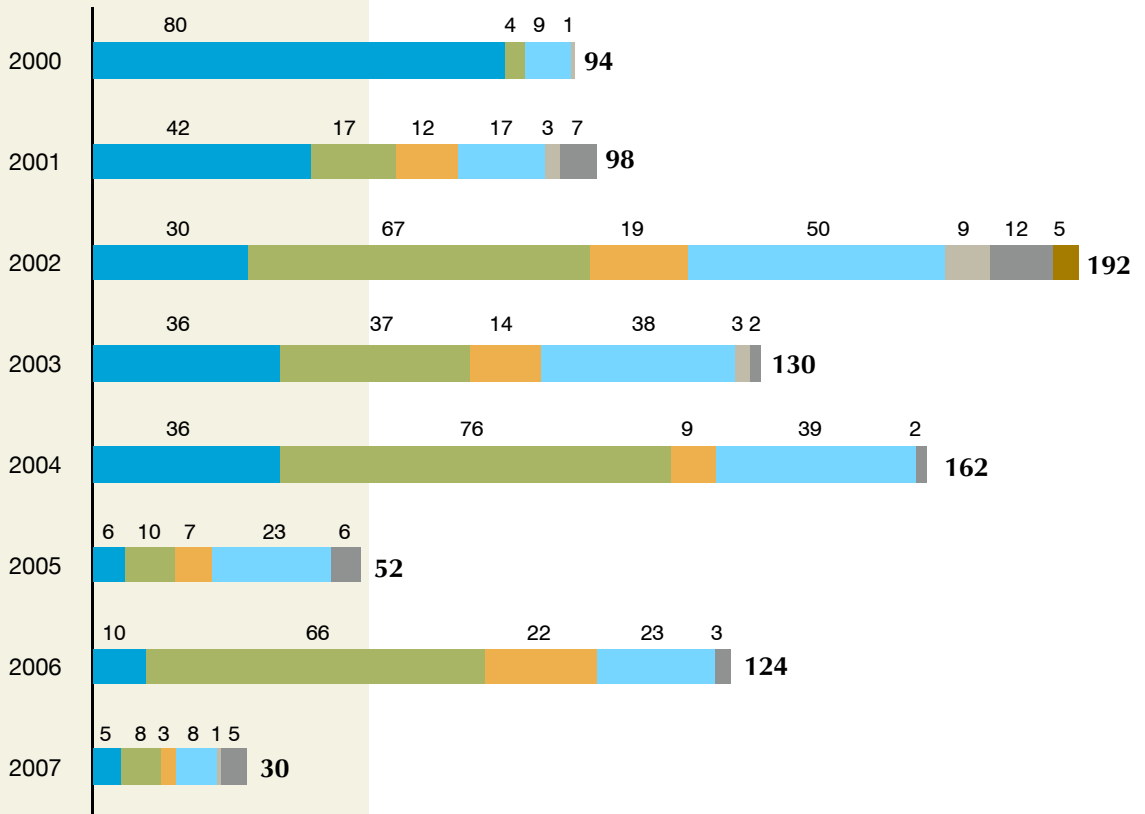


The ideological split has led to territorial division of spheres of influence, dissolution of an elected government, difficulties in the electoral process and lack of effective political authority.



6. DEATH OF CHILDHOOD

Child fatalities by circumstances since the beginning of the Intifada
(Sept 2000 - June 2007)



Total = 882

7. EDUCATION LOST

More than 40

Palestinian schools occupied by the Israeli Defence Forces, since 2000

More than 2,000

School drop-outs in Gaza in the second half of 2007

More than 3,000

School children detained by Israeli Defence forces since 2000

Innumerable

School children turned back from check-points since 2000

Cancellation of

IT, Science Labs, Extra-curricular Activities due to high energy consumption

Rapid decrease

Net enrollment ratio for primary schooling

More than 1,300

Schools disrupted by curfews, sieges, closures

More than 10%

of children in Gaza have witnessed the killing of a teacher in school

Half of the students

have seen their school besieged by troops

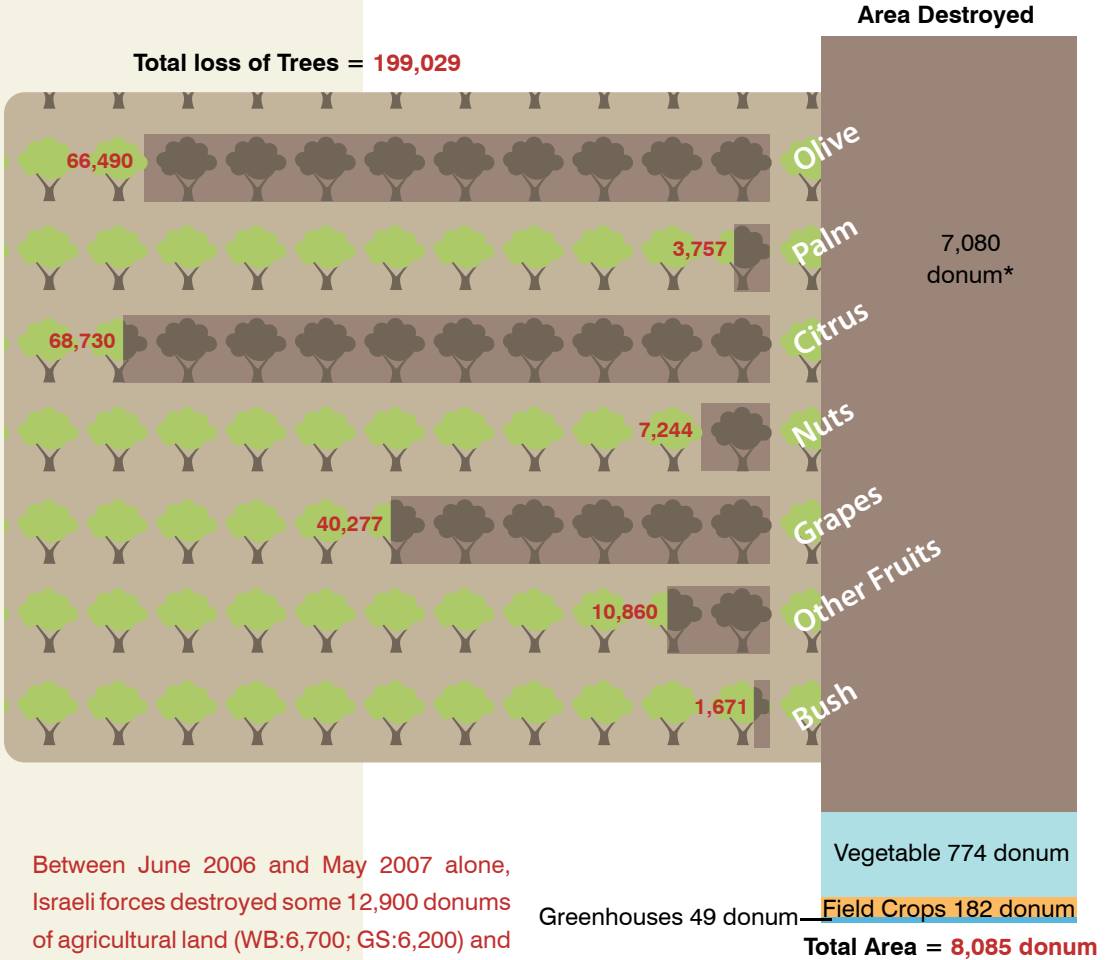
One third

of families experience anxiety, phobias or depression



8. TROUBLED FARMLANDS

Damage Caused to Gaza Farmers Due to Israeli Practices (Sep. 28th, 2000 through Dec. 31st, 2006)



Between June 2006 and May 2007 alone, Israeli forces destroyed some 12,900 donums of agricultural land (WB:6,700; GS:6,200) and 322 greenhouses (WB: 155; GS:167), and uprooted 2,775 trees in the West Bank.

* A Donum is a unit of area used in many countries formerly part of the Ottoman Empire, equivalent to 1,000 square meters

Estimated Direct Loss Incurred by Farmers (Sep 28th, 2000 through Dec 31st, 2006)

Governorate : Gaza (loss in \$)

Bulldozing lands, trees, vegetables, and greenhouses	▶ 42,846,895
Bulldozing assets and wells and killing of animals and birds	▶ 7,070,178
Other damage including fishermen tools	▶ 374,836
Total Loss	▶ 50,291,909

The indirect loss in the Gaza Strip and the West Bank reached \$828,926,225.

These were mainly incurred due to the following:

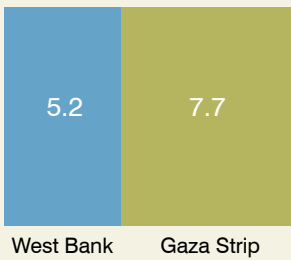
- Loss in the olive sector and stealing of agricultural crops
- Low processing of agricultural products (animals and plants)
- Loss in the animal sector
- Loss in the fishery sector
- High prices of fodder
- Loss in export to Israel and abroad
- Prevention of agricultural movement
- Loss due to reduction of agricultural workers
- Loss due to bulldozing the land

Affected population: There are no clear statistics reporting number of affected households and farmers. However, the agricultural sector in the Gaza strip employs some 40,000 workers and supports 25% of the Gaza Strip households.

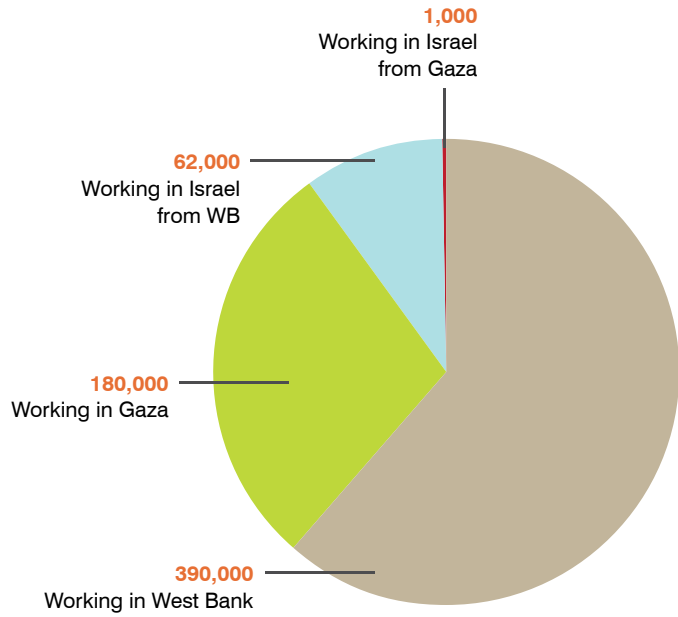


9. UNEMPLOYMENT

Dependency Ratio

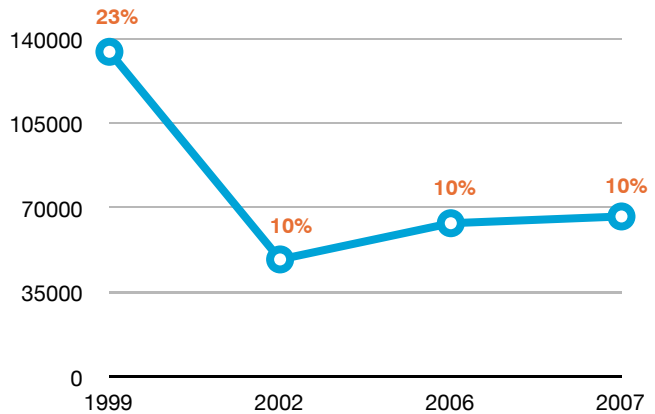


Number of Palestinians Employed 2005 : 633,000



Palestinian workers in Israeli Settlements

(% of total Palestinian workers)



10. JOBLESS IN GAZA

Employment

37.6%

unemployment in 2007, set to rise to 50%

53%

total employment in private sector

75,000

lost jobs out of a total labour force of 110,000 due to bankruptcies

95%

Gaza's industrial operations are suspended due to import-export ban



Raw materials, non-humanitarian commercial goods, and essential equipment for sewage system and water network repairs not allowed to enter Gaza since June 12, 2007

1,750

people employed by 195 factories in June 2007. A drop from 35,000 people employed by 3,900 factories in June 2005

3,500

jobs lost due to shut down of all 438 construction factories in Gaza (Nov 2007)

Industry

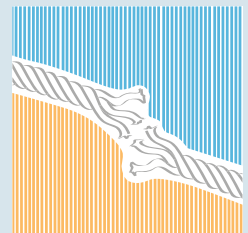
Agriculture

40,000

workers who depended on cash crops now have no income

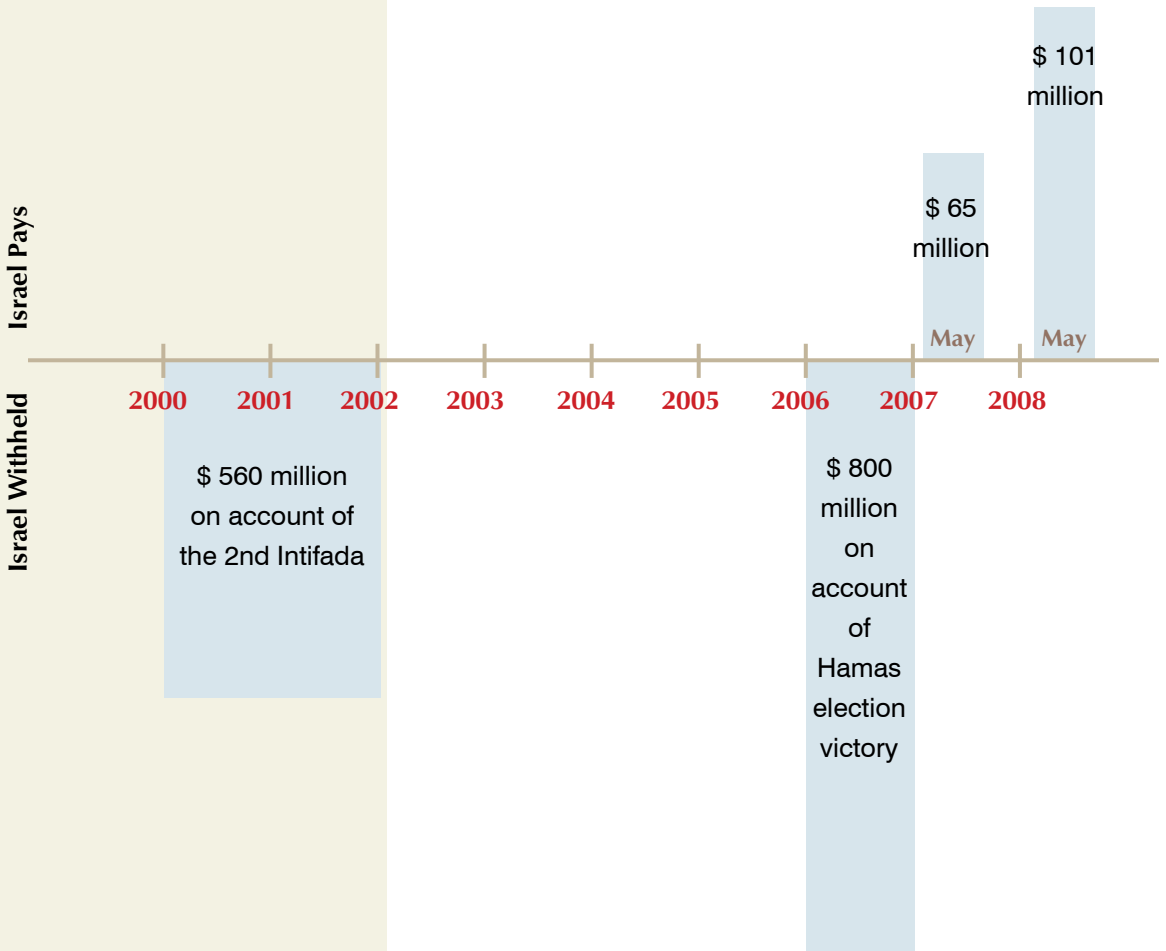


Farmers cannot export their crops



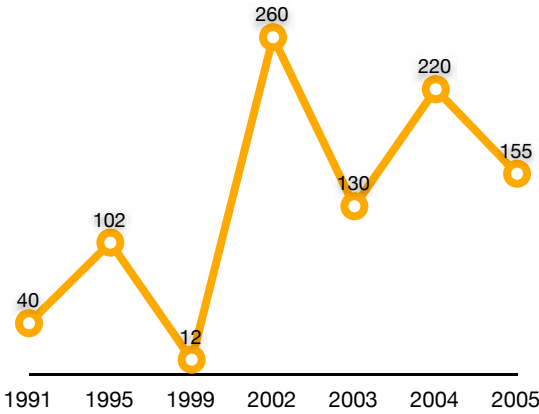
Cost of Conflict in the Middle East

11. WITHHELD TAXES



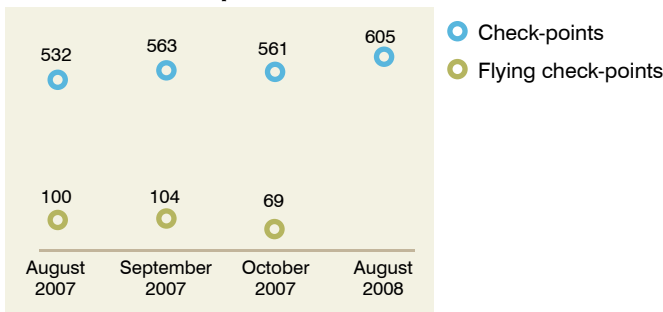
12. BARRIERS AND CLOSURES

Number of Closures : (days per year)

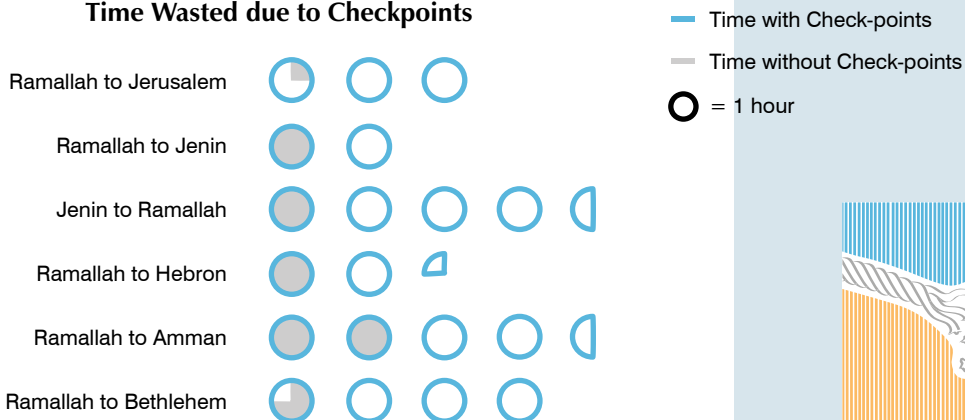


During closure days, no Palestinians are allowed to travel to Israel, as these days render their work, trade, travel permits invalid. Even though reliable data for 2006-2008 was not available, scattered news reports indicated the same trends as the previous three years, (2003-2005).

Checkpoints



Time Wasted due to Checkpoints



- Palestinians who own land or property in the Jordan Valley but live in the West Bank can no longer access the area without a special permit. Permits do not allow overnight stay. Waiting times at Jordan Valley checkpoints range between 30 and 90 minutes.
- In Nablus governorate, villagers from 'Asira ash Shamaliya have had to use the more circuitous Al Badhan road to access Nablus (a 30-minute journey) because of the closure of the traditional route (a 10-minute journey). The almost continual presence of a flying checkpoint on the Al Badhan Road, involving delays of an hour or more, triples the time taken to reach the city.
- It is estimated that 50% of the total West Bank is currently restricted area and Palestinians are restricted from 41 sections of roads in WB. Vehicles bearing Palestinian license plates are forbidden or restricted on 312km of main roads in the WB as compared with some 1,661km of roads in the WB that are primarily for Israeli use.

Man-hours Wasted due to Checkpoints

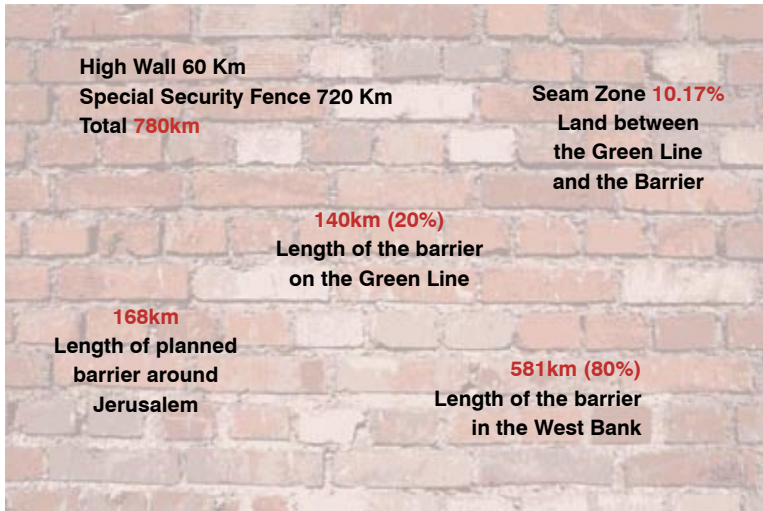


Palestinian Deaths Due to Delay in Medical Treatment

- 51 Palestinians died between 2000-2007.
- According to WHO, the proportion of patients given permits to exit Gaza for medical care decreased from 89.3% in January 2007 to 64.3% in December 2007.
- During the period October to December 2007, WHO has confirmed the deaths of 20 patients, including 5 children. Between 2007-2008, 120 people in Gaza died because they were not allowed to access medical treatment in Egypt.

