

The Middle East as A Strategic Crossroad

by Lyndon H. LaRouche, Jr.

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The world has come to a crossroads in modern history. If the world were to continue along the pathway currently chosen by my government and some others, civilization will be plunged, for as long as a generation or more, into a global dark age comparable to that which struck Europe about seven-hundred-fifty years ago. We must not pretend that danger does not exist; but, also, we must commit ourselves to the hopeful alternative which wise governments will prefer. Therefore, I shall speak frankly, but also optimistically, of a second crossroads: the Middle East.

The history of oil in this region, began with the British Navy's plans for what became known as the Great War of 1914-1918. That Empire intended to use petroleum extracted from this region, to provide its navy the crucial strategic advantage of a change to oil-burning, from coal-burning warships. Since that time, as all nations represented here know, this region has been dominated by the great powers' struggles over control of the special, strategically significant economic advantages of oil extracted from this region. But, it was never oil alone which shaped the fate of the Middle East; for as far back as known history of civilization reaches, long, long before the discovery of oil, the Middle East has been the strategic crossroads of Eurasia and Africa combined, as it is today. With or without petroleum, the historic strategic significance of the Middle East would remain.

Now, there are ill-conceived plans, including those which have been the subject of some discussions between my government and Russia's, to attempt to by-pass present world strategic dependency on Middle East oil. Such a policy could only bring an added factor of chaos to an already explosive world monetary-financial and economic situation as a whole. I would hope that I could persuade the powers to abandon recklessly incompetent economic and geopolitical impulses such as those.

In any sane ordering of the world's strategic economic affairs, Middle East oil will continue to be an outstanding factor in the petroleum supplies of the world economy for at least a generation or more yet to come. This would be so, for what should be the implicitly obvious economic reasons. However, as in all matters of current world affairs, given the desperate situation of the world today, we can not

be so naive as to presume that powers which may be great, or even simply powerful, will, therefore, react sanely to the relevant strategic facts of the situation.

I focus on the subject of oil, but do that within the context of the historically determined strategic options for a Middle East defined in its ancient and continuing role as a crucial strategic crossroads of Eurasia. After defining that context, I shall return our attention to petroleum as such, situating the production and marketing of petroleum as a presently crucial factor of vital strategic importance for the Middle East as a region with special ecological and implicit cultural qualities.

I concentrate on three distinct, interacting factors to be considered in the attempt to forecast the prospects of the region, and also its petroleum: the ecological, the economic, and the political-strategic factors.

To begin, zoom in, as if from an orbiting space-station, upon the past and present ecology of this region of the world's biosphere. In our imagination, let us watch the long-range historical process, of melting of the great Eurasian glacier, over the interval from about 19,000 years ago, when ocean levels were approximately 400 feet below those today. Watch the evolution of the Mediterranean region over the following millennia. Watch the later phase of great dessication of the once-rich, desert regions of the Sahara, Gulf, and Central Asia. From the standpoint of that lapsed-time panorama, we are reminded in the most useful way of a fact we already know: that the most critical of the strategic economic factors inside the Middle East region as a whole today, is not petroleum, but fresh water. The characteristic of that portion of a predominantly Islamic civilization, which extends from Asia's "roof of the world," westward, through the Middle East, and across northern Africa, is the continuing struggle against the aridization which has continued during approximately the past six to eight thousand years.

Today, we have the scientific potential to begin to control, if not entirely reverse some of the effects of that post-glacier process. That is the principal strategic ecological challenge which obstructs the realization of an otherwise great potential, a potential which has existed for the greater part of two millennia, in Arab civilization. It is to the degree that we make significant steps toward applying and improving the methods for production and distribution of fresh water, that other crucial factors of development can be brought into play. In that case, we shall see the implicit strategic potential of the Middle East as the crossroads of Eurasia. Any long-range forecast of the prospects of Middle East petroleum must be studied in the context of that challenge.

The development of fresh-water production and management, which is interlinked with the role of petroleum, is the indispensable foundation for all other optimistic prospects for a peaceful and politically stable internal development of the Middle East region. If people lack essential means to



Lyndon LaRouche speaking June 1 to the Zayed Centre for Coordination and Follow-Up in Abu Dhabi, at the opening of the Centre's two-day conference. On LaRouche's right is U.A.E. Oil Minister Obeid Bin Saif Al-Nasseri, and on his left, former Iraqi Oil Minister Essam Abdul-Aziz Al-Galabi.

live, there is no peace; they will live as the successive waves of "land pirates," including the Mongol empire, swept into Europe, and the Middle East, from across Eurasia, in times past. There will be no peace without adequate provision of water.

