



Alternate Sources of Revenue and the Arab Peace Initiative Implementation

Background

The League of Arab States is an organization of Arab countries that is headquartered in Cairo, Egypt. The charter for the Leagues states that all member states shall coordinate economic affairs, commercial relations, communications, cultural affairs, nationality, passports, and visas, social affairs, and health affairs; also, the charter condemns the use of force between member states.

In 1945 the League was formally inaugurated by the signing of the Arab League Pact. The seven founding members were: Egypt, Iraq, Jordan, Lebanon, Saudi Arabia, Syria, and Yemen. The creation of the league was an effort to provide a forum for Arab nations to exalt a somewhat united political expression and boost Arab nations influence in world politics. The Arab League is similar to the Organization of American States, the Council of Europe, or the African Union, simply because it has primarily political aims; one can make the argument that each of these organizations are a regional version of the United Nations. However, its membership is based on, to a larger extent, culture rather than geographical location, which is the primary basis of membership for many of the groups mentioned above, excluding the United Nations. Along these lines the Arab League is more similar to organizations such as the Latin Union or the Nordic Council. What sets the Arab League apart from some other regional organizations such as the European Union, is that it has not achieved any significant degree of regional integration.

The league is organized into different parts including: a council, special committees, and a permanent secretariat, which is headquartered in Cairo. The constitution of the league provides for coordination among the signatory nations on education, finance, law, trade, and foreign



policy, and it forbids the use of force to settle disputes among members. The creation of the Arab League led to a joint defense treaty which was signed in 1950. In 2005 an Arab Parliament was established; its members are drawn from each member nation's parliament. The issues the parliament may discuss, however, are restricted to the social, economic, and cultural spheres.

Among one of the most important activities of the Arab League have been its attempts to coordinate the economic sphere of Arab life. These efforts have shown progress in the form of establishing the Arab Telecommunications Union (1953), the Arab Postal Union (1954), and the Arab Development Bank (1959, later known as the Arab Financial Organization). The Arab Common Market was established in 1965 and is open to all Arab League members. The common market agreement calls for the eventual abolition of customs duties on natural resources and agricultural products, free movement of capital and labor among member countries, and coordination of economic development. The Arab Common Market has had limited success in implementing these economic policies.

In 1945, the league supported Syria and Lebanon in their troubles with France and also called for the independence of Libya. In 1961, it supported Tunisia in a conflict with France. Not long after its inception, the league announced its opposition to the formation of a Jewish state in Palestine and demanded that Palestine be made independent, with the majority of its population Arab. When the state of Israel was created in 1948, the league's member countries jointly attacked it, but Israel defended itself successfully. The league continued to maintain a boycott of Israel and of companies trading with Israel. The summit conferences of 1964–65 established a joint Arab military command, which proved unsuccessful in implementing a united strategy for the liberation of Palestine. Egypt's membership was suspended from 1979 to 1989 because of its treaty with Israel, and the league's headquarters were moved to Tunis. In 1988 the league



endorsed the PLO's plan for a negotiated settlement with Israel, and in 1991 Cairo once again became its headquarters. In 2002 the league for the first time offered Israel normal relations with Arab countries if it met certain conditions, but many of those conditions did not seem feasible to Israel.

For many years, closer political unity and integration among the league's members was hampered by a division between pro-Western member countries and neutralist or pro-Soviet ones. More recently this division has turned religious between militant Islamic fundamentalists, secularists, and Arab moderates. After much debate the league ultimately supported Iraq in the Iran-Iraq War (1980–88) but was divided over the Iraqi invasion of Kuwait in 1990.

Diversification: Decreasing Oil Dependence

For about 30 plus years many Arab countries have undergone a dramatic economic transformation. The changes have been political, social, but mainly economic. The transition has been fueled by the discovery of plentiful oil reserves across the middle east and the global economy's dependence on oil. The unquenchable thirst for oil by all industrial countries coupled with the vast reserves of oil in the Middle East have provided regimes in the region with what seems like unlimited revenue.