13. WEST BANK WALL

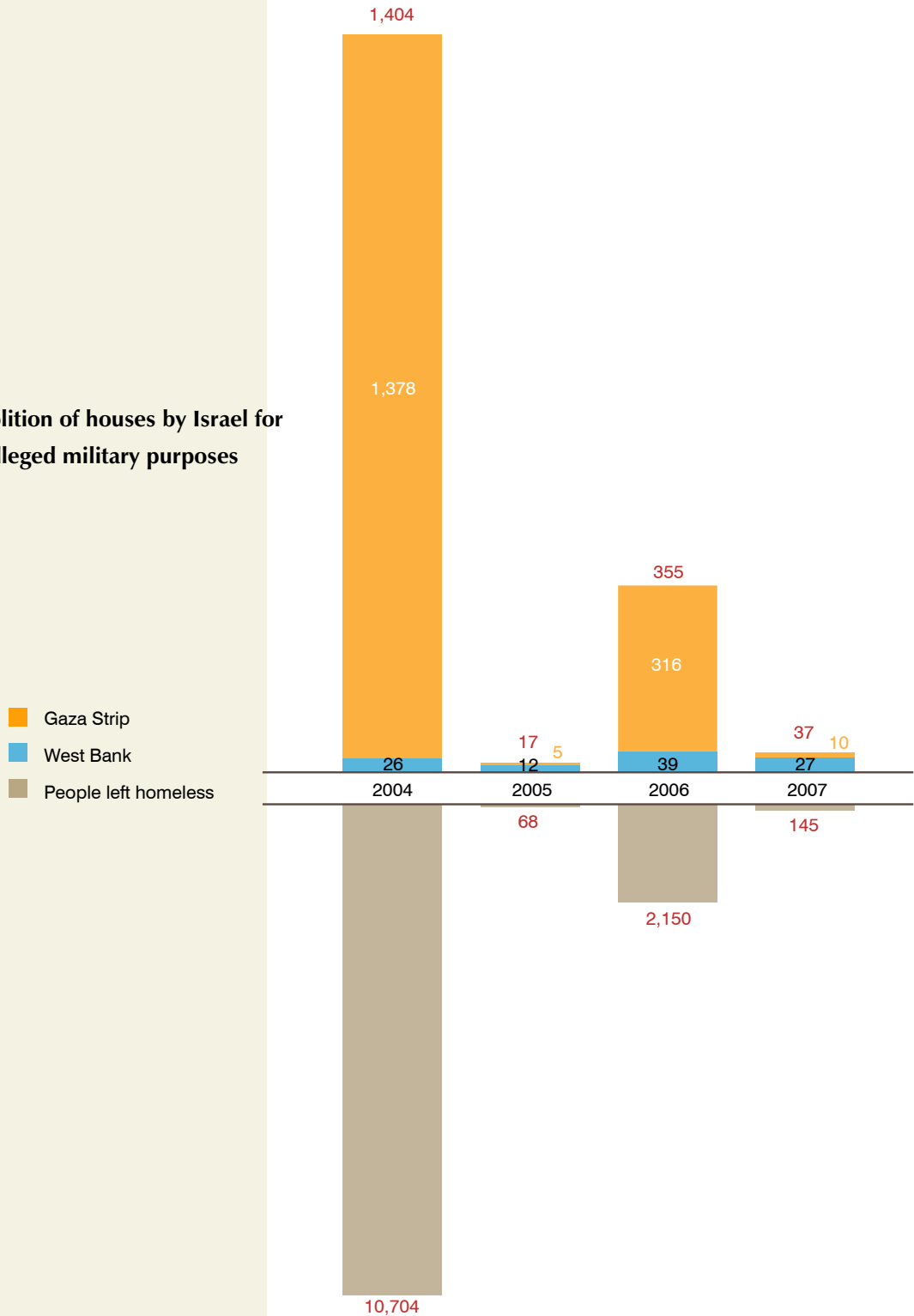
The West Bank Barrier (Wall) at a glance (As of April 2008)



Israel has declared land that falls in between the route of the barrier and the greenline as the 'seam zone'. Palestinians who fall within this zone are required to seek permission from Civil Administration to remain in their homes and have access to their own property. About 50,000 Palestinians live in the seam zone. In addition there is a 'buffer zone' of 150-200m adjacent to the wall on the east side where Palestinian construction is not allowed.

14. DEMOLITION OF HOUSES

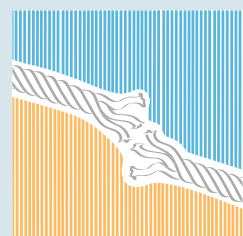
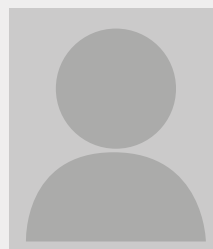
Demolition of houses by Israel for alleged military purposes



15. IDENTITY CARDS

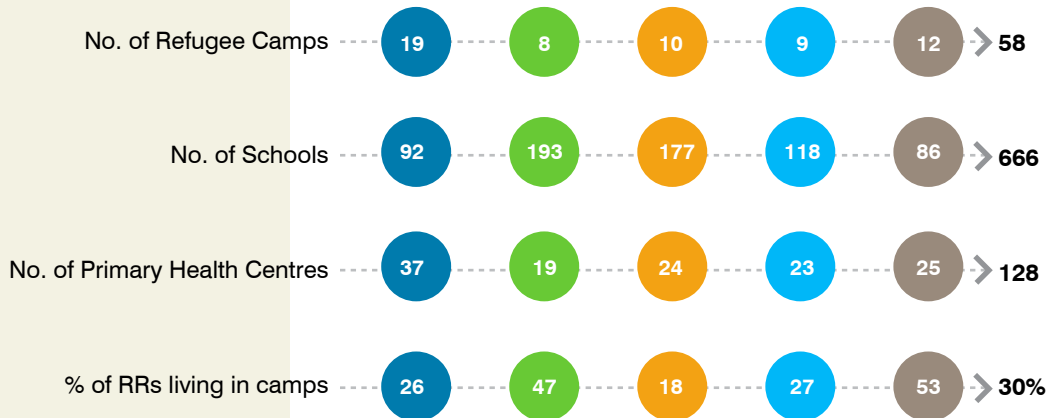
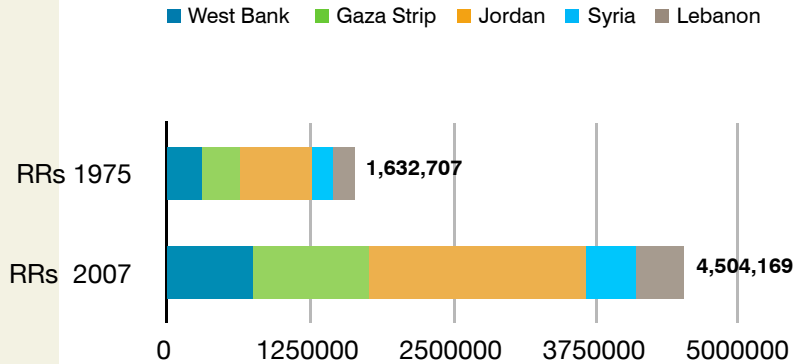
Number of Identity Cards Revoked

Year	Cards Revoked
2000	207
2003	272
2004	16
2005	222
2006	1,363



16. REFUGEES

UNRWA Registered Refugees – (RRs) (June 2007)

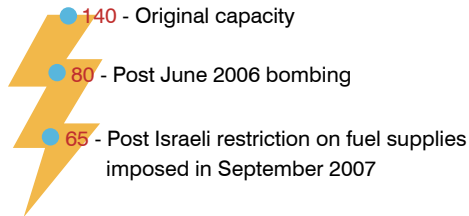


The total 1948 refugee population was estimated at approximately 6 million in 2007, including 4.5 million registered with UNRWA and 1.5 million not registered.

Around half of the Palestinians in the Occupied Territories, including most of the people in Gaza, are refugees.

17. BLACK-OUT IN GAZA

Gaza Power Plant Power Generating Capacity in MW



Palestinian Dependence on Israel for Electricity : November 2007

	Mega Watts	Controlled by	
West Bank			
Maximum Limit: 550MW			
Supplied Directly by IEC (Israeli Electrical Co.)	165MW	Israel	30%
Supplied Indirectly by IEC through JEDCO	385MW	Israel	70%
Gaza Strip			
Maximum Limit: 202 MW			
Supplied by Gaza Power Generating Company (GPGC)	65MW	Israel	91%
Supplied by IEC	120MW	Israel	
Supplied by Egyptian Electrical Company	17MW	Egypt	9%

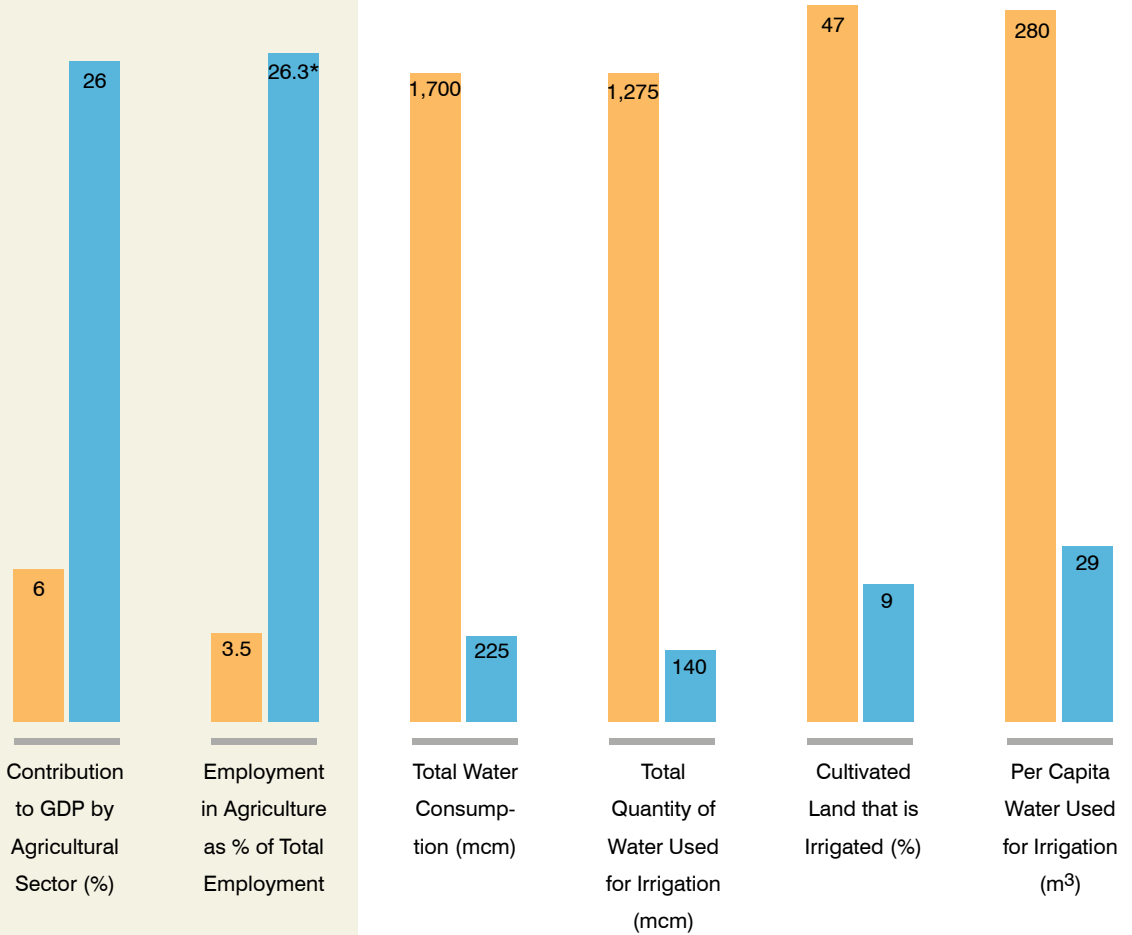
The WB depends almost entirely on the Israeli Electricity Co. (IEC) for electricity supply. It has no generation capacity or transmission network.



18. WATER WOES

Water for Agriculture in Israel and Palestine

■ Israel
■ Palestine



* Excludes Palestinians working in Israel

Chapter 6 : Costs to Israel

INTRODUCTION

Israel has a superior military might and a strong support of the world's leading power, the United States. Nevertheless, it is also vulnerable. It failed to achieve its objective of defeating Hezbollah in the summer of 2006. On the other hand, it suffered severe human and economic damage in the conflict.

In addition, Israel is subjected to regular attacks from the Palestinian groups. The withdrawal from Gaza has made no difference. These include missile attacks, suicide bombing and other forms of bombings. Israeli adults, youth and children and have been killed in these attacks.

Israel also pays a huge cost in the form of economic opportunity as a result of its hostility with the Arab states. It has to look for distant sources for its energy needs, when Gaza has significant natural gas reserves and Gulf States are the main suppliers of oil to the world. Its scope for tourism, trade and investments in the region has narrowed.

Moreover, the present President of Iran threatens to wipe Israel out evoking emotions of extremist elements in the region.

Finally, the conflict has created a context of insecurity, mistrust and fear for the people of Israel. It is a context in which normal human relationships are rendered difficult and human values are undermined.



BACKGROUNDER

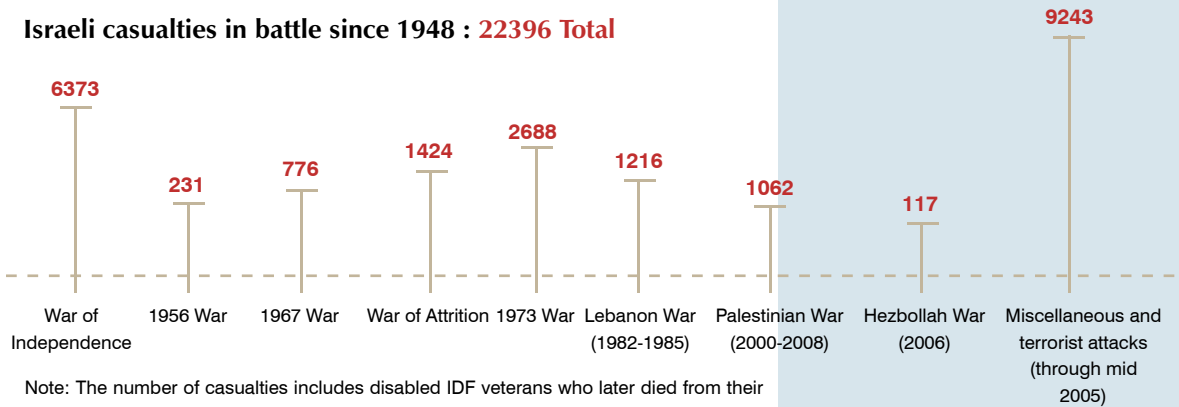
Israel's Key Strategic Concerns in 2009



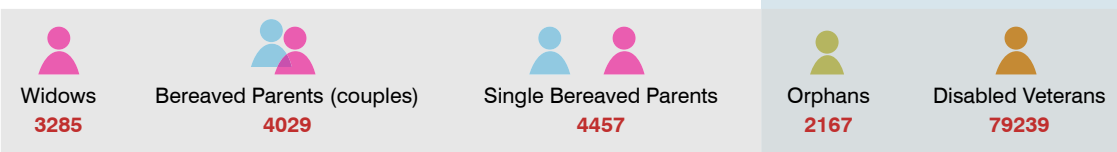
Russia
counter-pose to the
United States

1. HUMAN COSTS

Israeli casualties in battle since 1948 : 22396 Total

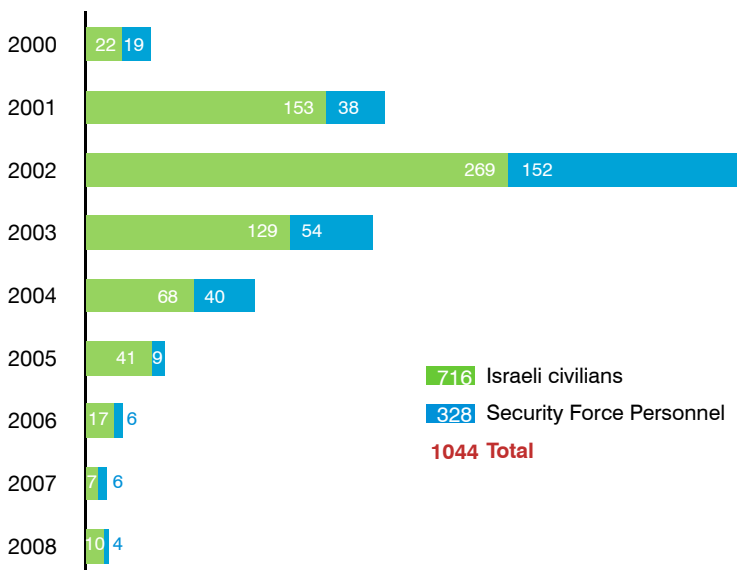


Statistical overview of members of bereaved families



Note: These figures represent 'destroyed families' – those that have lost fathers, mothers, brothers, sisters and children.

Number of Israeli civilians and Security Force Personnel killed since al-Aqsa Intifada (29 September 2000 – 31 March 2008)



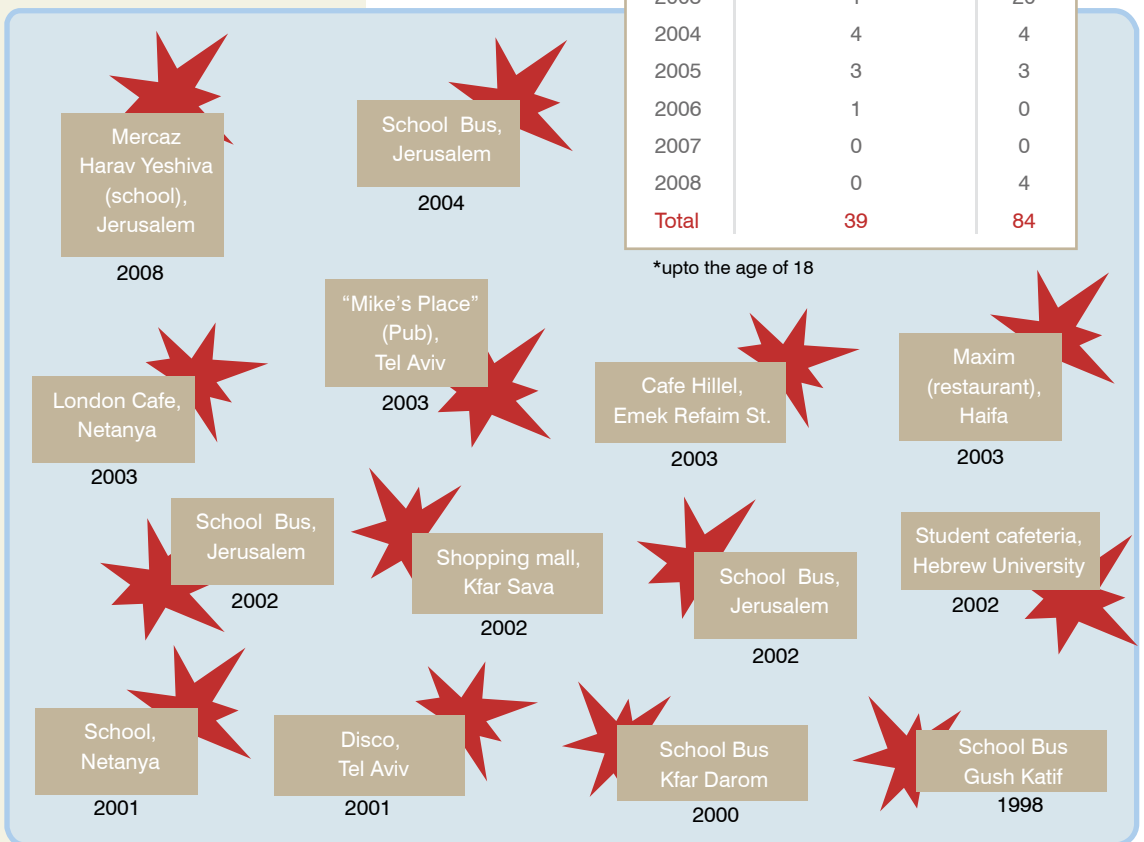
2. CAFES, SCHOOLS AND BOMBS

Young Israelis, especially students have been targeted by bombers. Cafes, discos, pubs and malls, areas where young people hang out have proved to be popular targets of terrorists and suicide bombers. This has created an atmosphere of fear and insecurity which has limited children's ability to move about, to attend school and to participate in social, cultural, religious and other events.

Israeli minors* killed since the al-Aqsa Intifada:
29 September 2000 to 31 March 2008

Year	Occupied Territories	Israel
2000	0	0
2001	10	26
2002	20	27
2003	1	20
2004	4	4
2005	3	3
2006	1	0
2007	0	0
2008	0	4
Total	39	84

Illustrations of attacks on children and youth



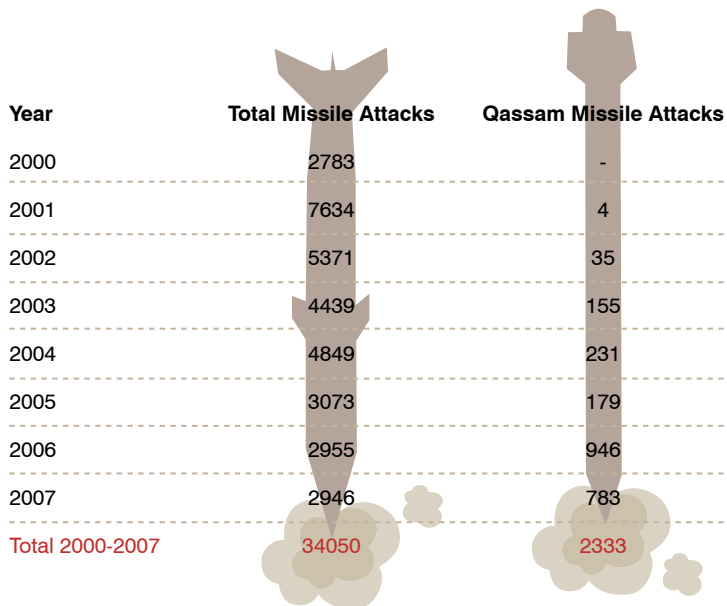
The school system is not managing to 'hold onto' its pupils, and loses more than 20,000 dropouts from each graduating class.

The dropout rate from 8th to 10th Grade is 8.5 percent among the Jews and 11.2 percent among the Arabs.

Immediately after the war with Lebanon, 55,000 children were diagnosed with different levels of anxiety syndromes.

3. MISSILE ATTACKS

Israel is vulnerable to missile attacks – particularly Qassam rockets and mortars. If the attacks continue at the same rate as in the first seven years of this decade, Israel could possibly face almost 47,000 missile attacks during 2000-2010.



4. FEAR PSYCHOSIS

The National Resilience Project of the University of Haifa (2004) shows that Israeli citizens of all types are fearful of terror attacks. In a survey conducted by the project, the investigators found out that more than 90% respondents in all categories were worried about terrorist attacks.