The Land-Bridge Concept

This brings me to the pivotal economic issues. For this purpose, view the Middle East's greatest economic potential in its role as a pivotal economic-strategic crossroads for Eurasia as a whole. While the Suez Canal's strategic importance for the link between the Mediterranean and Indian Ocean is obvious, I shall indicate why the cross-land routes across the Middle East are far more crucial forms of transport for Eurasia as a whole, and also for the Africa-Asia connections.

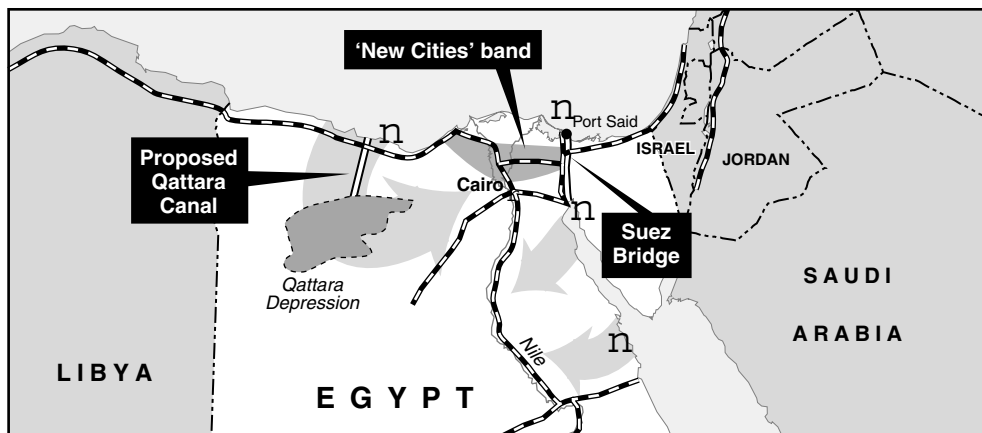
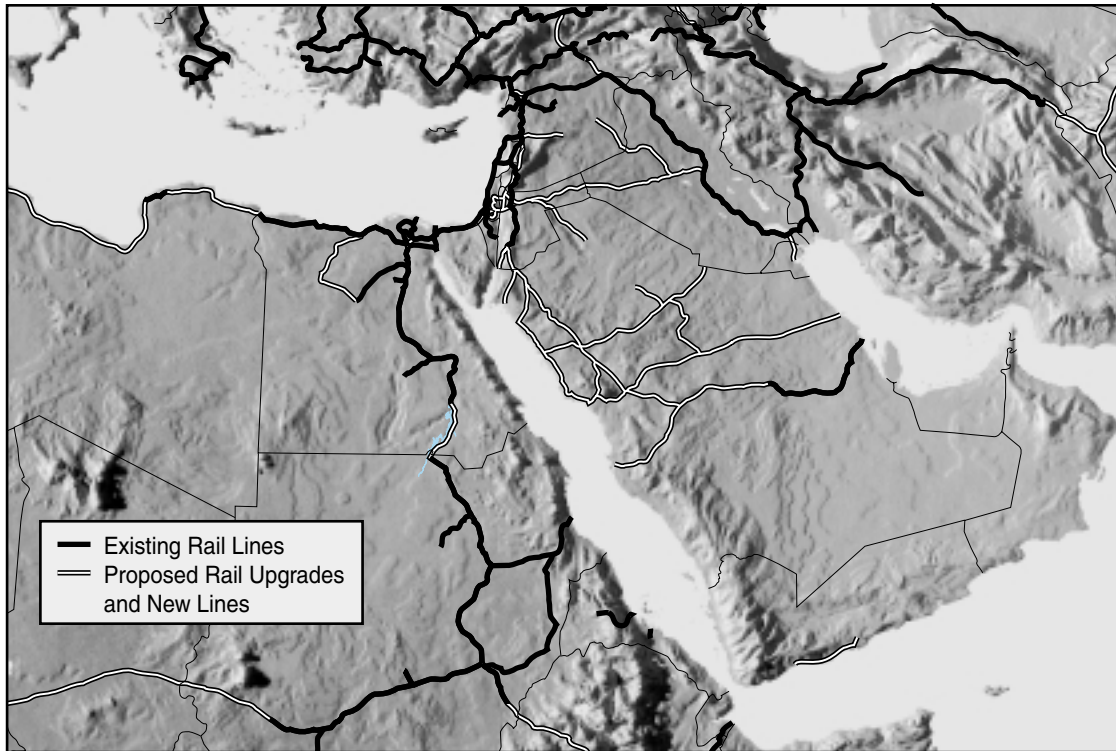
It is a simple fact of accounting, that the cost of transporting a product, as, for example, by sea, or by other means, must be compared with cost of production of that product, up to the point of embarkation. Therefore, we tend to transport products, such as petroleum and grains, which have a relatively lower price per ton, by slower, cheaper water transport. The more useful work, as value added, to the product, as it moves through various phases of production, lessens the percentile of costs of transporting the value represented by that product as a whole. Therefore, the more real value-added, by production, to a raw or semi-finished material, the greater the relative prosperity the export of the products, adds to the exporting nation or region of a nation. This has always been understood by the greatest economists and statesmen of the Americas and Europe, since about 150 years ago.