The proceeds from oil have aided in modernizing infrastructure, creating jobs and spurring new industries. Socially these revenues have helped to increase life expectancy in the region, literacy rates, and the overall quality of life. Along with these social changes many oil rich countries have been able to provide significant humanitarian aid to poorer less privileged countries. Transformation of many Arab economies has caused them to have significant roles in the economic development of the Middle East region as a whole.



Oil revenues have done a great deal for many, but the overwhelming dependence of all oil rich Arab countries on oil is an unsound foundation for these new but growing economies. Fiscal policy among the Arab nations has been used to spread economic equity, increase employment, and spur growth in the economy as a whole. Yet fiscal policy is limited and associated with the volatile fluctuation of oil exports and prices. Government funding of infrastructural projects has steadily decreased causing reductions in growth of non-oil sectors in the region. Although private sector investment is growing it still remains a small portion of the GDP of many Arab countries due to very large public sectors.

These fairly new economies coupled have brought about new challenges. Extremely high population growth and large numbers of migrants has caused unemployment to be a on a list of problems facing Arab governments. Investment in non-oil related and private sectors of the economy will spur innovation and competition easing the stresses of unemployment.

A large number of countries in the Arab League share many economic characteristics. Oil contributes up to one-third of the total GDP and in some cases three-fourths of annual government revenues and exports in many Arab countries. Together the countries of the Arab league provide around 50 percent of the world's oil. In addition many of these states also possess at least 17 percent of the proven global natural gas reserves. These oil economies are highly dependent on a large expatriate labor force, reflecting the small, but growing, size of the domestic workforce and the limited skills of the domestic labor force. Expatriate workers now account for a significant margin of the overall workforce of many oil rich Arab countries. Having liberal guest worker and immigration policies has attracted large numbers of expatriate laborers since the 1970's. This has had an important but minimal role in diversification in the production and service sectors of these economies. The abundance of low wage labor from abroad has



helped keep inflation low in the face of rapid economic growth. Most of the national labor force has been employed in the government sector with higher wage expectations than the expatriate workers. The wages of these employees and the existence of many Arab countries are dependent on oil revenues.

The economic and monetary integration that the League of Arab Nations is pushing for is likely to help these countries face the external challenges imposed by the rapid pace of globalization, which is transforming all aspects of economic and financial activity. In addition to addressing challenges posed by the global economy, integration should also help Arab countries face together their various internal challenges, in particular increasing strains in the labor market which is associated with still-high oil dependence.

Final Thoughts on Alternate Sources of Revenue

Looking forward members of the Arab league must reevaluate the direction and foundation of their economies. They must continue to promote growth but attempt to increase exports outside of oil and gas. Ultimately oil revenues have brought these countries a long way and even though concerted attempts at economic transformation were initiated more than two decades ago the dependence on oil revenues has remained unchanged. Their standard of living has continued to rise despite heavy dependence on volatile oil revenues and rapid population growth but in order to secure the economy growth in the standard of living must increase independent of oil prices. The rapidly increasing domestic labor force provides the necessary pressure on government and calls for a sustained increase in non-oil growth, investment in human capital, and institutional reforms. In addition, reduction in vulnerability to volatile oil prices requires a prudent fiscal policy but more importantly a strengthened structural reform to



spur diversification. Moreover, continued growth will be crucial for a sustained resurgence of the regional economy. The member of the Arab League should pursue a comprehensive reform strategy relative to the peculiarities of each countries economies underpinned by fiscal consolidation to relieve this issue.