Israelis Fearful of Terrorist Attacks

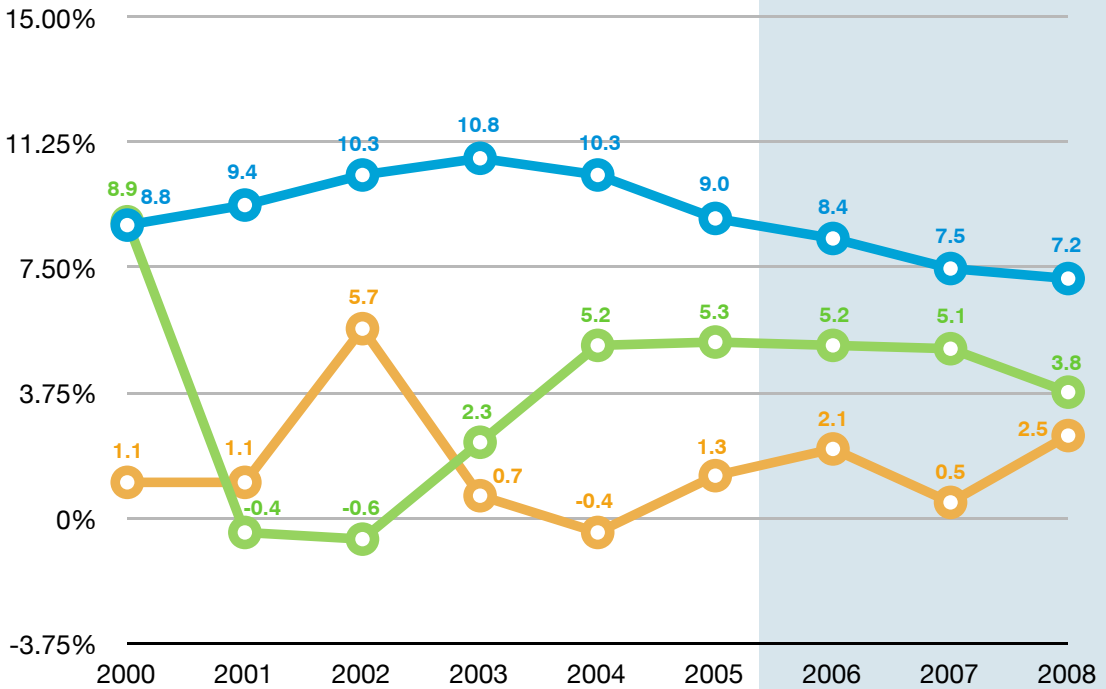
1. Marital Status	Single 91.85%	Married 91.55%
2. Gender	Male 87.30%	Female 95.72%
3. Couples	With Children 91.86%	Without Children 91.97%
4. Level of Education	With Elementary Education 87.61%	With High School 91.84%
	With post High School (non-academic) 93.96%	With post High School (academic) 91.42%
5. Religiosity	Secular 92.57%	Traditional 91.61%
	Religious 89.44%	Orthodox 93.27%
6. Income	With much > Average Income 88.67%	With > Average Income 92.01%
	With Average Income 92.96%	With < Average Income 91.75%
	With much < Average Income 92.02%	
7. Residence in West Bank	Living in West Bank 94%	Not living in West Bank 93.31%
8. Immigrant Status	New Immigrants from former Soviet Union 96.06%	Veteran Immigrants from former Soviet Union 93.77%
9. Jews or Arab Residents	Jews 94.03%	Arabs 80.70%

Moreover, according to an opinion poll, 37% of Israeli youth fear another Holocaust.

5. ECONOMIC DAMAGE

The impact of the al-Aqsa Intifada on Israel's Economic indicators

- Unemployment rate %
- GDP annual % change
- Inflation, average consumer prices (annual % change)



Israel's engagement in conflict has a direct impact on the country's economic growth. Following the start of the al-Aqsa Intifada in September 2000, unemployment levels increased in 2001 and continued to rise till 2003. Although there was a downward trend from 2004, levels continued to remain above the 2000 rates until 2006. Furthermore, Israel experienced a reduction in GDP levels in the years following the start of the second Intifada. In conjunction, 2002 saw the lowest GDP levels in recent times, coupled with the highest rate of inflation, both of which coincided with a spate of suicide bombings.



6. BATTLEGROUND EXPERIENCE FOR THE BIG BOSS

It is almost compulsory for every Israeli Prime Minister to have military background. Every head of the Israeli government has had military or intelligence experience. With the exception of Prime Minister Ehud Olmert, all Israeli Prime Ministers since Yitzhak Rabin have held the post of Minister of Defence and/or Minister of Foreign Affairs. It appears impossible for a civilian politician to reach the top slot in a representative democracy.

Military backgrounds of Israeli Prime Ministers: 1970s to Present

Prime Minister	Tenure	Party	Military Career	
			Enlisted	Service Years & Rank
Yitzhak Rabin	1974 - 1977 & 1992 - 1995	Labour	√	27yrs Chief of Staff
Menachem Begin	1977 - 1983	Likud	√	Commander of IZL*
Yitzhak Shamir	1983 - 1984 & 1986 - 1992	Likud	√	10yrs Mossad
Shimon Peres	1984 - 1986	Kadima	√	6yrs DG MOD & Haganah**
Benjamin Netanyahu	1996 - 1999	Likud	√	5yrs Special Forces
Ehud Barak	1999 - 2001	Labour	√	36yrs Lt.General
Airel Sharon	2001 - 2006	Likud/Kadima	√	26yrs Major General
Ehud Olmert	2006 - 2008	Kadima	√	Infantry Officer

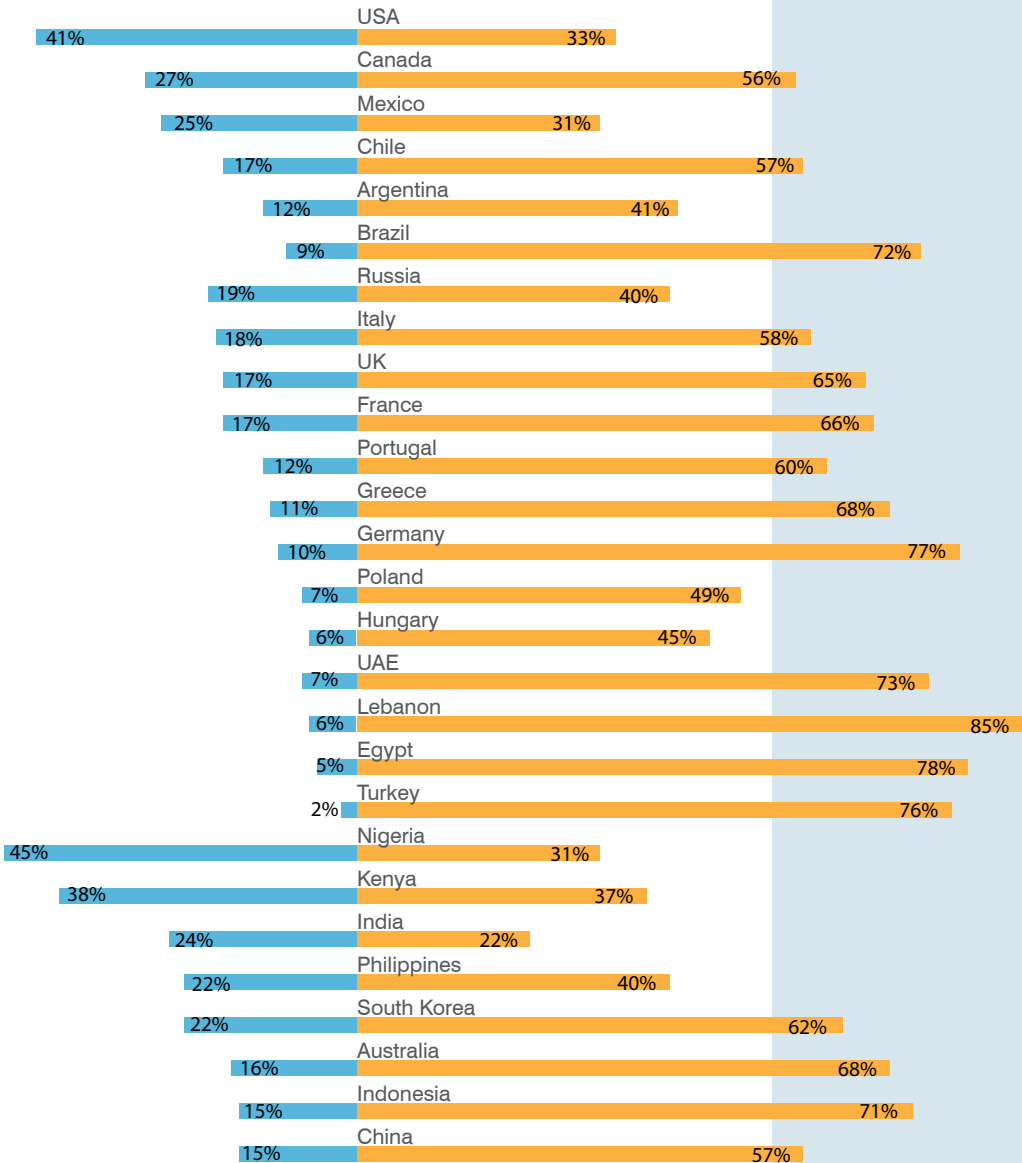
Note : * Irgun Zeva'Il Le'umi - National Military Organisation

** Haganah - Jewish paramilitary, which evolved into Israel Defence Force

7. IMAGE LOSS



International perceptions of Israel's influence



Note : The results were obtained by a poll conducted on 28,000 people across 27 countries by the Program on International Policy Attitudes (PIPA) for the BBC World Service.



- The Director of PIPA, Steven Kull, stated that it appeared “...that people around the world tend to look negatively on countries whose profile is marked by the use or pursuit of military power. This includes Israel...”
- 23 of the 27 surveyed countries viewed Israel negatively, with an average of 56% of those surveyed holding a negative perception of the country.
- The views correspond with the conclusion of the Israel-Lebanon war in 2006; indicating that majority of the international community does not look favourably towards Israel's military posture.

According to a study of the content analysis of UK newspapers to coincide with Israel's 60th anniversary of independence in 1948:

83% of articles on regional peace conveyed the message that Israel did not seek peace.

44% of all articles conveyed the message that Israel was created at the expense of the Palestinians.

27% of all articles conveyed the message that Israel is a successful country.

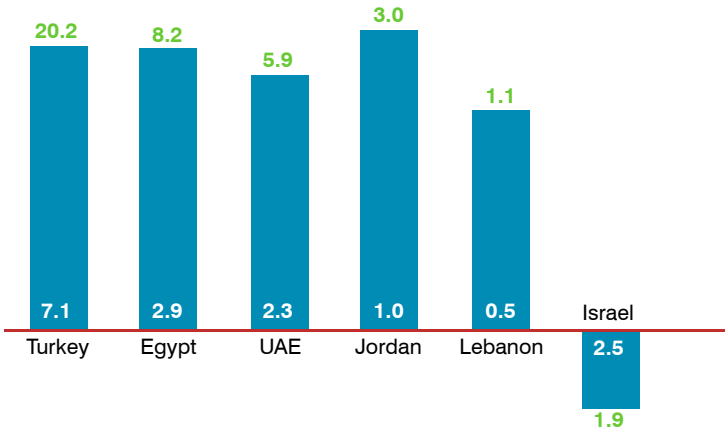
Content analysis of views about Israel in UK newspaper (in %)

News Articles	Negative	Positive	Neutral
The Guardian	66	7	27
The Independent	55	9	36
BBC Website	43	5	52
All UK Newspapers	36	21	43

Israel has been subjected to several critical resolutions by the United Nations.

8. LOSS OF TOURISM

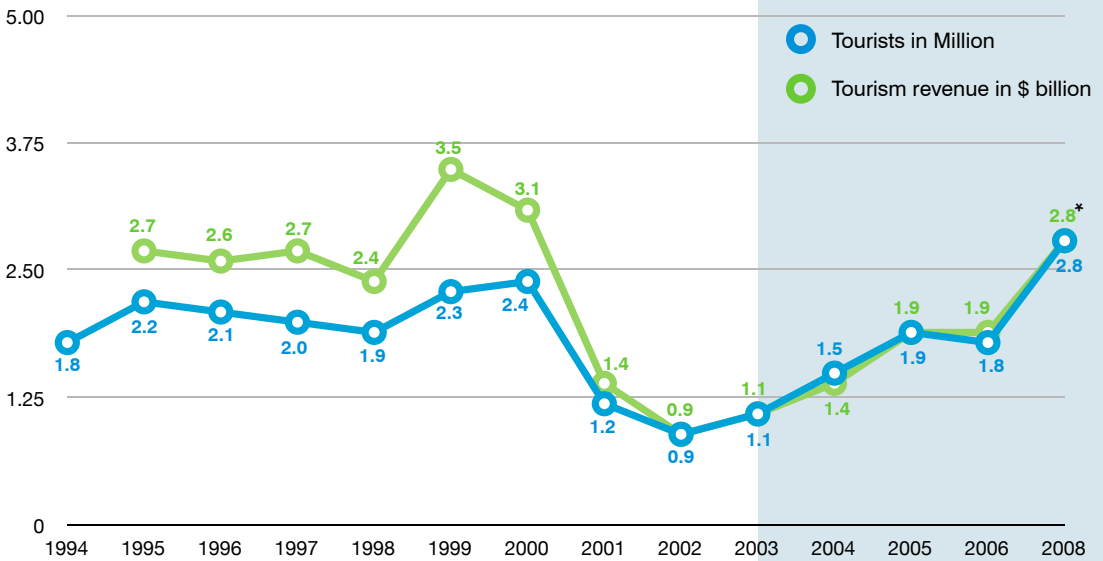
Tourists in Millions, 1995-2005



Average rate of cumulative growth of tourism over the decade for Israel's neighbouring countries was 270%, not considering Saudi Arabia which hosts Haj pilgrims.

- 1995
- 2005

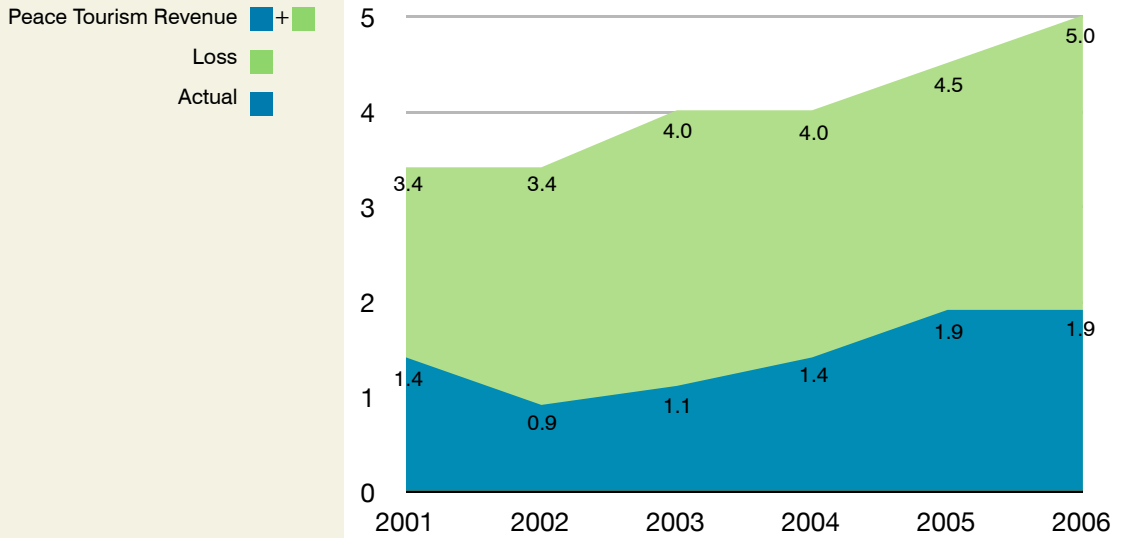
Tourists in Israel



* Estimates



Opportunity Loss in Tourism (in \$ billions)



Since the beginning of Intifada II, Israel suffered tourism revenue loss of over \$15 billion during 2001-2006. It was on the path of recovery in 2006. Its tourism increased by 22% in the first half of 2006. However, the war with Hezbollah had a toll with tourism decreasing by 27% in the second half of 2006.

Israeli tourism recovered for the first time in 2008, slightly over the level of 2000. However, in the absence of setback suffered in the first half of the decade, tourist inflow would have been at least 5 million.

9. EMIGRATION

The following news item appeared in several Israeli and international newspapers in April 2007. It is self-explanatory.

Emigration from Israel exceeds immigration, report

Tel Aviv (dpa) - In Israel, the number of emigrants exceeded the number of immigrants for the first time in 20 years, the Israeli daily Yediot Ahronot reported Friday.

Many emigrants were recent arrivals who wanted to leave Israel again, the report said. In 2007, 14,400 immigrants are expected in Israel while 20,000 people are expected to leave the country, according to the report based on figures for the first months of 2007.

The last time emigration exceeded immigration was in the aftermath of

the 1973 Yom Kippur War and in 1983 and 1984 when inflation was high.

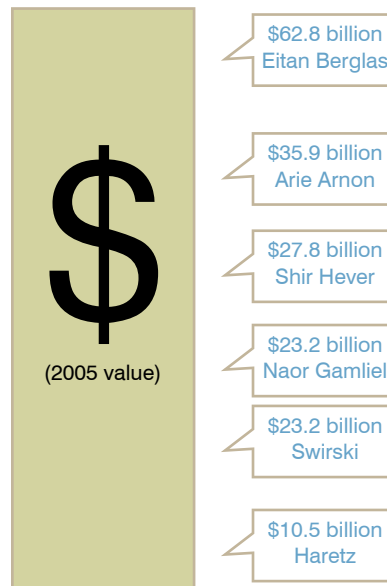
Meanwhile, the Maariv newspaper reported that approximately a quarter of the Israeli population was considering emigration.

Almost half of the country's young people were thinking of leaving the country, the report said. Their reasons included dissatisfaction with the government, the education system, a lack of confidence in the political ruling class and concern over the security situation.

10. PRICE OF OCCUPATION

Several Israeli scholars have attempted to calculate the price of occupying the Palestinian territories.

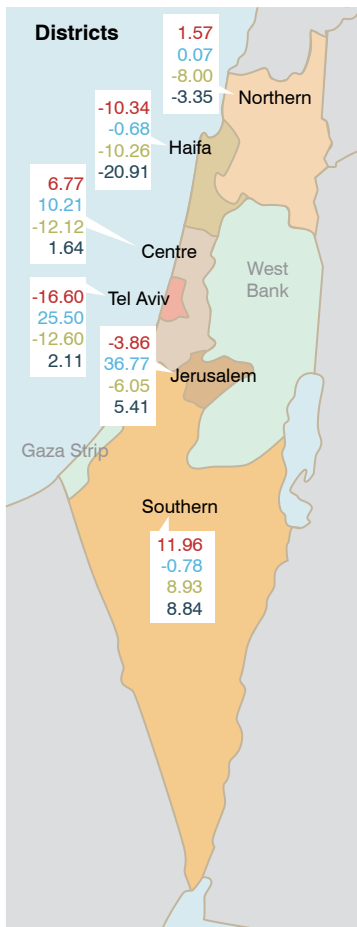
Comparison of estimates of the Cost of Settlement 1970 & 2005



11. SLUMP IN HOUSE PRICES

Following the second Intifada, there has been a significant drop in housing prices in various parts of the country, as citizens affected by the persistent conflict are unwilling to invest in homes. Certain areas, as shown below are more affected than others, and if the violence in these areas continues prices will continue to drop further, affecting not only the markets but the morale of the people in these areas.

Changes in Average Price of Dwellings (%)



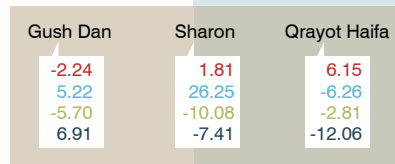
Israel

-6.47
28.09
-11.60
-7.52

- Second Intifada (Q3 2000 - Q2 2003)
- (Q2 2003 - Q1 2006)
- Israel - Hezbollah War (Q1 - Q4 2006)
- (Q4 2006 - Q1 2008)

Note: Q refers to quarter

Metropolitan Areas

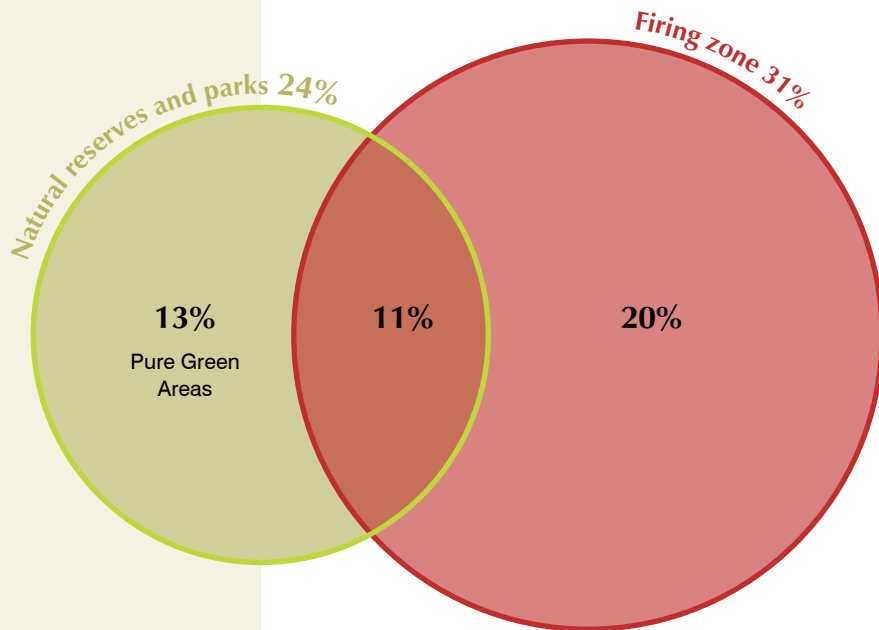


Source : Central Bureau of Statistics

As Israel's economic centre and the location of most foreign embassies, Tel Aviv's housing market suffers the most whenever the country is in conflict. The district of Haifa in northern Israel, which shares a border with Hezbollah-controlled districts in southern Lebanon, was heavily damaged by rocket attacks during the 2006 conflict. The house prices in the district obviously fell. While property prices in other districts have partially recovered since the cessation of conflict at the end of 2006, house prices in Haifa district have continued to fall.



12. BROWNING OF GREEN ZONES



Chapter 7 : Benefits of Warm Peace

INTRODUCTION

We must make a distinction between Warm Peace and Cold Peace. The current peace treaty between Israel and Egypt is an example of Cold Peace, whereby the states have committed to non-aggressive conduct of bilateral relations but there is societal hostility, mistrust and lack of active economic discourse. Cold Peace cannot produce much benefit – even though there may be reduction in defence expenditure and infusion of foreign aid. Israel's military expenditure has declined from 30.3% of GDP in 1975 to about 8% this decade. Nevertheless, in order to reap benefits of conflict settlement, it is necessary to construct a vision of warm peace, which may be defined as not merely absence of violence but also active economic, social, cultural and political harmony.

The success of the Oslo Accord did not last long because the Palestinians did not realise any concrete benefits from it, leading them to desperation by 2000 that further led them to the Second Intifada. The architects of the Oslo Accords had the vision of a warm peace reflected in their discussion on several areas of economic and technical cooperation. The failure was in the absence of implanting good intentions. Any future conflict settlement must be transformed into conflict resolution by emphasis on warm peace strategies.