Until modern times, transport by water continued to be the principal roadway of progress in the material conditions of human life. This continued until one-hundred-seventy years ago, when the German-American economist Friedrich List outlined what became the railway revolution. This development was accelerated by the successful development of the U.S. transcontinental railway system, a development of crucial importance for the U.S. emergence as a leading world economic power, under President Abraham Lincoln. After 1876, American methods typified by the development of the American transcontinental railway system, were adopted in Germany, Russia, Japan, and elsewhere, including China.

Admittedly, the effort to connect the Atlantic to the Pacific, eastward, by rail, as the U.S. had connected the Atlantic to the Pacific westward, was seen by the British Empire as a threat to that empire's strategic maritime supremacy in the world as a whole, with the two so-called geopolitical world wars of the Twentieth-Century as a result. Admittedly, there is an influential, utopian faction inside the U.S. today, which is prepared to unleash a geopolitical war throughout continental Eurasia, for the purpose of preventing the internal development of the mainlands of Asia and Africa. Those geopolitical policies are contrary to all rational definitions of the interests of a U.S. economy which is now wracked by an onrushing world monetary-financial collapse. Unfortunately, those policies exist among some presently very influential circles.

Whatever U.S. policy might appear to be now, the reality of the present world economic crisis, will probably force some

Greater Middle East, Existing and Proposed Rail Development (Arab League)



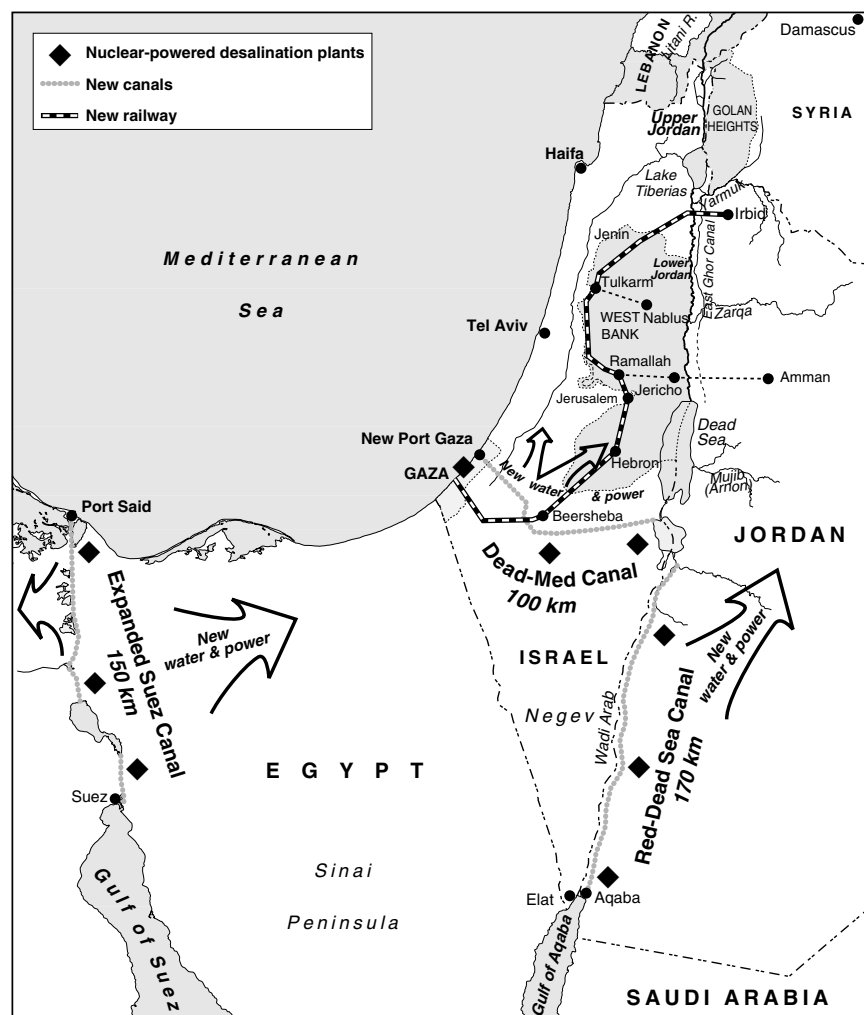
“While the Suez Canal’s strategic importance . . . is obvious, I shall indicate why the cross-land routes across the Middle East are far more crucial forms of transport for Eurasia as a whole. . . .” Bottom map shows Egypt’s new railroad bridges across the Canal.

sweeping changes in U.S. policy and thinking during the near future. There is no hope for the economic revival of the U.S.A. from the present world economic crisis, without precisely such cooperation in the land-transport-based development of the Eurasian and African continents as a whole. If the U.S. is to find a solution to the inevitable early disasters caused by

its present policies, this must include a special role for the Middle East.