Arab Peace Initiative Implementation

In March of 2002, at an Arab League Summit, Saudi Crown prince Abdullah introduced a peace plan for the Arab-Israeli conflict. The return of Palestinian refugees was a significant part of Prince Abdullah's proposal but he did not specify whether the refugees were to be returned to Israel or a Palestinian state that would be created. The plan that was adopted called for Israeli withdrawal from all territories occupied since 1967 and return of the Palestine refugees to Israel in return for recognition of Israel and normal relations. The difference is that much more emphasis was placed on the refugee issue. A similar plan was offered by Arab states at the armistice negotiations in 1949. The number of refugees to be returned is not specified. A section included at the insistence of Lebanon reads, "Assures the rejection of all forms of Palestinian patriation which conflict with the special circumstances of the Arab host countries" dealing with Lebanese fears of permanent settlement of Palestinians in Lebanon. Inclusion of this clause may indicate that something less than full return of the refugees is contemplated. UN General Assembly Resolution 194, mentioned in the plan, asserts the right of Palestinian refugees who are willing to live in peace with their neighbors to return to Israel. As there are currently over three million such refugees with an exceedingly high birthrate, literal implementation of return would eventually mean the end of the Jewish state of Israel. UN Security Council Resolution



242, passed in 1967, calls for Israeli withdrawal from territories occupied in the war of June 1967.

The following is the text of the “Arab Peace Initiative” that was eventually adopted in the summit in Beirut:

"The Council of the League of Arab States at the Summit Level, at its 14th Ordinary Session;

Reaffirming the resolution taken in June 1996 at the Cairo Extraordinary Arab Summit that a just and comprehensive peace in the Middle East is the strategic option of the Arab Countries, to be achieved in accordance with International Legality, and which would require a comparable commitment on the part of the Israeli Government.

Having listened to the statement made by His Royal Highness Prince Abdullah Bin Abdullaziz, the Crown Prince of the Kingdom of Saudi Arabia in which his Highness presented his Initiative, calling for full Israeli withdrawal from all the Arab territories occupied since June 1967, in implementation of Security Council Resolutions 242 and 338, reaffirmed by the Madrid Conference of 1991 and the land for peace principle, and Israel's acceptance of an independent Palestinian State, with East Jerusalem as its capital, in return for the establishment of normal relations in the context of a comprehensive peace with Israel.

Emanating from the conviction of the Arab countries that a military solution to the conflict will not achieve peace or provide security for the parties, the council:



1. Requests Israel to reconsider its policies and declare that a just peace is its strategic option as well.

2. Further calls upon Israel to affirm:

a. Full Israeli withdrawal from all the territories occupied since 1967, including the Syrian Golan Heights to the lines of June 4, 1967 as well as the remaining occupied Lebanese territories in the south of Lebanon.

b. Achievement of a just solution to the Palestinian Refugee problem to be agreed upon in accordance with UN General Assembly Resolution 194.

c. The acceptance of the establishment of a Sovereign Independent Palestinian State on the Palestinian territories occupied since the 4th of June 1967 in the West Bank and Gaza Strip, with East Jerusalem as its capital.

3. Consequently, the Arab Countries affirm the following:

a. Consider the Arab-Israeli conflict ended, and enter into a peace agreement with Israel, and provide security for all the states of the region.

b. Establish normal relations with Israel in the context of this comprehensive peace.

4. Assures the rejection of all forms of Palestinian patriation which conflict with the special circumstances of the Arab host countries.

5. Calls upon the Government of Israel and all Israelis to accept this initiative in order to safeguard the prospects for peace and stop the further shedding of blood, enabling the Arab Countries and Israel to live in peace and good neighborliness and provide future generations with security, stability, and prosperity.



6. Invites the International Community and all countries and Organizations to support this initiative.

7. Requests the Chairman of the Summit to form a special committee composed of some of its concerned member states and the Secretary General of the League of Arab States to pursue the necessary contacts to gain support for this initiative at all levels, particularly from the United Nations, the Security Council, the United States of America, the Russian Federation, the Muslim States and the European Union."

Final Thoughts on the Arab Peace Initiative

The purpose of this meeting is to respond to the current state of violence in the Middle East. The Arab Peace Initiative must be reviewed and either reaffirmed, reformed, or another proposal be created. The sudden surge of violence has undermined not only the Peace Initiative but the Arab League itself.



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