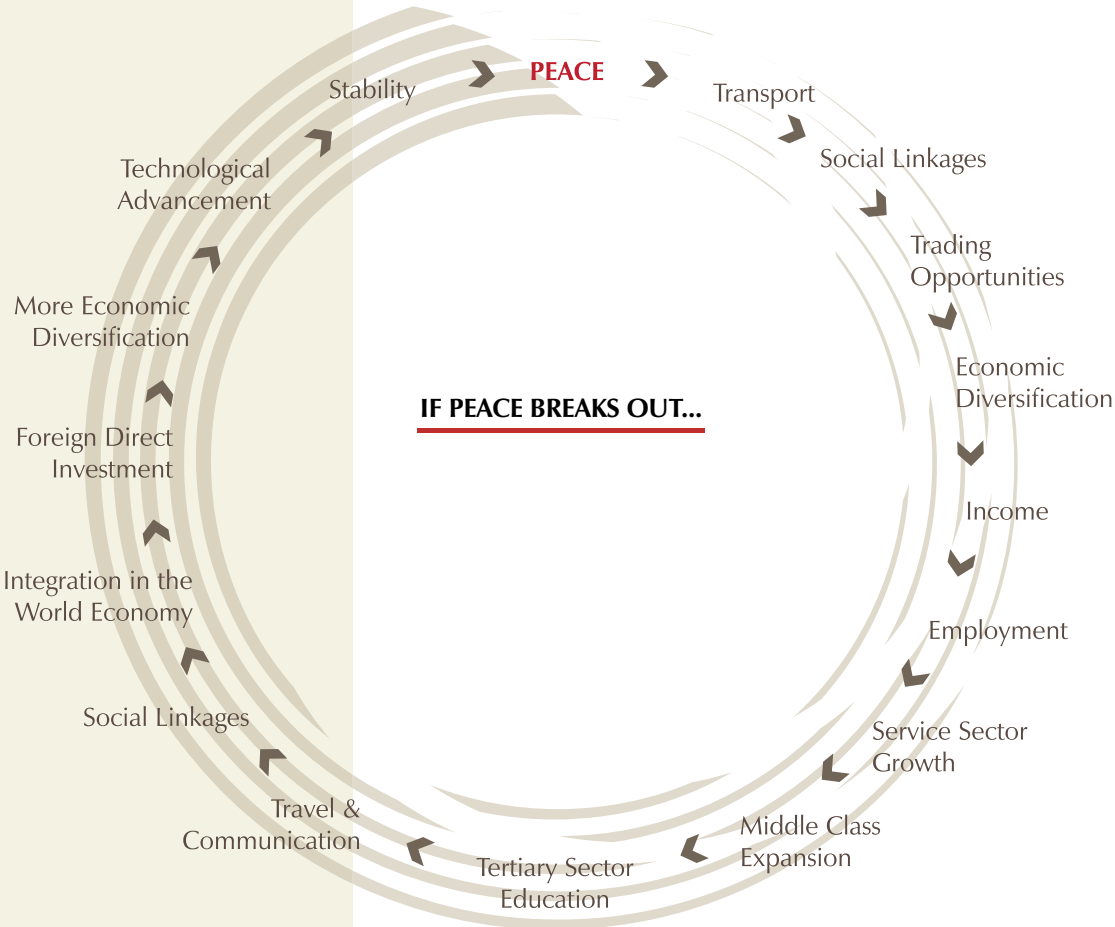
If comprehensive and warm peace prevails in the Middle East, a number of projects would be feasible that can enhance income, generate employment, create trading opportunities, expand the middle classes and further contribute to peace and stability. Thus, these projects can set in motion a virtuous cycle.

Several cooperative projects have been conceived despite the atmosphere of violence and distrust. They have not been implemented. Many of these projects are in the transport sector. They can not only produce economic benefits but also connect people who have been divided for over six decades. Such linkages can remove the deficit of trust, forge social alliances and foster friendship in the region.

Considering that the current context is that of conflict, only a few projects have been conceptualized and debated which are mentioned here. Once the region ushers in an era of peace, several more projects will be conceived and born, and create a multiplier impact. However, even a few examples which are discussed in public domain demonstrate unlimited scope of benefits from peace.



BACKGROUNDER



1. ISRAEL'S PEACE DIVIDEND

Israel's Peace Dividend (PD) can be calculated as follows :

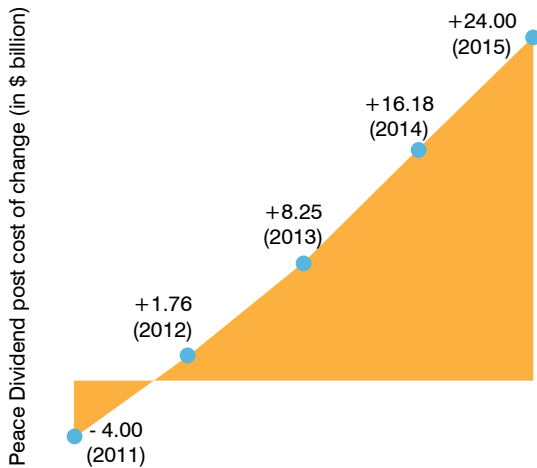
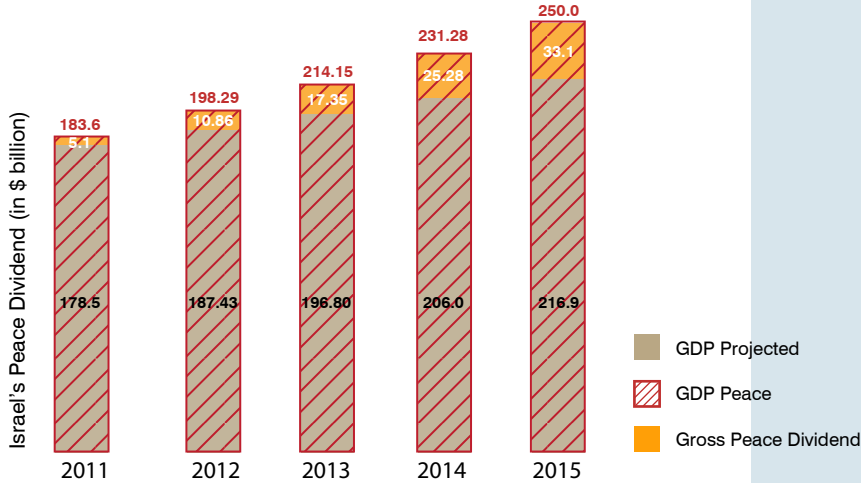
$$PD = \text{Marginal Increase in GDP} - \text{Cost of Change}$$

Where Cost of Change = indemnity to Israeli settlers + compensation to Palestinian refugees + interest;

Marginal Increase in GDP = Peace GDP – Projected GDP considering GDP for 2010 as the basis.

Israel's cost of change = 12.5 + 22.5 + 10.5 = \$ 45.5 billion

Annualised payment @ \$9.1 billion



Thus, Peace Dividend per Israeli household will be \$4429 per year for the first five years on the basis of the projected population size of 7.3 million at the beginning of the next decade. If peace is maintained along with sound economic policies, Israel can expect to increase its per capita income by more than \$5000 per year forever. It's only the first year that the Israeli economy will suffer a net loss. However, it breaks even in the second year of peace and then gains at a fast rate in the years to follow.



Technical Notes

Marginal increase in GDP

This can happen on account of lifting of Arab boycott + increase in trade (\$ 5 billion) + increase in tourism (\$2 billion) + construction contracts in the Palestinian infrastructure (\$1 billion) + marketing and banking opportunities in Dubai for diamond trade and industries + savings in additional military expenditure focussed on the Palestinian targets and items such as wall (\$1 billion) + diversion of human capital to productive economy + shift from high alert to training period of reserves + diversion of leadership energy and mindset to growth opportunities + miscellaneous.

Indemnity to Israeli settlers

There are 250,000-300,000 settlers in West Bank, depending on the source of information. In reality, some settlers in the adjoining areas to the Green Line will not need to be settled as a result of 'swap' of lands. Thus, indemnity may apply to maximum 175,000 settlers. Since an average Jewish family has 3.5 members, there will be 50,000 families to be indemnified.

Compensation for Gaza settlers @ US\$ 250,000 per family of settlers used as the basis.

West Bank settlers to be indemnified	175,000
Families	50,000
Indemnity	\$12.5 billion

Israel does not take into account East Jerusalem in its settler statistics. However, the Palestinian Authority includes East Jerusalem in its calculations. Any sustainable settlement will include a plan for peaceful economic co-existence and cooperation between Jews and Palestinians of East Jerusalem – whatever the nature of the political settlement. Therefore, physical transfer of Jewish families in Jerusalem is not for the purpose of indemnity.

Compensation to Palestinian refugees

The Aix Group has estimated costs of compensation to the Palestinian refugees if there is a resolution of the conflict under the following heads: direct resettlement outlays, property claims, rehabilitation and refugee status compensation. The total is estimated to be in the range of \$55-85 billion. However, the group expects Israel to pay only for property claims and international community – particularly including the Arab states – to pay for the rest. Israel's liability is estimated at \$15-30 billion on account of property claims. Since it's a wide range, we will use median point for the purpose of our calculations.

Therefore, compensation to Palestinian refugees = \$22.5 billion

Interest

Israel will have to consider interest cost of \$12.5 billion + \$22.5 billion = \$35 billion

Assuming 10% rate of interest over 5-year repayment on most lenient terms for political reasons, the total interest will be \$10.5 billion.

2. ARAB PEACE DIVIDEND

The Arab Peace Dividend (PD) can be calculated as follows :

$$PD = \text{Marginal Increase in GDP} - \text{Cost of Change}$$

Where Cost of Change = compensation to Palestinian refugees + infrastructure costs of the Palestinian state + interest;

Marginal Increase in GDP = Peace GDP – Projected GDP considering actual (expected) GDP for 2010 as the basis.

Cost of change for the Arabs would be 25+ 15 +12 = \$52 billion

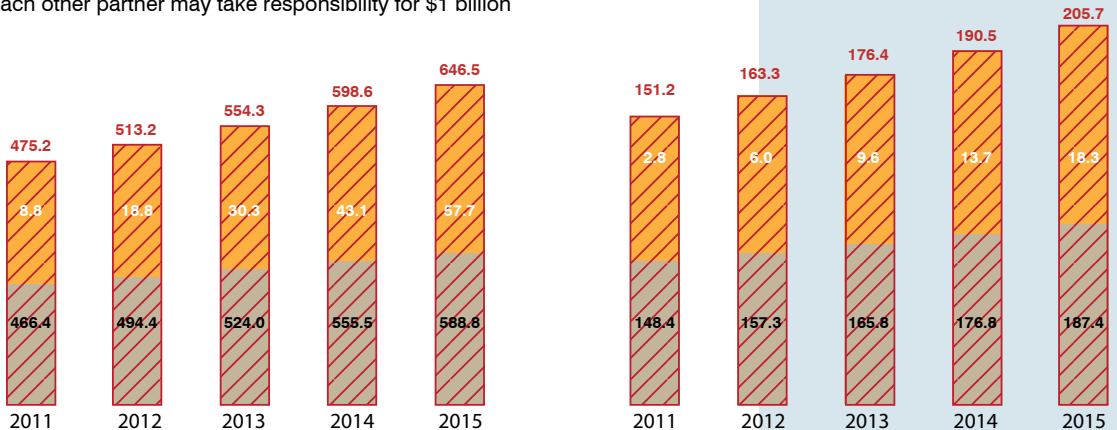
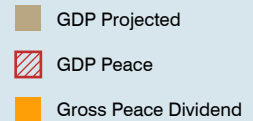
Annualised payment \$10.4 billion

Normally, the costs will be shared by countries benefiting the most from economic cooperation that will follow the peace process. The following formula can be envisaged, though many other formulae are possible.

Saudi Arabia	50%
UAE	10%
Qatar	10%
Kuwait	10%
Egypt	10%
Others	10%

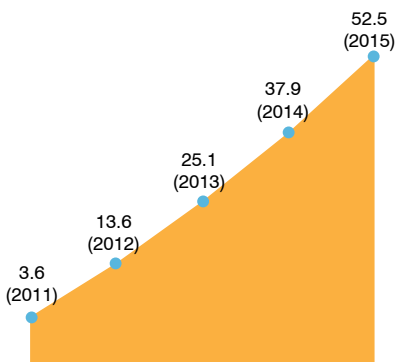
Saudi Arabia may take responsibility for \$5.2 billion

Each other partner may take responsibility for \$1 billion

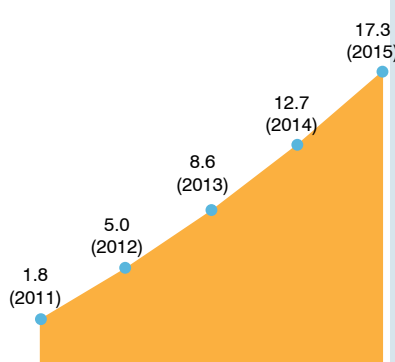


Saudi Arabia's Peace Dividend (in \$ billion)

Egypt's Peace Dividend (in \$ billion)



Saudi Arabia's Peace Dividend post cost of change (in \$ billion)



Egypt's Peace Dividend post cost of change (in \$ billion)



Technical Notes

Marginal increase in GDP

This can happen on account of lifting of Arab boycott + increase in oil exports to Israel (\$ 2 billion) + increase in tourism (\$2 billion) + savings in defence expenditure + diversion of human capital to productive economy + shift from high alert to training period of reserves + diversion of leadership energy and mindset to growth opportunities + diversification of the economy from oil to other sectors + increase in productive edge of the economy with high-tech cooperation with Israel.

Compensation to the Palestinian refugees

Total costs calculated by Aix Group	\$55-85 billion
- Israel's share for property claims	\$15-30 billion
= Costs for others	\$40-55 billion
Maximum cost for others	\$55 billion
- Potential support from G8	\$22 billion
- Potential burden for the Arab states	\$33 billion

Infrastructure for the Palestinian states

The World Bank/UNDP had estimated Iraq's reconstruction costs at \$36 billion. Considering the difference in the situation between Iraq and the Palestinian territories, and also taking into account the reconstruction cost of Kuwait in the 1990s, total infrastructure cost for the Palestinian state would be maximum \$ 7 billion including the cost for roads, airport, schools, hospitals and institutions for the West Bank (\$6 billion) and reconstruction of Gaza (\$1 billion).

Interest

If the expenditure of \$40 billion is to be incurred over 5 years, it will carry an interest burden of \$12 billion @10%, assuming lenient payment terms are offered for political reasons.

3. PROMISE OF THE SINAI UNDERGROUND WORLD

The Sinai Peninsula brings together Egypt, Palestinian Territories (Gaza), Israel and Jordan.

Joint investments and technology transfer can help develop underground water, oil and gas reserves for the benefit of the region, in the process creating large scale employment for the Egyptian young people.

Water

There is 308 billion cubic meters of groundwater in Sinai. At present rate of withdrawal, it can last for more than 400 years. Currently, Egypt depends on Nile, Israel on Galilee and the Palestine Territories on Israel for the supply of water. Joint water development of Sinai for the three countries can enable Sinai and Gaza to grow agriculture and produce a new source of food.

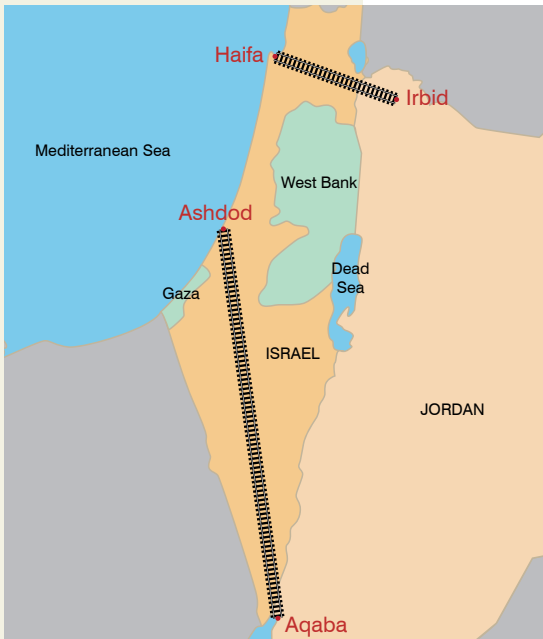


Oil and Gas

Experts have conceived Peace Pipeline from Port Said to Gaza to Israel to Lebanon. Transaction value for Egypt would be about \$1-2 billion per year.



4. RAILWAYS



Haifa-Amman Railway Link

- Known as the Hedjaz Railway.
- Also known as the Jezreel Valley Railway in Israel.

1988 - Decision to renew Jezreel Valley Railway

1988 - Survey made

2002 - Israel announces renovation of line from Haifa to Sheikh Hussain Bridge on Jordan River

2008 - Schedule for completion

Europeans are interested in building 2 railway tracks to connect Middle East to Europe; one between Irbid, Jordan and Haifa Israel, and the other linking Aqaba, the Red Sea and the Ashdod port.

Status

As of February 2008, work has not yet started on this line; no official announcement has been made on the freezing or cancellation of the line.

Israel Railways to connect Gaza and Jenin

Israel Railways proposal 2005

Project 1 : Track between Afula and Jenin to link PA and Israel's ports

Project 2 : Track from Erez checkpoint to Gaza, which would be a branch of the Ashkelon-Beersheva line

These links could be connected with routes to Iraq through Jordan and to Egypt through Nitzana.



5. GAS DEAL BETWEEN ISRAEL, PALESTINE & BRITISH GAS

- BG to drill for natural gas in Gaza Marine field, 36 kilometers off of the Gaza coast to supply to Israel through underwater pipeline.
- Pipeline from Gaza Marine field to flow to an Ashkelon refinery.

Estimated time taken for project to get completed	: 3 years
Total Deal	: \$ 4 billion
Benefits to Palestinian Authority	: \$ 1 billion (Royalties) + 10% of revenue from sale of gas
Total gas availability	: 1.4 trillion cubic feet
Estimated per year sale to Israel	: 1.5 billion to 1.8 cubic meters over estimated time period of 10-12 years

Talks began in February 2006

Status : Talks Halted in December 2007

The plan was stayed in December 2007 by BG due to difficulties in negotiating with Israeli government in regards to pricing issues. The Israeli government was also concerned that the revenue might go towards funding Hamas militancy.



6. AQABA PEACE ZONE

The Gulf of Aqaba is a natural transshipment area. Proposals to enhance the area's capacity as a logistic gateway between Asia, Europe and Africa on an international scale and between the Maghreb countries and Persian Gulf on a regional scale, have been presented by the Jordanian, Israeli and Egyptian governments. These proposals include upgrading the Port of Aqaba and road access to it, establishing an "inland port" logistic center connecting transport, manufacturing and storage facilities in the Aqaba-Eilat region, creating international passenger and commercial airports at Aqaba/Ein Evrona and Ras el Naqeb, establishing border and trans-border production zones at Eilat/Aqaba and Ras el Naqeb, and extending rail service between Red and Mediterranean sea ports.

An Agreement on Special Arrangements for Aqaba and Eilat between Israel and Jordan was signed in 1996. This Agreement stipulates that Israel and Jordan will cooperate on issues relating to both towns including: environmental management, pest control; flood management; town zoning and land use policies; energy and natural resources; emergency response services; and the promotion of bi-national and multinational events, such as music festivals, sporting events, etc. The Agreement also calls for the establishment of a Special Tourism Zone in the region, in which cross border tourism will be encouraged by simplifying crossing procedures, a bi-national Special Economic Zone, and a bi-national Red Sea Marine Peace Park.

Aqaba Eilat Peace Airport

1997 Talks began

>150 Monthly international flights landing at Eilat, Israel

<60 Monthly international flights landing at Aqaba, Jordan

Issues of disagreement included exact location of new airport and Jordan's intention to use the facility for domestic flights

2006 Talks reopened

Jordan agreed to have the joint airport service only international carriers.



The benefits of developing a common airport include:

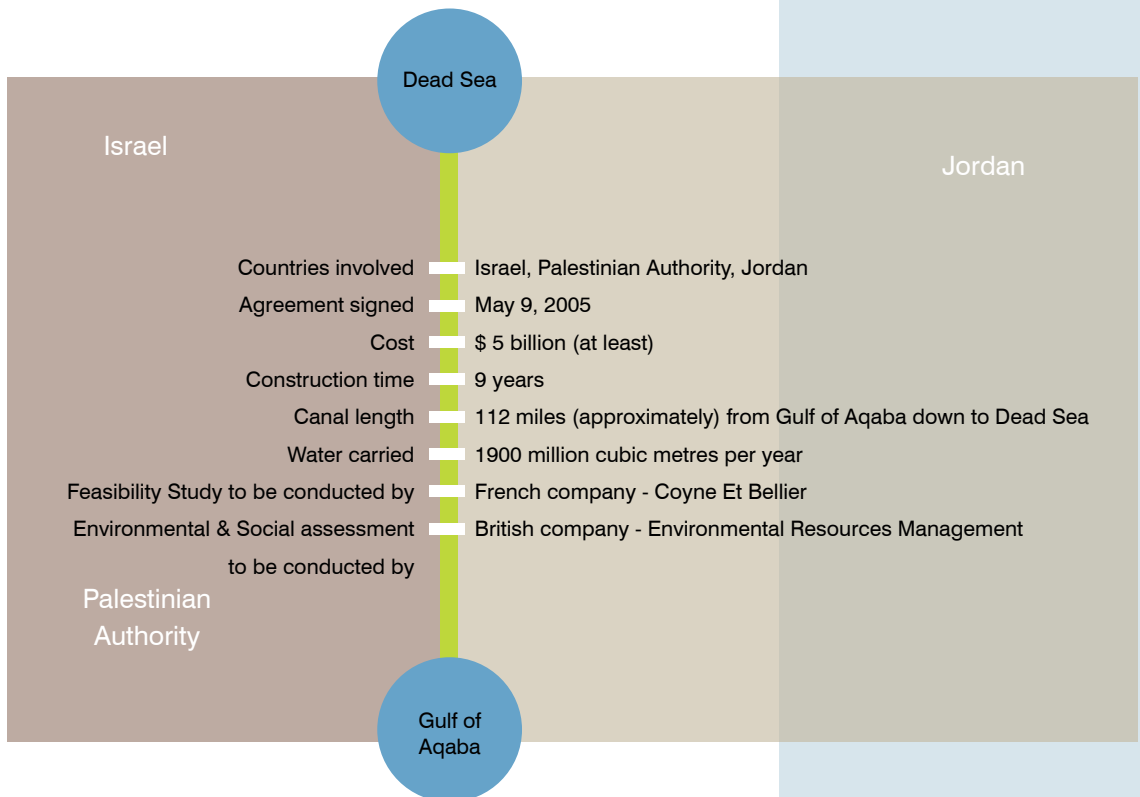
- maximizing use of the Aqaba airport which is under-utilized;
- obviating the need for the current Eilat airport which is operating at near capacity, is environmentally undesirable and is unable to service large aircraft;
- achieving economies of scale by eliminating wasteful duplication of infrastructure and facilities;
- improving air traffic safety in the area;
- exploiting the potential for creating a major logistic center around the airport region;
- enhancing cooperation and developing tourism in the Aqaba-Eilat region.

The preferred option is based on an expansion of the existing Aqaba airport which would consist of upgrading the existing runway, constructing new terminals for Israeli-bound traffic and expanding Jordanian terminal facilities. During the first stage, there will be separate terminals for Israeli and Jordanian traffic.

7. PEACE CANAL

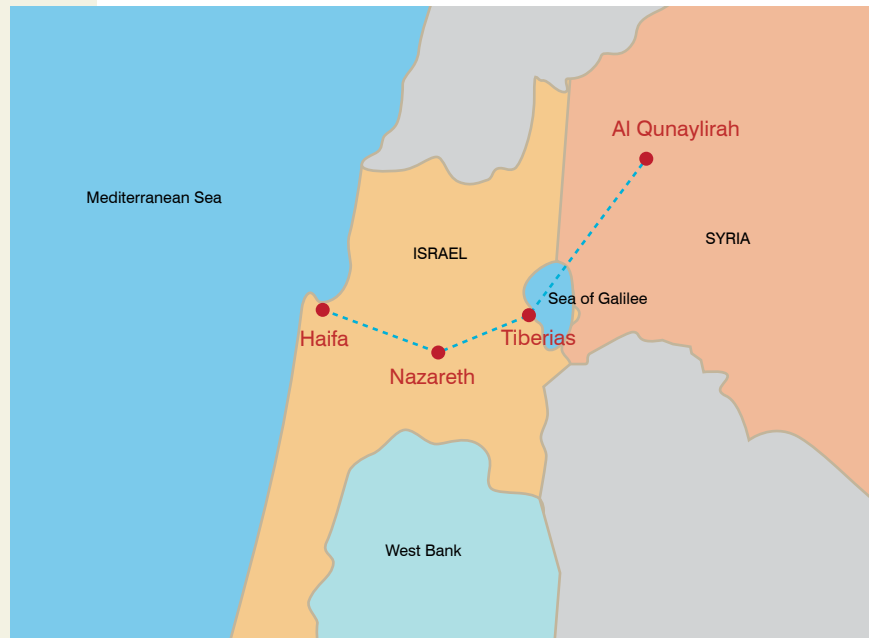
This Canal might prevent Dead Sea from drying up.

It may also be used to generate electricity and for the provision of fresh, desalinated water.



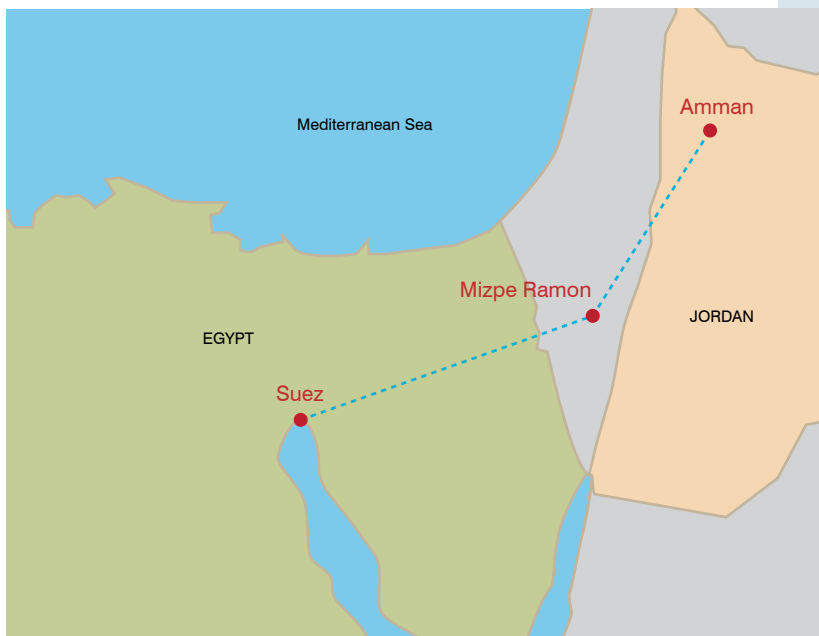
8. SYRIA CONNECTION TO HAIFA, ISRAEL

With the implementation of a peace agreement, Syria would be able to come closer to the Mediterranean Sea for the purpose of trade with the European market.



9. JORDAN CONNECTION TO SUEZ CANAL, EGYPT

With a peace agreement in place, Jordan could be linked to the Suez canal through Mizpe Ramon via the Sinai Peninsula, for the purpose of trade.



10. PALESTINIAN STOCK EXCHANGE



< \$2.5 billion

Market Capitalization (2007)

\$12 million

Daily turnover (2005) partly affected
by Israel's withdrawal from Gaza

\$6 million

Daily turnover (2007) affected by rising
political instability throughout the year

299.4 million

Shares traded (2007)

About 40

Companies listed in 2008

About 40

Companies waiting to be listed

At least another 40

Companies that may be added in peace

Minimum 100

Total companies listed in peace

Minimum \$36 million (600% increase)

Daily turnover potential

Minimum \$12.5 billion (500% increase)

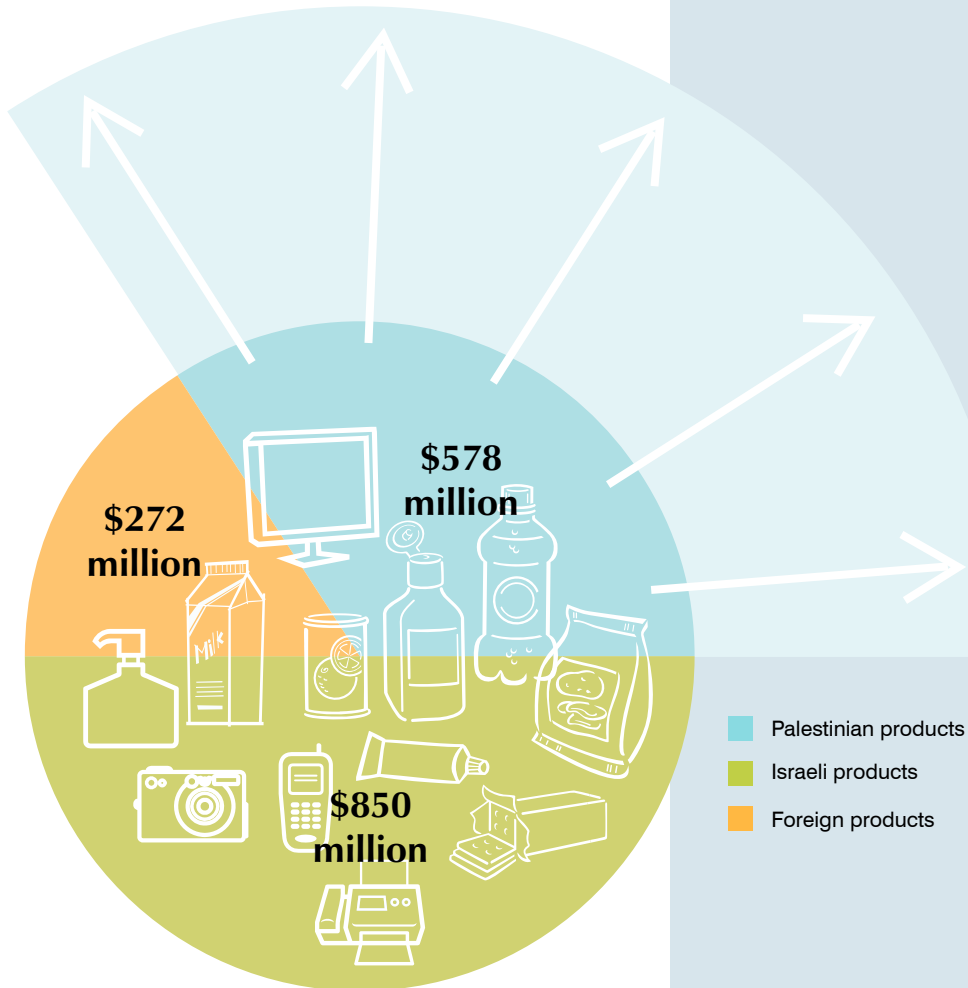
Market capitalization potential in peace

From 550 in conflict to 2000+ in peace

Al Quds Index potential

The private equity sector is growing in the Gulf region. The Gulf-based private equity investment grew from US\$316 million in 2004 to US\$5.2 billion in 2006. Some Gulf-based investors expect the amount of capital flowing into local private equity funds to treble in the next five years. There is \$2,500 billion of surplus wealth in the GCC countries. The availability of such huge amount of capital creates hope for the growth of the corporate sector, if peace prevails.

11. FMCG SECTOR IN PALESTINE



The market share of Palestinian FMCG companies can grow by 300% from about \$600 million in 2008 to \$1800 million in times of peace.

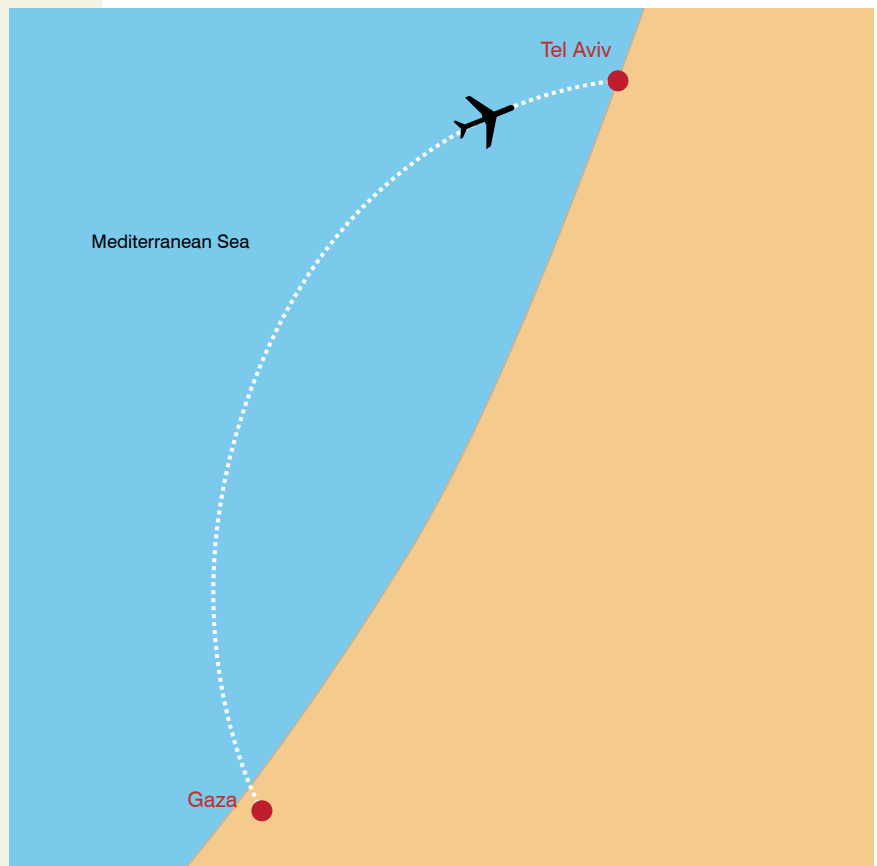
- Currently total market size is \$1700 million
- Currently there are 40 corporations, which can grow to more than 100
- There is scope for exports to the Gulf states.



12. PALESTINIAN ACCESS TO ISRAELI INTERNATIONAL AIRPORTS

The Ben-Gurion International Airport at Tel Aviv could be used by Palestine for its exports and imports to/from Europe and Africa.

This airport might be used to link to the Yaser Arafat International Airport at Gaza.



13. INVESTMENT POTENTIAL IN THE PALESTINIAN TERRITORIES

The Palestinian Investment Conference (PIC) was held in Bethlehem, West Bank in May 2008. It raised \$1.4 billion and exposed potential for future investments.

1/3rd

Projects offered : Construction

1/10th

High Technology

\$650 million

to invest in Wataniya mobile company

\$530 million **\$100 million** **\$65 million** **\$20 million** **\$12 million**

invested in : real estate

industry

information communication technology

insurance

food processing

\$350 million

deal signed by Qatari Diar Real Estate Investment Company with a Palestinian partner to build community housing in Ramallah and Nablus

\$150 million

UAE's Red Crescent & Authority financing a construction project in Jerusalem

\$250 million

Al Ard Al Qabeda (Saudi Arabian Company) has signed a deal to build office towers, malls and a hotel in El Birch (next to Ramallah)

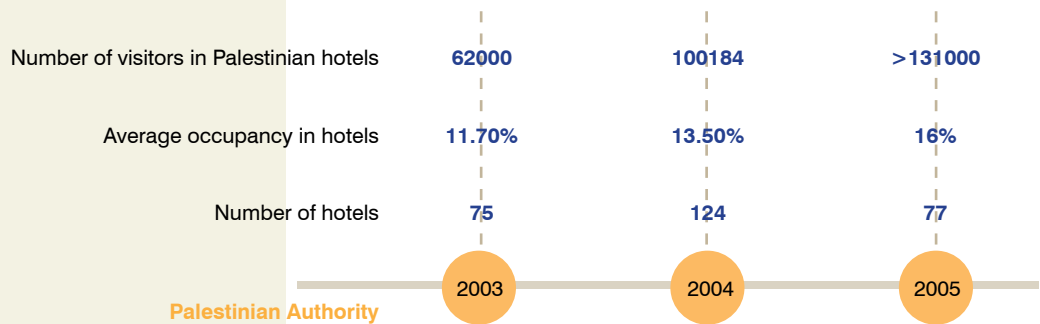
Sectors for investment in future

- **Stone and Marble sector** : contributes 5% to Palestine's GDP; sales reached \$270 million in 2005 out of which 32% was domestic, 55% went to Israel and 13% was sold throughout Middle East. It provides 15000 direct jobs in Palestine and accounts for 1.8% of world production. This sector has a fast growing potential of 10%.
- **Agriculture and Food Processing sector** : with potential to process and export fruits, olives, olive oil, strawberries, vegetables and cut flowers.
- **Banking sector** : as presently 21 banks operate in Palestine. Out of these, 10 are Palestinian with total assets of \$1.355 billion. The 12 foreign banks include 9 Jordanian, 2 Egyptian and HSBC Middle East with total assets of \$ 4.128 billion. In peace time with the growth of industry, construction, trading, and services, the growth of the banking sector is bound to follow.
- **Energy sector** : as the Ministry of Energy and Natural Resources expects the demand for electricity in West Bank and Gaza to grow 4 times in the next 15 years; hence, the Palestinian Energy and Natural Resources Authority (PENRA) is encouraging private sector investment in this sector.



Tourist Potential

- According to the Israeli Ministry of Tourism, 800,000 of the tourists that came to Israel in 2005 were Christian tourists.
- Such tourists are interested in visiting biblical towns such as Bethlehem and Jericho within Palestinian Authority.



- If a peace agreement is implemented, a lot more of the Christian tourists that Israel gets every year, would be interested in staying in Palestinian hotels, in Jericho and Bethlehem, instead of returning back to Israel that same day. This would bolster both economies.
- Thus, peace can bring about boom in investments in hotels and ancillary businesses in the tourism sector.

Chapter 8 : Costs to the International Community

INTRODUCTION

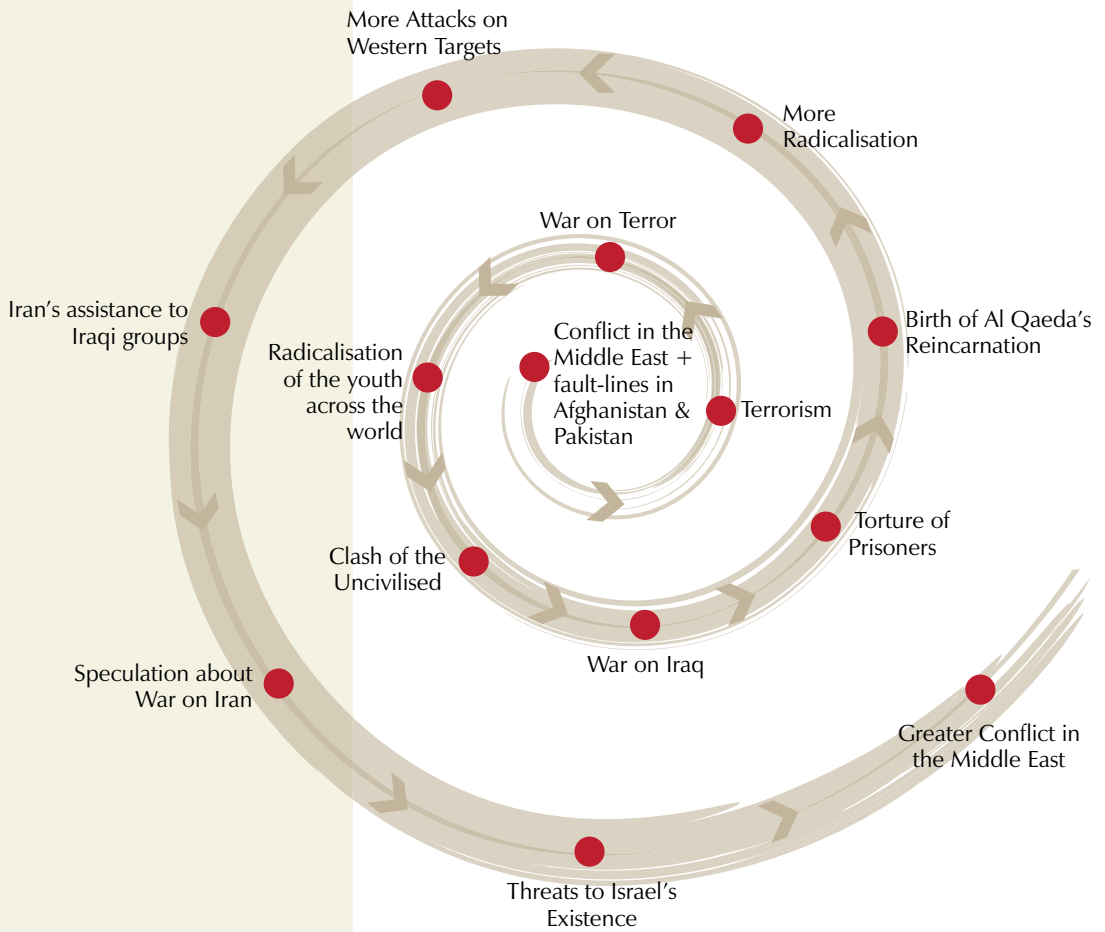
The conflict in the Middle East has cost the world economy and humankind in many more ways than is apparent. The conflict in the Middle East is closely intertwined with terrorist attacks on the United State and its allies, the US led War on Terror and the impact of these developments on oil prices. Granted that terrorism and war on terror has its roots in Afghanistan and Pakistan and granted that rise in oil prices is to some extent a function of demand from emerging economies and manipulation by market speculators, the conflict in the Middle East still has a major bearing on these developments. It is not at all suggested that the Middle East is the only driver of terrorism and War on Terror or of oil price movement with 100% weight. However, the conflict in the Middle East would account for at least 30 to 50% of the weight of the total weight of drivers.

The rise in oil prices from 2003 to 2008, through its impact on transportation costs, has effectively nullified the liberalisation of trade since the 1970s. The conflict in the Middle East is responsible for at least half of the weight of this development. Similarly, the conflict plays a role – an immeasurable one – in worsening of the fiscal deficit of the United States, travails of global transport industries, flight ban on several people, and other forms of economic, political and dignity deficits of people around the world.

The cost for the international community is not only to be seen in terms of what is lost by the conflict, resulting oil prices hike, inflation, human casualties, but also in terms of what is neglected. The conflict draws attention away from other global issues such as poverty alleviation, health, migration, and the health of the global financial system. In the absence of the conflict in the Middle East, would the world have a war on terror or a war on poverty? It is still possible that groups such as Al Qaeda may continue acts of terror but they will then face a combined might of all international and regional actors.



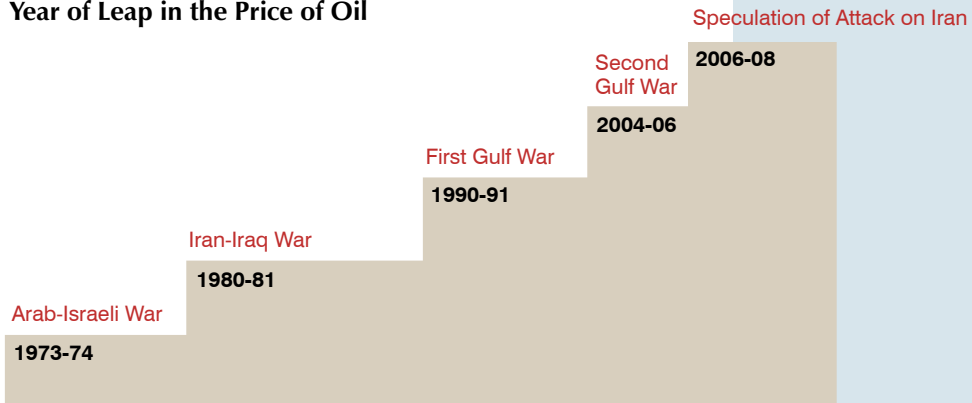
BACKGROUNDER



1. OIL, TARIFFS & YOU

There is a strong correlation between the conflict in the Middle East and rise in oil prices. In the last 50 years, there have been 5 occasions of major leaps in oil prices.

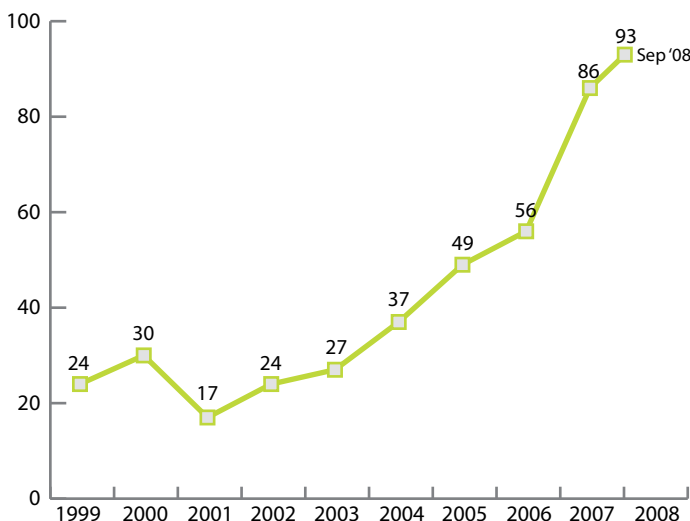
Year of Leap in the Price of Oil



On all other occasions during 1959-2009, for a period of half century, oil prices have either stabilised at the previous level or declined. Thus, conflict in the Middle East has proved to be the single most significant driver of oil price leaps.

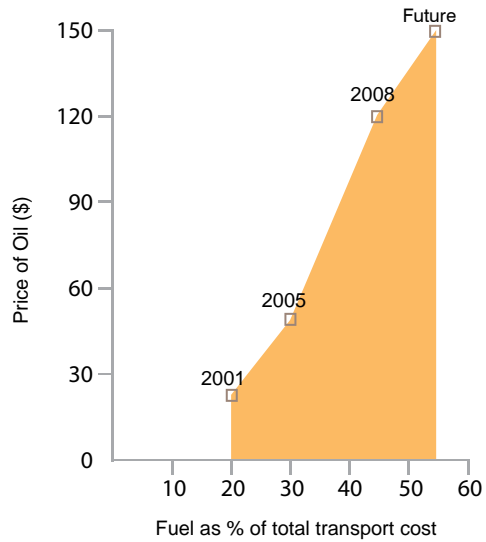
Oil prices have seen dramatic rise since 2003 and violent oscillations in 2008. While growing demand from China and India and market speculations have played a role in this development, the period of steep rise coincides with a major war in Iraq and speculation about an attack on Iran.

World Crude Oil Prices (\$ per Barrel) – December each year

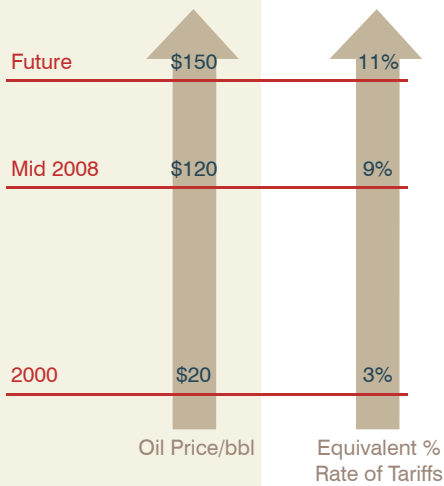


Rise in oil prices influences transportation costs and hinders trade.

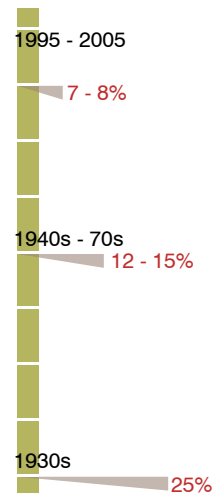
Share of fuel cost in the total cost for all forms of transportation



Converting Transportation Costs into Equivalent "Tariff" Rates



Estimated average tariff for world trade



If oil prices hover between \$120-150 per barrel, they constitute a burden on the world economy equivalent to 10% tariff – comparable to pre-GATT era. Thus, increase in oil prices nullify significant portion of the progress in trade liberalisation in the last four decades. To the extent, conflict in the Middle East is responsible for oil price hike it is also responsible for negating progress in the liberalisation of world trade since the 1970s.

2. NO FLY LIST

The United States Transportation Security Administration (TSA) maintains a No-Fly List of persons who are not allowed to board a plane as threat to civil aviation security and Terrorist Watch List of persons who are subjected intensive screening at airports. In addition to those on these lists, several thousands of people in the 'false positive' category (coincidence of names, even partially with those on the No-Fly List and Terrorist Watch List) are also caused inconvenience while travelling to, from or within the United States.

No-Fly List

Date	Estimated Number
September 11, 2001	16
December 2001	594
December 2002	1,000
March 2006	44,000
August 2008	100,000



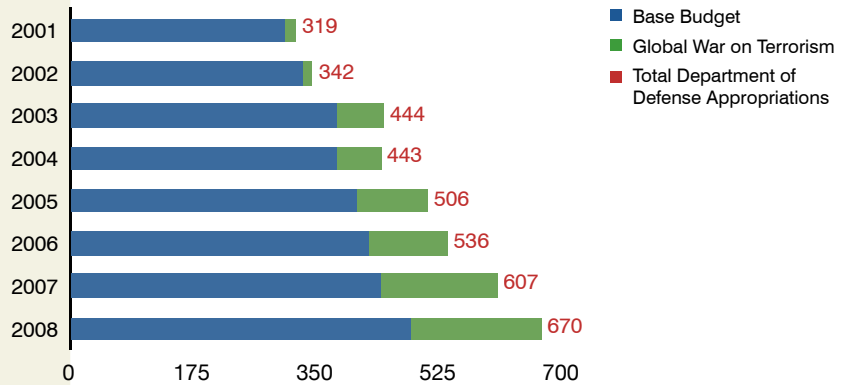
Travel Restrictions since 9/11

- Restrictions (earlier ban) on liquid items in passenger hand-baggage
- Passenger profiling and secondary screening
- Armed law enforcement officers or federal marshals and armed pilots present on flight
- Increased screening of airport employees.



3. BILL OF WAR ON TERROR

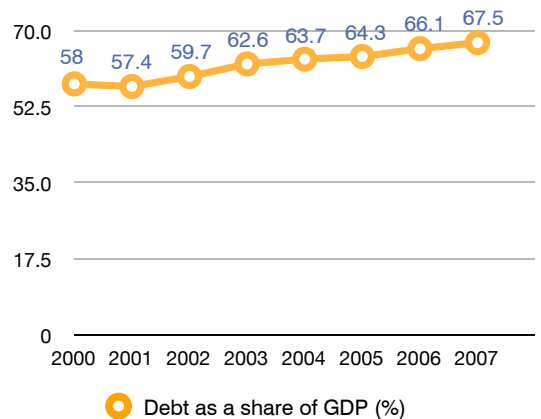
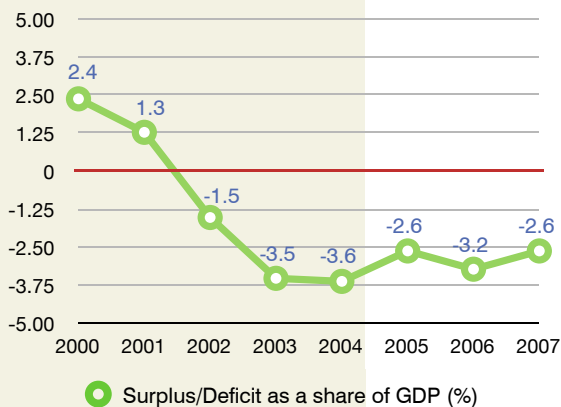
US Appropriations for the Global War On Terror : 2001-2008
(price in \$ billions)



The US Congressional Research Service estimates total US appropriations for the 'global war on terrorism' at \$805.1 billion for Fiscal Years 2001-2008.

The bill of War on Terror in the US budget coincides with the budget deficit. The US budget was in surplus until 2001 and then turned into deficit from 2002 to 2008. With growing budget deficit, public debt has also soared. The US deficit and public debt is a combined effect of expenditure on conflicts related to the Middle East and mismanagement of the economy.

US Budget surplus and deficit since 9/11 : 2000-2007



4. UN BILL FOR PEACE-KEEPING

UN Peace Keeping Missions in the Middle East

	UNDOF	UNIFIL	UNTSO
Mission	Golan Heights	Southern Lebanon	Middle East
Location	Golan Heights	Southern Lebanon	Middle East
Duration	1974 to present	1978 to present	1948 to present
Overall Personnel	1,249	13,294	393
Fatalities	43	276	49
Approved budget (July 2008-June 2009)	\$47.86 million	\$680.93 million	\$66.22 million



5. EU BILLS FOR THE PALESTINIANS

EU assistance to Palestine

€ 3.2 BILLION



6. SPREAD OF AL QAEDA

Al Qaeda has its origins in the US support for insurgency in Afghanistan in the 1980s against the Soviet occupation, the training of Taliban in Pakistan, the First Gulf War, the continuing deadlock on the Palestinian issue, and the radicalisation of youth in the Arab countries. Al Qaeda I (the new incarnation of Al Qaeda with a base in Iraq) has its origins in the Iraq War.

Thus, Al Qaeda is a combined result of the US policies in the Middle East and Afghanistan and political and economic fault-lines in those countries.

Senator Obama, in his acceptance speech for the presidency of the United States in September 2008, said that Al Qaeda had spread to 80 countries by 2008.

1,000 + 3,000 + 5,000 = 9,000

1,000
people killed from several countries in attacks by Al Qaeda or its affiliates in Algiers, Amman, Istanbul, London, Madrid, Riyadh, Tunis, and other places in the first decade of the 21st century

3,000
people killed in the Al Qaeda attack on the World Trade Centre on 9/11, 2001

5,000
coalition troops killed in Afghanistan and Iraq from 2003 to 2008

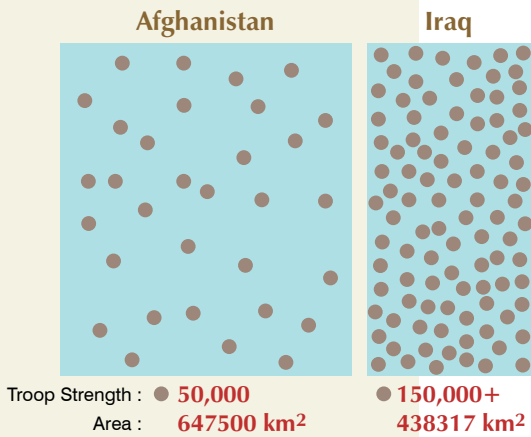
9,000
human cost of the Middle East conflict for the international community during 2001-2008



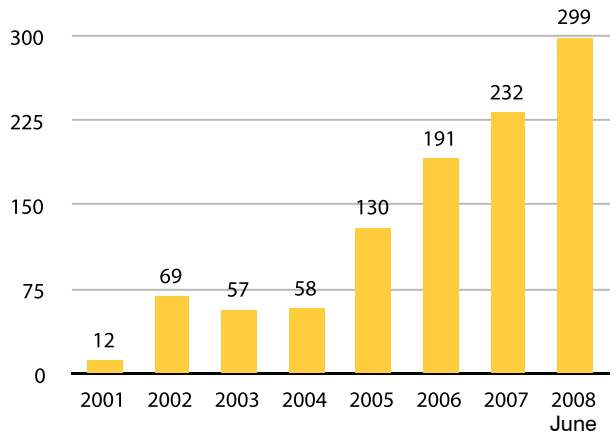
7. THE RETURN OF TALIBAN

The attack on World Trade Centre was a joint project of certain elements in Afghanistan and Pakistan. However, the obsession with the Middle East, and the consequent attack on Iraq, has resulted in the neglect of the international community's strategic objectives in Afghanistan-Pakistan and the return of Taliban in southern and eastern parts of Afghanistan.

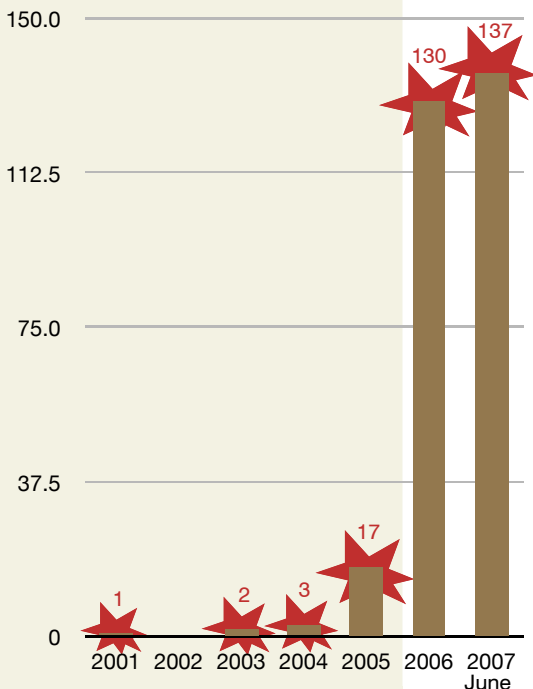
Coalition Troops 2008



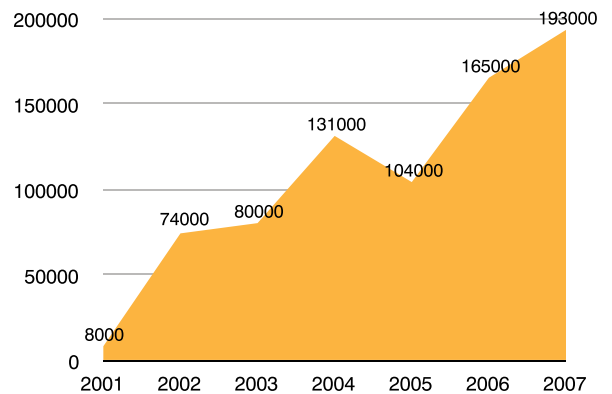
Coalition Military Fatalities in Afghanistan



Suicide Bomb Attacks in Afghanistan



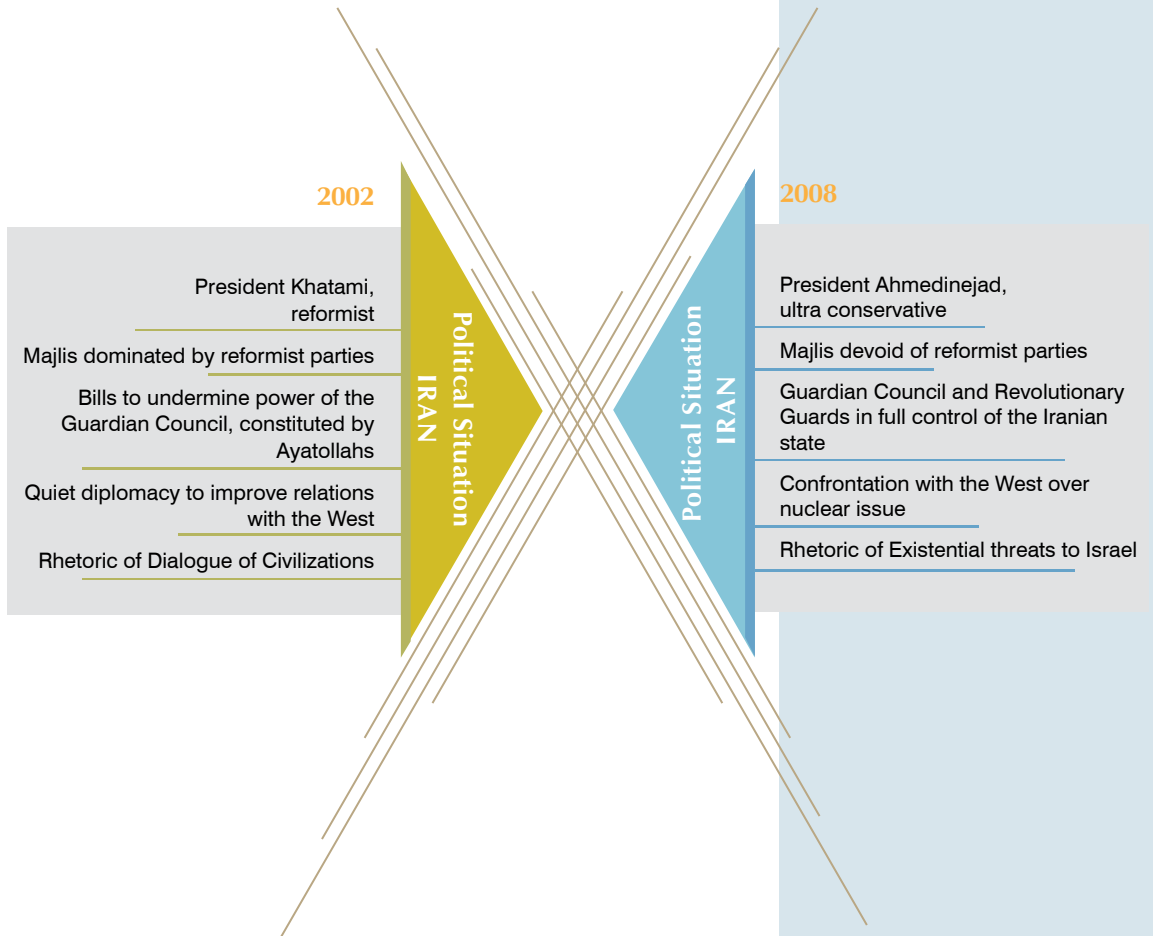
Opium Poppy Cultivation in Afghanistan (in hectares)



Poppy Cultivation has been on a steady rise in Afghanistan since 2001. The crops are generally grown in the areas where the Taliban are prevalent (mainly in the South). Poppy cultivation is reported to have reduced to 157,000 hectares in August 2008 - due to drought conditions in areas of cultivation.

8. ASCENT OF AYATOLLAHS

The US obsession with the Middle East – attack on Iraq, neglecting Afghanistan – has caused ascent of Ayatollahs and President Ahmedinejad in Iran.



Iran's Political Allies in Iraq, Palestine and Lebanon Seats in Parliament

Iraq

2000	2008
Nil	53/275

Moqtada supporters & SCIRI

Lebanon

2000	2008
8/128	14/128

Hezbollah

Palestine

1996	2008
0/88	74/132

Hamas

Annual Arab Public Opinion Survey, conducted in Sunni countries, in 2008 revealed the following:

67% Believe that Iran has a right to its nuclear programme

46% Believe that Iran's nuclear research is peaceful

44% Believe that Iran should develop nuclear weapons

The same survey reveals that the top three leaders in the Sunni Arab countries are the leaders close to Iran's Ayatollahs, in the following order, in 2006 and again in 2008:

- Hassan Nasrallah, Leader of Hezbollah
- Bashar Assad, President of Syria
- Mohammed Ahmedinejad, President of Iran

9. LOSS OF AMERICAN CREDIBILITY

Several public opinion polls conducted by American institutions indicate that the United States has lost its moral leadership because of its policies on the Middle East. This is particularly true of the public opinion in the Arab countries but not limited to them.

Annual Arab Public Opinion Poll, 2008 (in Arab countries)

88% United States is the biggest threat to world peace

83% Overall unfavourable view of the United States

75% Believe that the US policy is guided by objectives of dominance and oil control

70% No confidence in the United States

65% No trust in US democracy promotion

Globe Scan Survey publicised by BBC World Service, 2007 (covering 25 countries across the world)

73% Disapprove US actions in Iraq

68% Believe that the United States is a creator of conflicts

60% Disapprove US handling of the Iran nuclear issue

52% Believe that influence of the United States is a negative factor in the world

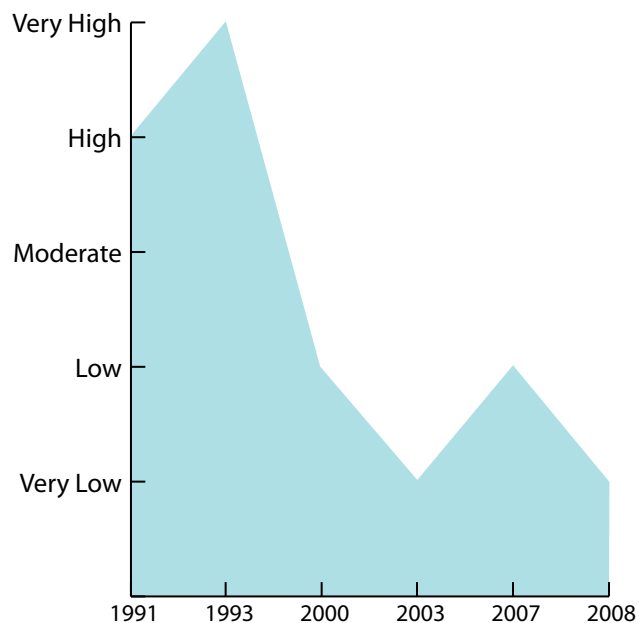


10. CREDIBILITY OF INTERNATIONAL INSTITUTIONS

After the success of the Madrid and Oslo processes in the early 1990s, the failure of various peace processes has damaged the credibility of the international institutions. There are no opinion polls available to examine this. Out of the 7 major peace initiatives during 2000-2008, all have failed. During the same period 5 major violent conflicts took place: (1) Second Intifada (2) Iraq War (3) Israel-Hezbollah Missile War (4) Fatah-Hamas conflict (5) Iran-Israel/US Cold War. Also, increasing dependence on violence by all parties without referring to the international institutions.

Process	Sponsor	Year	Outcome
Camp David Talks between Israel-PLO	United States	2000	✗
Clinton Plan for Israel-Syria	United States	2000	✗
Arab Peace Plan	Saudi Arabia, Arab League	2002	✗
Road Map	Quartet	2003	✗
Mecca Accord between Fatah and Hamas	Saudi Arabia	2007	✗
Arab Peace Plan (revised)	Saudi Arabia, Arab League	2007	✗
Annapolis Process	US Government	2007	✗

Credibility of International Institutions : SFG score



11. FUTURE RISK: INTERNATIONAL ECONOMIC WARFARE

There are already indications of Iran preparing for an economic warfare with the United States, with some assistance from Russia.

June 2006

Establishment of Russian Oil Bourse

December 2007

Iran's shift of oil trade to non-dollar currencies

February 2008

Establishment of Iranian Oil Bourse

Future Risk

Cause

- If US dollar falls to Euro 1 = \$2 or thereabouts
- If Iran and Russia enforce all oil contracts in non-dollar currencies, covering 10% of oil market
- If Venezuela shifts sizable portion of its market from the US to China
- If China switches part of its reserves and trade to non-dollar currencies



Effect

- Loss of confidence in the US dollar as a reserve currency, and its swift depreciation
- Rush among Chinese, Russian and Arab investors to buy US assets
- Stiff investment protection legislation by the United States
- Counter-measures for investment protection by US economic partners
- Unpredictable movements in capital
- Collapse of banks
- Collapse of markets for all assets
- Worldwide recession
- Political fall-out

Risk

High - if there is polarisation over the Middle East conflict between (a) United States, Israel and Arab governments (b) Iran, Russia and Arab population, with China supporting the (b) group from outside

Moderate - if there is growing confrontation between Iran and the United States/Israel but Russia is neutral

Nil - if there is rapprochement between the United States and Iran or if the Israel-Palestinian conflict is being solved and therefore all major powers develop stakes in global stability.



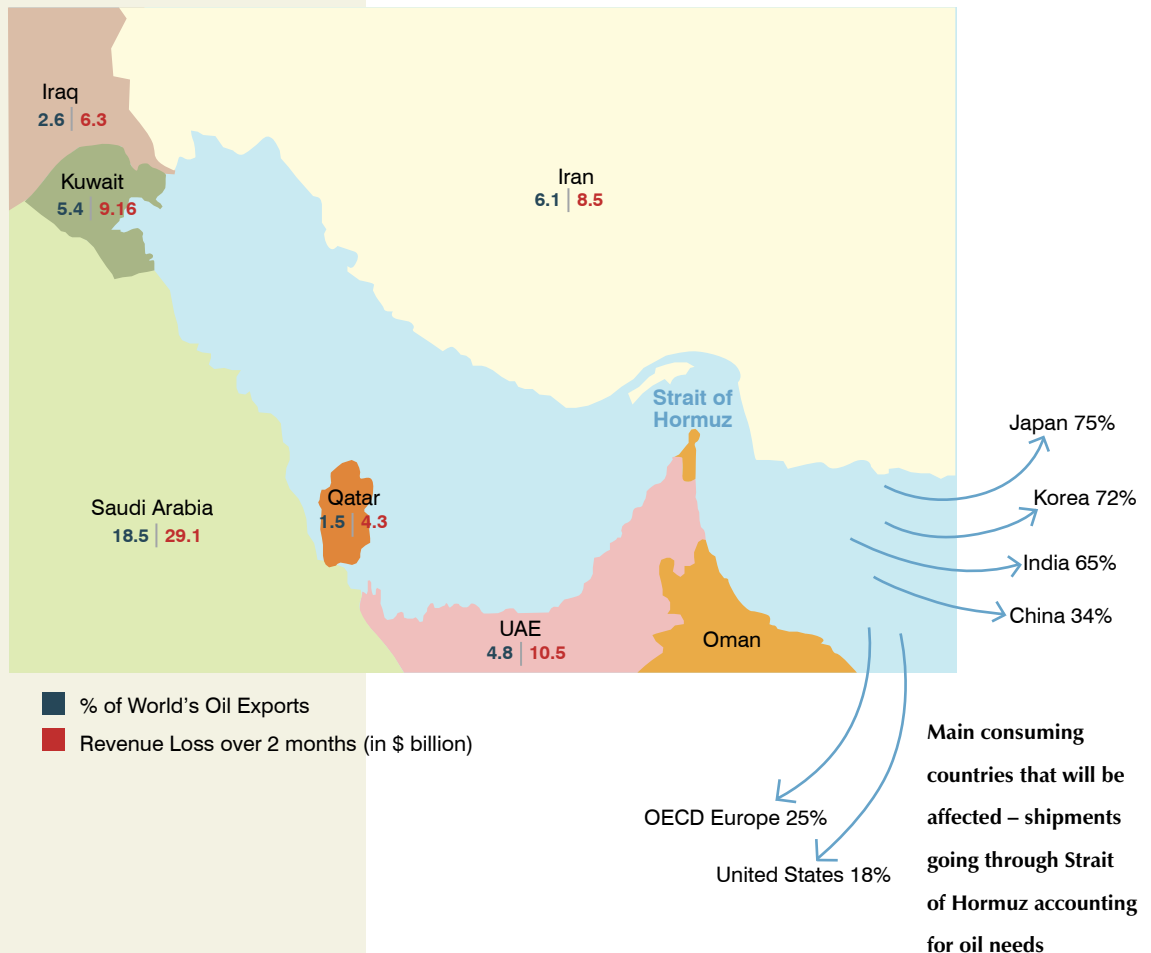
12. FUTURE RISK: CLOSURE OF THE STRAIT OF HORMUZ

If there is a major war involving Iran, there is a high risk of Iran closing the Strait of Hormuz by placing landmines and sinking ships. If this happens, the strait will remain closed for over two months, as cleaning the strait and resuming operations for business would take an estimated 40-60 days.

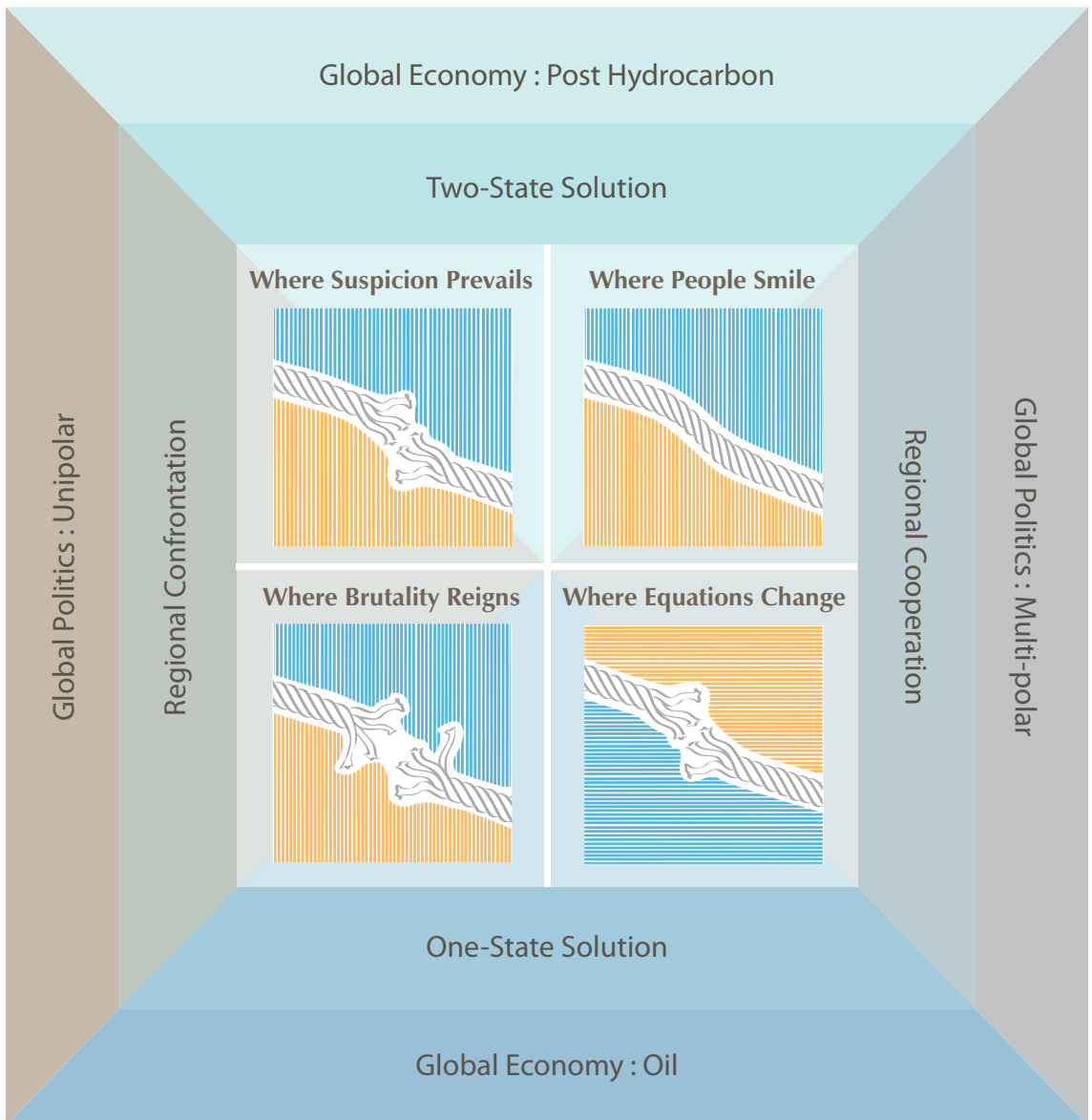
Total oil Exports in the world = 46 million barrels per day

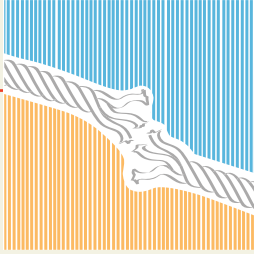
Oil carried through the Strait of Hormuz = 16-20 million barrels per day = about 40 % of the worlds globally traded oil

90% of Oil exported by 6 countries travels through the Strait of Hormuz.



Chapter 9 : Scenarios 2025





WHERE SUSPICION PREVAILS

This scenario occurs in a world where the United States still retains its dominant position while the world economy gradually moves from heavy oil dependence to a mixed post-hydrocarbon economy. The United States and its allies have a strategic interest in the Middle East, but the economic interest of the international community in the Middle East is declining. The world is simply fed up with continuing violence and they want a quick solution, even a provisional and fragile one.

In this scenario, the international community forces Israel to accept a provisional two-state solution and the Arab states to guarantee Israel's security and end their economic boycott against Israel. Israel vacates the West Bank with minor exchange of territories with the Palestinian Authority for practical and security reasons. There are commissions to look into questions such as the Status of Jerusalem and compensation for the Palestinian refugees, which are involved in endless discussions.

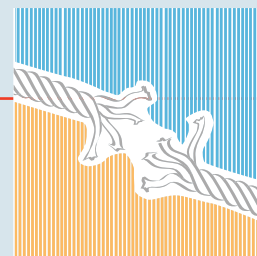
The fragile truce reduces the level of violence but it does not remove tension from the region. All countries find the need to be in a state of military preparedness. The arms race continues. Iran, in particular, is suspected of having successfully developed nuclear weapons. Iran enjoys support from some Arab states and political groups. Some Arab states explore developing nuclear weapons. The Arab world remains divided with Syria firmly in the Iranian camp. Lebanon and Iraq face internal turmoil due to violent sectarian conflicts between groups supporting Iran and secular Arabs respectively.

With leaders in all countries occupied with security issues and Arab business leaders refusing to trade with Israel in practice, despite ending the boycott in theory, there is no substantial change in the economic situation. Most economies grow at 3-6% per year. There is no significant diversification of oil economies. The share of the region in technological developments is marginal. There is a slight improvement in the condition of children. In the Palestinian territories, they are no longer stopped at check-points on the way to schools. However, investment in education is insignificant. Bright young people migrate overseas. There is a general sense of despair.

Despair leads to discontent among young people since peace has not delivered any concrete gains. The support for political groups and states with extremist views continues to oscillate, increasing and decreasing from time to time. Hamas becomes weak and a more absolutist group, Islamic Jihad, gains popularity not only among the Palestinians but also among population at large across the region. Fatah is a minor player. The Islamic Jihad aims to stir unrest in Jordan and Lebanon with an aim to install Islamic regimes in both the countries. Israel elects most of its cabinet, and not merely the Prime Minister, from persons with a military background.

The international community keeps pressure on all sides for the situation not to slide into a war. There is no peace and no war.

WHERE BRUTALITY REIGNS



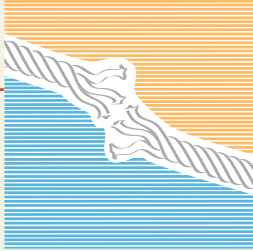
This scenario occurs in a world where the United States retains its dominant position and the world economy heavily depends on oil and natural gas from the Middle East. There is no breakthrough in any new form of energy. The fast industrializing countries in Asia and Latin America compete for hydrocarbon resources in Asia and Africa. Europe is constantly involved in a see-saw game with the Russian Federation. The United States dictates terms in the Middle East, with little opposition from its partners and competitors.

The Palestinian groups refuse to accept any temporary solution, or rescind it after a few years of experimentation. Fatah disappears in oblivion. Hamas and Islamic Jihad are weakened with a new group supported by Iran gaining popularity in the Palestinian territories. Frustrated by the absence of a pliable dialogue partner on the Palestinian side, Israel continues or resumes settlements in the West Bank and consolidates its position in East Jerusalem. It creates a regime comparable to the South African Apartheid in the 20th century. It resorts to housing demolitions, arrests and barriers on a large scale – unimaginable at the beginning of the 21st century. The Palestinian groups resort to suicide bombings and missile attacks with high frequency. Both sides particularly concentrate their attacks on targets popular with young people such as schools, colleges, cinema houses and cafes.

Iran tests nuclear weapons and ICBMs despite worldwide condemnation. However, Russia and China block the UN Security Council from any punitive action against Iran beyond verbal criticism. Some Arab states explore developing nuclear weapons. All countries in the region are in a heightened state of military preparedness. There is a full-blown arms race with the United States and its allies arming Israel and selected Gulf States, while Russia and China arm Iran and its camp followers.

The governments in the region ignore the economy. Growth rates slide to zero or negative. Defence expenditure in almost every country crosses 15% of GDP. There is marginal investment in health. Governments withdraw funds from education, leaving it to the private sector. In the Palestinian territories, schools are closed for most of the year. In Israel, Jordan and Egypt, pupils have to study with security forces guarding the schools buildings. There is an increase in unemployment, which further provides large scale recruitment for extremist groups. The regional extremist groups target the regimes in Jordan and Egypt and eventually succeed in dethroning them. Lebanon and Iraq are also destabilised. Extremist Sunni regimes in Jordan and Egypt enter into a simultaneous cooperative and competitive relationship with extremist Shia regimes in Iraq and Lebanon. There is internal polarisation and frequent outbreak of sectarian violence in Iraq and Lebanon. The Kurds in Iraq take advantage of the situation to try to carve out a state of their own. Other regimes open to conciliation with Israel change their stance and fuel anti-Israeli sentiment. A vicious cycle is set in where Israel consolidates its hold over the West Bank, breaking off Gaza from all transport and communication links with outside world.

It is a matter of time before a massive war takes place between Iran and Israel, along with civil wars across the region.



WHERE EQUATIONS CHANGE

This scenario occurs in a world where there is no single superpower. The United States has declined in its importance due to its consistent mismanagement of economy over two decades – as a result of the preference of its leaders to support privileged interest groups and venture into overseas wars from time to time. The world economy still depends on oil. Russia re-emerges as a major power with the Europeans adapting an ambivalent attitude towards it, thanks to their dependence on Russian oil and gas. China has also emerged as an important player. Iran has undergone either a behavioural or regime change and emerged as an important player with its oligopoly over natural gas and a modernizing economy. Europe, Turkey, India and Japan also have an increased say in global governance.

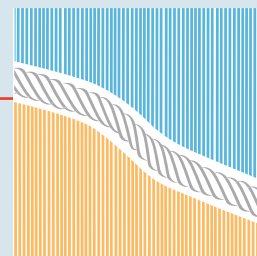
Israeli leaders fail to conclude a two-State agreement to the satisfaction of the Palestinian people. The Palestinian groups with strong support from Iran and Arab states change their strategy. They give up their demand for two-State solution after the failure of one final round of negotiations and demand a one-state democratic state where they have a majority. The United States is not in a position to support Israel countered by Russia and China. The Europeans also give up all hope for a two-State solution and support one-State arrangement provided it is democratic and respectful of human rights. The extremist Palestinian groups give up acts of violence and join the democratic mainstream. There is a period of struggle between Palestinian and Jewish political parties. Finally, the international community forces a power-sharing constitutional agreement whereby the Head of State is Jewish, but the Head of Government is a Palestinian and the cabinet is divided. Alternatively, the top slots are shared on a revolving basis. The constitution provides for power-sharing in the cabinet as well as in the Parliament.

The Israeli population loses its privileged position in housing, jobs and utilities. The population in the unified state is almost 20 million in 2025 with the Jewish component accounting for 40%, Muslims 58% and a small minority of Christians and others. Many Jewish families migrate abroad. Some accept reconciliation and forge partnerships with the Palestinians, using their own superior technical strengths and networks around the world. The Arabs lift the economic boycott and invite Israeli business companies to facilitate economic exchange. There is a mixed response from the Israeli business community. Economic growth rates are around 5-6% in most countries. There is a debate in the education sector. One stream of thought emphasises plurality and scientific outlook, while another stream promotes religious orthodoxy.

With the new unified state, some groups try to bring about regime change in Egypt and Jordan through non-violent means. There are sectarian tensions in the region but are confined to localised fights and riots. There is no support for escalating the sectarian strife to a wider level.

With stability in the Israel-Palestinian State and transformation of Iran, the key challenge for the Middle East now is the management of plural societies in Iraq, Lebanon and Syria.

WHERE PEOPLE SMILE



This scenario occurs in a world where a multi-polar global order makes it impossible for any one country to emerge as a superpower. The United States accepts its reduced role in global politics and concentrates on domestic prosperity and technological leadership. Russia, China, Japan, Europe, Iran, India, Turkey, South Africa, Brazil and many other countries have stakes in global decision-making processes. The world economy shifts from its overdependence on oil and natural gas to solar, tidal, wind, geothermal and other forms of energy. There are major technological breakthroughs in renewable energy and clean technologies.

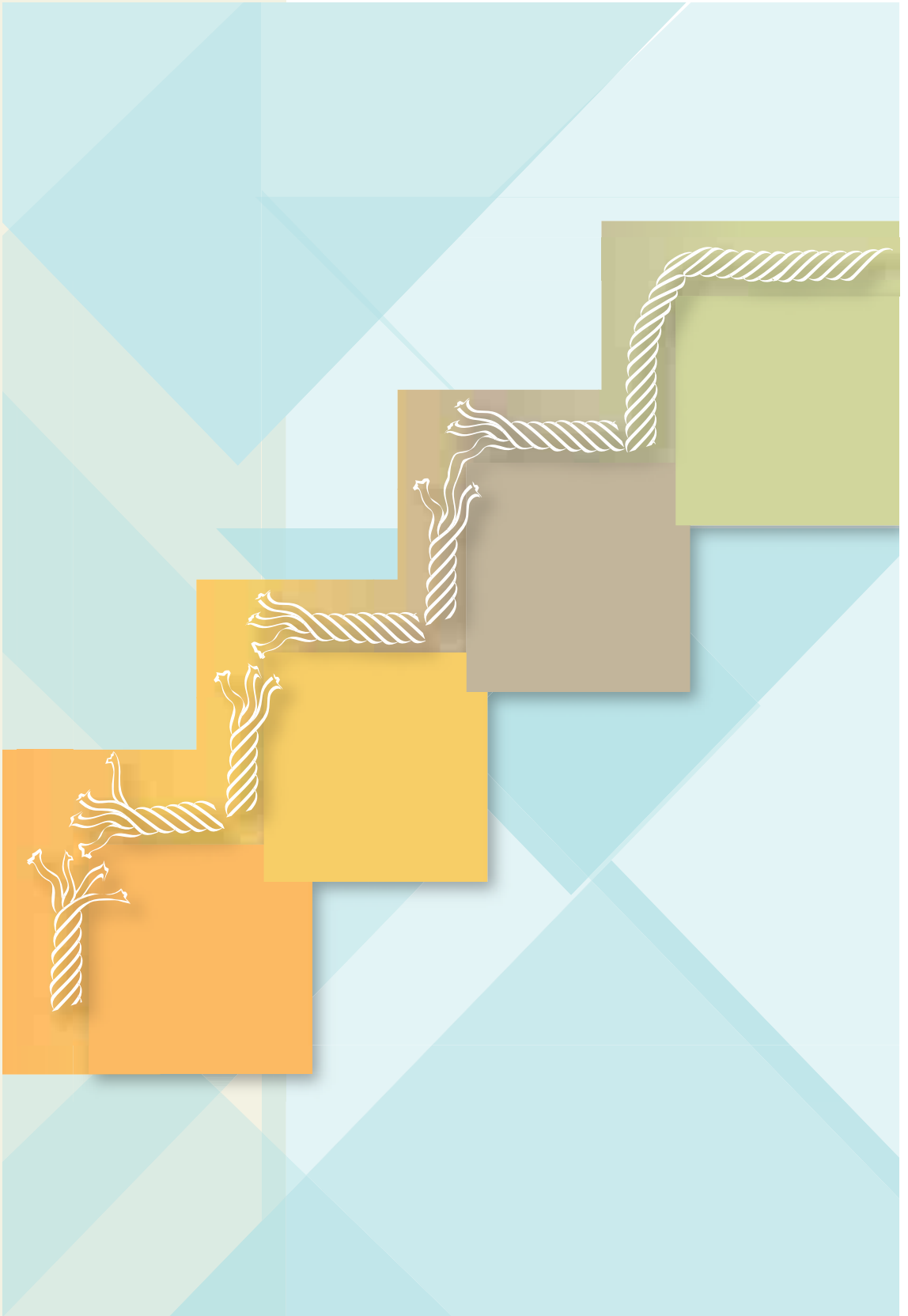
In this scenario, the international community does not simply want to accept a violent conflict in a region in which the world has fewer stakes. The Israeli and Palestinian leaders foresee that either side cannot count on external support and move towards reconciliation based on two states as per the 1967 borders, special access to Jerusalem for all religious groups and a negotiating process for addressing the refugee problem, as well as confidence building measures to preserve peace.

With the resolution of the Israel-Palestinian conflict, the collective Arab leadership is now focussed on stability in Iraq and Lebanon. The Arab League acquires new strength. It is tasked by member states to work on creative conflict resolution mechanisms within and between countries. Saudi Arabia and Iran form a joint council to contain potential sectarian strife in the region.

There is a noticeable decline in tension in the region. Most countries bring their defence expenditure down to around 3-4% of GDP. They use the peace dividend to set up training facilities for civilian industries to transfer young people from the security sector to industry and services. There is heavy investment in modern education. The region collaborates across boundaries, religions and sects to claim global leadership in knowledge creation driven by plurality, freedom of critical enquiry and scientific pursuit.

The Arab business leaders lift the boycott of Israel and send delegations to discuss concrete projects, blending Israeli technical expertise with surpluses generated over the years. They build new railway lines, canals, environmental parks, industries, and financial companies through Arab-Israeli joint ventures. The stock markets in the region soar. Business leaders are keen on investing in technological breakthroughs to push the post-hydrocarbon revolution, solve water problems and promote tourism. Most countries have growth rates of 7 to 9% on a consistent basis.

There is a movement towards democratisation with political groups capable of delivering social and economic goods winning elections. It is essential to have strong management or intellectual credentials to be able to move to the top of political parties and governments. There is a demand for free movement of capital and labour across the region. With a gradual beginning in 2025, the region hopes to create the Middle East Economic Union by 2050 and also to play a greater role in the community of nations.



Chapter 10 : Peace Building Ladder

This chapter contemplates a process to make the last scenario in the earlier chapter, Where People Smile, a feasible one.

Stage 1 – United States revises its interests in the Middle East

- In early 2009, the new President is presented with recommendations by the National Intelligence Council in its 4 year report, to reduce America's dependence on the Middle East for oil within 8-10 years.
- With the new energy vision, Washington discovers that a lasting peace in the Middle East would be in their interest.
- The new President of the United States commits to withdrawing troops from Iraq by agreement with the Government of Iraq, within a fixed time-frame and, in a phased manner.
- The US approaches friendly nations in Western Europe to initiate a Middle East dialogue, similar to the Madrid process.

Stage 2 – Confidence Building Measures

- European mediators decide that at first a quiet conversation needs to be initiated with leaders, where certain Confidence Building Measures would help generate some goodwill, and address immediate security concerns.
- Israel adopts a more humane approach towards the people of Gaza and the West Bank, ending the blockades and barriers, and freezing settlements.
- Israel hands over to Lebanon detailed maps of the areas its forces had targeted with cluster bombs, to enable them to be rendered safe. International agencies applaud the move.
- All Palestine groups reciprocate with a ceasefire, and stop all acts of violence against Israeli people.
- The Mecca Agreement is revived, leading to a national unity government between major political factions representing the Palestinian people.



- Talks begin between Sunni and Shia leaders of the region, jointly sponsored by Saudi Arabia and Iran, to reduce the deficit of trust within the Islamic world.
- Travel restrictions are reduced between nations, along with lifting of bans on discussion with parties considered 'enemies' or 'outsiders'. Arab League partially lifts the boycott to allow direct interface between politicians, diplomats and government officials.
- There are several visits by senior diplomats, leaders, and personalities from Israel to all Arab countries and vice versa.
- Arab governments informally ask their media leaders to tone down Arab rhetoric hostile to Jews as a people, to Judaism as a religion and to Israel as a state. Israeli and Jewish antagonism towards Arabs and Muslims is less evident.
- The leader of the Shi'ite Amal party, an ally of Syria and Hizbollah, reiterates his October 2006 statement that "now is the time to return to peace negotiations with Israel".
- All efforts made by other organizations involved in bridge building initiatives between societies are recognized.
- Iraqi factions agree to sit down and draw up conclusive plans to unite the country.
- Israel announces that as long as violence is not directed against it, construction of the "security barrier" in the West Bank would be frozen and the checkpoints and roadblocks steadily reduced.
- Israel releases 500 prisoners "without blood on their hands", including Hamas lawmakers and mayors.
- Hamas releases Israeli soldiers in its jurisdiction, and urges other groups to do the same.
- Involved European diplomats hail the commitments made as historical and urge the nations to follow through on them.

Stage 3 – Talks for Talks

- European mediators meet all parties – including representatives of governments and major elected groups – to gather their perspectives on the definition of key issues.
- The mediators seek consensus on proposed participants including – 1. States from the region; 2. Groups introducing electoral mandate; 3. External powers with demonstrated stakes in the region. They may not include Iran at this stage and leave this issue for a semi-permanent conference to determine at a later stage.
- The mediators prepare an agenda for a launch summit and a semi-permanent conference.
- The mediators prepare a structure of working groups and committees.
- The mediators seek agreement of all parties on pre-negotiation principles and rules of procedure.

Stage 4 – Middle East Summit

- Recognizing the need to take the process forward to detail concrete steps, a Middle East Summit is convened by the United Nations and co-sponsored by the Quartet.
- The summit is attended by Saudi Arabia, Israel, all border nations, non-state actors, and other world leaders.
- A formal decision is made to end the Arab Boycott.
- In the wider region, Morocco, Tunisia, Oman, Bahrain and the UAE declare their intentions in principle to upgrade their future relations with the Israeli state.
- Algeria, Kuwait, Yemen and Libya follow suit, provided the current moves are irreversible and lead to a permanent peace with full withdrawal, apart from equitable land swaps.
- The leaders at the summit agree to discuss the Palestinian refugee problem at a later stage.
- Donors announce support to repair the Yasser Arafat International Airport in Gaza, support for a seaport, and an agro-industrial park in the West Bank as part of a 'corridor for peace and prosperity'.
- G-8 announces plans for a pledging conference to revive trade, tourism and other forms of development with countries in the region.
- The Jordanian, Palestinian and Israeli Governments renew consultations about creating the Peace Canal.
- The EU-funded 'Israeli-Palestinian NGOs Forum' devises a strategy to engage both civil societies in the push for peace and reconciliation at the grass-roots level.
- Israel releases most of the remaining 10,000 Palestinian political prisoners.
- A formal resolution is passed creating an inclusive semi-permanent conference to work out the details of all decisions taken.

Stage 5 – Inclusive Semi-Permanent Conference

- This conference will discuss final, comprehensive and sustainable solutions to all those conflicts in the Middle East agreed in Stage 3.



Sources, Annexures and Acknowledgements

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ANNEXURE 1

INTERNATIONAL WORKSHOP ON COST OF CONFLICT IN THE MIDDLE EAST

Antalya, Turkey, 15-16 March 2008

Workshop Programme

March 15

Morning and afternoon:

19.30 onwards

Arrival of participants

Welcome dinner for participants

Welcome by

- Mr. Mevlut Çavuşoğlu, MP, Antalya, Turkey
- Mr. Sundeep Waslekar, President, Strategic Foresight Group
- Mr. Egemen Bağış, Vice Chairman of AK Party in charge of Foreign Affairs, MP, Istanbul, Turkey

Keynote Addresses by

- Ambassador Hesham Youssef, Chef de Cabinet for Secretary General, League of Arab States
- Prof. Dr. Mehmet Aydın, Minister of State, Turkey

March 16

9.00 - 10.00

Introductory Session

- (Chaired and introduced by Mr. Yasar Yakis, MP, former Foreign Minister of Turkey, Head of the EU-Turkey Harmonisation Committee of Turkish Parliament, Turkey)
- Overview: Mr. Sundeep Waslekar, President of Strategic Foresight Group
 - Keynote Address: Amb. Thomas Greminger, Head of Political Affairs, Human Security, in Federal Ministry of Foreign Affairs of Switzerland

10.00-11.00

Turkish Perspectives of the Cost

- (Chaired and introduced by Mr. Egemen Bagis, MP, AK Parti Vice Chairman in Charge of Foreign Affairs, Turkey)
- Ms. Esra Cuhadar Gurkaynak, Assistant Professor at Political Science Department of Bilkent University, Turkey
 - Mr. Kerem Kıratlı, Head of Department of Middle East of the Ministry of Foreign Affairs of the Republic of Turkey

11.00-11.30

Coffee Break

11.30-13.00

Social and Political Costs

- (Chaired and introduced by Mr. Vidar Helgesen, former Deputy Minister of Foreign Affairs of Norway and Secretary General of International IDEA)
- Dr. Jon Pedersen, Managing Director, FAFO, Norway
 - Amb. Abdel Raouf El Reedy, President, Egyptian Council for Foreign Affairs, Egypt
 - Dr. Mahmoud Labadi, former Director of Aid Coordination and UN Specialized Agencies and former Director General of the Palestinian Legislative Council, Palestine

13.00-14.00	Lunch
14.00-16.00	<p>Economic Costs (Chaired and introduced by Dr. Mohammad Shtayyeh, President of PECNDAR and former Minister of Housing and Public Works, Palestine)</p> <ul style="list-style-type: none"> - Prof Talaat Abdel Malek, Professor of Economics, American University of Cairo, Economic Advisor to the Government, Egypt - Major General MK Shiyab, Head of Cooperating Monitoring Centre, Jordan - Dr. Riad Al Khouri, Director, Middle East Business Association, Jordan - Dr. Haila Al Mekaimi, Head of Euro-Gulf Research Unit, Kuwait University, Kuwait
16.00-16.30	Coffee Break
16.30- 17.30	<p>Military Costs (Chaired and introduced by Brig. Gen. Dov Sedaqa, former Head of Civil Administration of the West Bank and currently with Economic Cooperation Foundation, Israel)</p> <ul style="list-style-type: none"> - Prof Efraim Inbar, Director, Begin Sadat Centre for Strategic Studies, Israel - Dr. Mahdi Abdel Hadi, Chairman, Palestinian Academic Society for the Study of International Affairs
17.30-18.30	<p>Diplomatic and other costs (Chaired by Dr. Ephraim Sneh, former Minister for Health of Israel)</p> <p>Amb Aly Maher, Director, Institute for Peace Studies, Bibliotheca Alexandrina, Egypt</p> <ul style="list-style-type: none"> - Mr. Salman Shaikh, Director for Policy, Office of Her Highness Sheikha Mozah, Qatar - Mr. Niccolo Rinaldi, Deputy Secretary General, ALDE, European Parliament
18.30-19.00	<p>Concluding Session (Chaired by Mr. Saban Disli, MP, AK Parti Vice Chairman for Economic Affairs, Turkey)</p> <ul style="list-style-type: none"> - Ms. Ilmas Futehally, Strategic Foresight Group - Concluding Remarks by Mr. Thomas Oertle, Swiss Federal Department of Foreign Affairs <p>Discussion on sources, inputs and suggestions for future research and workshops, including guidelines for aspects of costs not covered by the synopsis, cost escalation scenarios and cost reduction scenarios</p>
19.30	<p>Formal dinner Hosted by Mr. Menderes Turel, Mayor of Antalya Metropolitan Municipality Venue: ClubARMA, Antalya Castle</p>

List of Participants

1. Amb. Abdel Raouf El Reedy, President, Egyptian Council for Foreign Affairs, Egypt
2. Prof Dr. Ali Çarkoğlu, Professor in Faculty of Art and Social Sciences of Sabancı University
3. Amb Aly Maher, Director, Institute for Peace Studies, Bibliotheca Alexandrina, Egypt
4. Mr. Cengiz Çandar, Journalist-Author, Turkey
5. Brig. Gen. Dov Sedaqa, former Head of Civil Administration of the West Bank and currently with Economic Cooperation Foundation, Israel
6. Mr. Egemen Bağış, MP, AK Parti Vice Chairman for Foreign Affairs, Turkey
7. Prof Efraim Inbar, Director, Begin Sadat Centre for Strategic Studies, Israel
8. Dr. Ephraim Sneh, former Minister of Health, Transportation and Defence, Israel
9. Ms. Esra Cuhadar Gurkaynak, Assistant Professor in Political Science Department of Bilkent University, Turkey
10. Dr. Haila Al Mekaimi, Head of Euro-Gulf Research Unit, Kuwait University, Kuwait
11. Amb Hesham Youssef, Chef de Cabinet for Secretary General, League of Arab States
12. Ms. Ilmas Futehally, Executive Director, Strategic Foresight Group, India
13. Dr. Jon Pedersen, Managing Director, FAFO, Norway
14. Prof Dr. Kemal Kirişçi, Professor at Political Science and International Relations Department of Bogazici University
15. Mr. Kerem Kıratlı, Head of Department of the Middle East of the Ministry of Foreign Affairs of the Republic of Turkey
16. Mr. Mahdi Abdel Hadi, Secretary General, Palestinian Academic Society for the Study of International Affairs, Palestine
17. Dr. Mahmoud Labadi, Director of Aid Coordination and UN Specialized Agencies and former Director General of the Palestinian Legislative Council, Palestine
18. Major General MK Shiyab, Head of Cooperating Monitoring Centre, Jordan
19. Dr. Mohammad Shtayyeh, President of PECДАР, and former Minister of Housing and Public Works, Palestine
20. Prof Dr. Mehmet Aydın, Minister of State, Turkey
21. Mr. Mevlüt Çavuşoğlu, MP, Chairman for Turkish Delegation for Council of Europe, Turkey
22. Mr. Mustafa Akyol, Op-ed Author, Turkey
23. Mr. Niccolo Rinaldi, Deputy Secretary General, ALDE, European Parliament
24. Doç. Dr. Nuray Mert, Associate Professor and Faculty of Economy and Administration of İstanbul University
25. Dr. Riad Al Khouri, Director, Middle East Business Association, Jordan
26. Mr. Saban Disli, MP, AK Parti, Vice Chairman for Economic Affairs, Turkey
27. Mr. Salman Shaikh, Director for Research and Policy, Office of Her Highness Sheikha Mozah, Qatar
28. Mr. Sundeep Waslekar, President, Strategic Foresight Group, India
29. Dr. Taha Ozhan, Foundation for Political, Economic and Social Research, SETA, Turkey
30. Prof Talaat Abdel Malek, Professor of Economics, American University of Cairo, Economic Advisor to the Government, Egypt
31. Amb Thomas Greminger, Head of Political Division IV-Human Security, Federal Department of Foreign Affairs, Switzerland
32. Mr. Thomas Oertle, Head of the Middle East Desk at Federal Department of Foreign Affairs, Switzerland
33. Mr. Vidar Helgesen, former Deputy Minister for Foreign Affairs, Secretary General of International IDEA, Sweden
34. Mr. Yasar Yakis, MP, former Foreign Minister, Head of EU-Turkey Harmonisation Committee of Turkish Parliament, Turkey
35. Mr. Yusuf Ziya Irbec, MP representing Antalya, Turkey
36. Ms. Camino Kavanagh, Special Adviser, International IDEA, Sweden

Conference Coordinators

- Ms. Devika Mistry, Research Analyst, Strategic Foresight Group, India
- Ms. Ayse Sozen, Department of Foreign Affairs, AK Party, Turkey

ANNEXURE 2

SECOND INTERNATIONAL WORKSHOP ON COST OF CONFLICT IN THE MIDDLE EAST

Zurich, Switzerland, August 18-19, 2008

Workshop Programme

August 18

18:30-19:30

Informal Reception

19:30-19:45

From A to Z (Antalya to Zurich): Remarks by Mr. Egemen Bagis

19:45-20:15

Introduction by participants

20:15-20:45

Keynote Address by Ambassador Thomas Greminger

20:45-22.15

Dinner

August 19

09:00-09:30

Introduction to Scenario-building Process and Key Questions

Chaired by Dr. Ephraim Sneh

- Introduction to Scenario-Building Process by Mr. Sundeep Waslekar

- Remarks by Dr. Ephraim Sneh on Key Questions about Future Risks of Cost Escalation and Opportunities for Cooperation between Israel and the Arab region

09:30-11:00

Drivers of Costs of Conflict and Cost of Peace-building

Chaired by Ambassador Hesham Youssef

11:00-11:30

Coffee Break

11:30-13:00

Conflict Escalation Ladder

Chaired by Mr. Vidar Helgesen

13:00-14:00

Lunch Break

14:00-15:30

Peace Building Ladder

Chaired by Mr. Tony Klug

15:30-16:00

Coffee Break

16:00-17:30

Wild Cards

Chaired by Mr. Salman Shaikh

17:30-18:30

Concluding Observations

Chaired by Mr. Jean-Daniel Ruch, Ambassador at Large for Special Assignments, Federal Department of Foreign Affairs of Switzerland

- "Generating public policy impact of the Cost of Conflict Study", views of participants

- Comments by Ms. Ilmas Futehally, Executive Director of Strategic Foresight Group

- Concluding Address by the Chair

19:30-22.30

Informal Networking Dinner hosted by Federal Department of Foreign Affairs of the Government of Switzerland

List of Participants

1. Ambassador Hesham Youssef, Chef de Cabinet, Arab League Secretary General's Office, Egypt
2. Mr. Salman Shaikh, Director for Research and Policy, Office of Her Highness Sheikha Mozah, Qatar
3. Prof. Yair Hirschfeld, Director General, Economic Cooperation Foundation, Israel
4. Prof. Kamal Field Al Basri, Chairman, Institute for Economic Reform, Iraq
5. Mr. Egemen Bagis, MP, Vice Chairman for Foreign Affairs, AK Parti, Turkey
6. Ms. Ica Wahbeh, Managing Editor, Jordan Times, Jordan
7. Prof. Azza El Kholi, Advisor, Institute for Peace Studies at Bibliotheca Alexandrina, Egypt
8. Dr. Esra Cuhadar Gurkaynak, Assistant Professor in Political Science Department of Bilkent University, Turkey
9. Dr. Mahmoud Labadi, former Director of Aid Coordination and former Director General of the Palestinian Legislative Council, Palestine
10. Ms. Bambi Sheleg, Editor in Chief of Eretz Aheretz, Israel
11. Dr. Riad Al Khouri, Director, Middle East Business Association, Jordan
12. Mr. Vidar Helgesen, former Deputy Minister for Foreign Affairs of Norway, Secretary General of International IDEA, Sweden
13. Mr. Yasar Yakis, MP, former Foreign Minister, Head of EU-Turkey Harmonisation Committee of the Turkish Parliament, Turkey
14. Prof. Khalil Gebara, Chief Executive, Transparency International National Office, Lebanon
15. Ms. Eliane Metni, National Coordinator, Director International Education Association and Chair of IEARN, Lebanon
16. Ms. Nicole Nasseh, Representative, UNDP Peace-building Project, Lebanon
17. Dr. Darwish Ghaloum Al-Emadi, Director of Public Opinion Poll Center, Qatar University, Qatar
18. Dr. Saif Shaheen Al-Murikhi, Associate Professor, Humanities Dept., College of Arts and Sciences, Qatar University, Qatar
19. Dr. Sahar Al Qawasmi, Member, Palestinian Legislative Council, Palestine
20. Dr. Tony Klug, Vice Chairman of Arab-Jewish Forum and author of several booklets on the Middle East for the Fabian Society, UK
21. Dr. Mark Taylor, Director, FAFO, Norway
22. Dr. Mehran Kamrava, Director of Center for International and Regional Studies, Georgetown University, Qatar
23. Dr. Robert Muggah, Research Director, Small Arms. Survey, Switzerland
24. Ms. Camino Kavanogh, Special Adviser to the Secretary General of International IDEA, Sweden
25. Mr. Itamar Yaar, Former Deputy Head of the Israeli National Security Council, Israel
26. Dr. Ephraim Sneh, former Israeli Cabinet Minister and Chairman of the "Strong Israel" Party, Israel
27. Dr. Nimrod Novik, Senior Vice-President, Merhav Group of Companies, Israel
28. Mr. Sundeep Waslekar, President, Strategic Foresight Group, India
29. Ms. Ilmas Futehally, Executive Director, Strategic Foresight Group, India
30. Ms. Gitanjali Bakshi, Research Analyst, Strategic Foresight Group, India
31. Ambassador Thomas Greminger, Head of Political Division IV-Human Security, Federal Department of Foreign Affairs, Switzerland
32. Mr. Thomas Oertle, Head of the Middle East Desk, Federal Department of Foreign Affairs, Switzerland
33. Ms. Barbara Fontana, Office of Special Envoy for the Middle East, Switzerland
34. Mr. Jean-Daniel Ruch, Ambassador at Large for Special Assignments, Federal Department of Foreign Affairs, Switzerland
35. Ms. Bettina Schucan, Programme Officer, Office of the Ambassador at Large for Special Assignments, Federal Department of Foreign Affairs, Switzerland
36. Ms. Judith Schatzman, Office of Ambassador at Large for Special Assignments, Federal Department of Foreign Affairs, Switzerland

ACKNOWLEDGEMENTS



In June 2007, The Rt. Hon. Lord Alderdice convened a meeting of senior European leaders, representatives of important institutions from the Middle East, and other experts at the House of Lords. It was supported by Friedrich Naumann Stiftung of Germany. At this meeting, Ambassador Hesham Youssef, Head of Secretary General's Office in the League of Arab States and Richard Kerr, a former high ranking member of the federal administration in the United States, recommended that Strategic Foresight Group should undertake a study of the cost of conflict in the Middle East, drawing from its experience in preparing similar studies for the India-Pakistan and Sri Lanka conflicts. This is how the idea for this study was born.

Honourable Recep Tayyip Erdogan, Prime Minister of Turkey, welcomed this idea in a meeting with Strategic Foresight Group on the margins of the first Alliance of Civilizations Forum in Madrid and offered to host a workshop of regional experts at Antalya in Turkey. The Swiss Government hosted the second international workshop for experts from the Middle East in Zurich to enable Strategic Foresight Group to test its research in progress and build scenarios for peace and conflict in the region.

Ambassador Thomas Greminger, Head of Political Affairs Division IV in the Swiss Federal Department of Foreign Affairs; Vidar Helgesen, former Deputy Foreign Minister of Norway; Egemen Bagis, Deputy Chairman of AK Party and Member of Parliament for Istanbul; Ambassador Hesham Youssef of the Arab League; and Salman Shaikh, Head of Policy and Research in the Office of Her Highness of Qatar formed the Core Group to provide diplomatic, intellectual and practical support for the project. Dr. Abdulla Al-Kubaisi, Executive Director of the Office of Her Highness of Qatar, also extended his support.

More than fifty experts including former ministers, heads of research institutes, and analysts from almost all countries affected by conflicts in the Middle East participated in the two workshops, provided research input in the form of short papers, advised the research team, and made valuable data available to them. Their names and titles are mentioned on the credit page and in the annexures. The Core Group, as well as Prof Yair Hirschfeld of Israel and Ambassador Jean-Daniel Ruch of Switzerland reviewed the previous drafts of this report. Prof Yair Hirschfeld, Ephraim Sneh and Mahmoud Labadi facilitated several meetings for the SFG team during their visit to Israel and Palestine Territories.

Strategic Foresight Group acknowledges the involvement and support of these individuals and institutions with a deep sense of gratitude. In particular, SFG most profusely thanks the sponsors: AK Party of Turkey, Federal Department of Foreign Affairs of Switzerland, Ministry of Foreign Affairs of Norway and the Qatar Foundation. However, Strategic Foresight Group takes the sole responsibility for the final output of the project and any errors or omissions that may be unknowingly associated with it.

Strategic Foresight Group

Strategic Foresight Group was established in 2002 to create new forms of intellectual capital. In a short span, it has created intellectual and political assets to draw input from all continents and deliver output to decision makers anywhere in the world.

We have advised governments around the world and produced scenarios and innovative policy concepts that have been discussed in august bodies including the Indian Parliament, the European Parliament, Oxford University, UK House of Commons, World Bank, the League of Arab States, Bibliotheca Alexandrina, World Economic Forum, Swedish Defence Commission, Global Futures Forum, Geneva Security Forum and others. Our research findings and views have been covered by the world media including BBC World Television, CNN, International Herald Tribune, Financial Times, New York Times, The Straits Times, Gulf News, Khaleej Times, Asahi Shimbun and almost all major newspapers in India and Pakistan.

Strategic Foresight Group undertakes forward-looking research in geopolitical, economic, technological and societal changes. Our research examines future trends and discontinuities in spaces where geopolitics intersects with business, economy, society, religion and technology. In addition to specific client-driven research projects, SFG also publishes public reports. Its publications includes reports on Global Security and Economy, 2011-2020, An Inclusive World: Where West, Islam and the Rest Have a Stake, Managing Global Challenges, and reports on the future of the Middle East, South Asia and Central Asia.

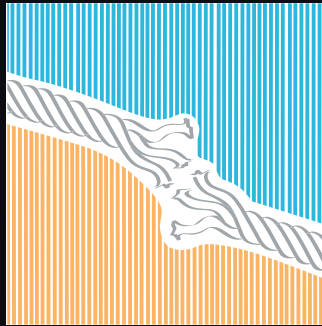
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COST OF CONFLICT IN THE MIDDLE EAST

For the first time in sixty years, a detailed assessment of economic, human, military, environmental, social, political, diplomatic, psychological, and all other costs and benefits of potential peace in the Middle East is made using 97 different parameters. This is an innovative document fully presented in the form of graphs and diagrams. It demonstrates the power of numbers to change the minds of people.



Strategic Foresight Group (SFG) is a think-tank based in India with global reach. It helps policy makers to plan future in uncertain times. Its earlier 'cost of conflict' reports on India-Pakistan and Sri Lanka have had measurable policy impact.

As the United States and the international community prepare for fresh policy initiatives in the Middle East, this is an essential tool for political leaders and negotiators. It is also a great resource for scholars interested in the region as well as those looking for innovative approaches to peace and conflict analysis anywhere in the world.

Impressed by the policy impact of the earlier reports, Strategic Foresight Group was supported by governments or leaders of Norway, Switzerland, Turkey and Qatar to prepare a detailed report on cost of conflict in the Middle East. More than 50 leading experts from Israel, Palestinian Territories, Iraq, Lebanon, Jordan, Egypt, Qatar, Kuwait, and the Arab League participated in the process.

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