The approach to a solution to that strategic crisis, does not lie in oil as such, but in the way petroleum production and marketing can be applied to serve the broader long-term interests of the region. Stable governments within the region,

LaRouche's 'Oasis Plan'



The most crucial economic issues of the Middle East require water and power development, as a basis for a solution to the Israel-Palestinian conflict. Here we show LaRouche's Oasis Plan for the area, issued in the late 1980s.

and stable relations with areas outside the region, are the first line of defense of the region from the forces and other perils which presently menace it. The crucial role of transport development is a leading example of the measures of defense required.

The special advantage of modern rail, or magnetic levitation, as compared with sea-based transport, lies in the elementary fact, that with rare special exceptions, the product transported by sea does not improve, in itself, during transport. Under the right conditions, long-range transportation corridors, which are based on a central role of modern rail or magnetic-levitation transport, are, in net effect, cheaper and faster routes of transport than the seas. As in the case of the original U.S. transcontinental rail systems, these routes

were not merely roads of transport; the transportation system transformed a virtual economic wasteland into a rich region of powerful economic development. In effect, every average kilometer of investment in the transport system along these main and subsidiary routes gave back to the nation a net amount of produced wealth from agriculture, mining, and manufacturing, far in excess of the cost of developing and maintaining the system.

Instead of thinking of simply connecting two points with a long-distance rail line, or magnetic-levitation system, think of the transport line as the central spine of a development corridor of up to fifty to a hundred kilometers width. Running parallel to the spine are main-line conduits of water and power. At appropriate places along the spine, agro-industrial-residential complexes are placed. Satellite areas of a similar type also lie within the same corridor. What I have just described in a summary way, is a modern equivalent of the methods which produced an agricultural-industrial revolution in the U.S. approximately a century and a half ago.

By concentrating resources of transportation, water, and power within development corridors, the most efficient use of those resources can be managed. The most economical use of the total available land-area is achieved by tending to concentrate development in those corridors. Under conditions of continued growth, subsidiary development corridors will branch out from the principal ones.

This same method can be applied, with a combination of technologies either existing, or within reach, to transform the interior of Asia, including its deserts and tundras.

Under proper policies, the net cost of such development corridors is less than zero. As goods flow along the spine of the corridor, new wealth is being generated in and around each of the nodal agro-industrial-residential locations along the route.

Now, look at the core of the Arab world, from the Atlantic to the borders of Iran, Turkey, and Trans-Caucasus. Center our focus upon the Suez Canal and Sinai, where Africa joins Asia. Focus on sea-borne transport between the Mediterranean and Indian Ocean; see the criss-crossing of the region by

relevant natural choices for routes of land-based development corridors intersecting seaports. Think of the volumes of raw materials and semi-finished goods, flowing toward the Middle East, by sea and by land, from Asia westward, and from Europe eastward.

The Middle East today is what has been, in principle, for thousands of years, even long before the building of the Great Pyramids of Egypt. It was, and remains one of the great natural crossroads in the development of civilization.

I emphasize, once again, that each time we combine materials and parts into semi-finished or finished products, we are decreasing the percentile of the total cost of that product incurred as a cost of transportation. The Middle East, once again, represents one of the world's most natural, strategic locations for concentration of trade and production. It should not be a passive tube through which products are transported; it should become a crucial stage of strategic importance, in the total process of the world's production of wealth.

What happens to Middle East petroleum, under those conditions? There will be a natural shift in patterns of consumption. Domestic consumption will increase with productive development. Also, there will be increasing emphasis on the use of oil and natural gas as chemical, raw material feedstocks for production, especially Middle East production.

The Strategic Issues

What, then, can be forecast for the coming history of Middle East oil? We must ask ourselves three key questions. First, what alternatives are available? Second, which alternative is likely to be chosen, and by whom? Third, will the result be a success, or a disaster like the thirty-five-year succession of policy-changes, by which the U.S.A. and Europe have brought the world to the presently looming global catastrophe?

If intelligent forces prevail, the world will contrast the failure of the 1971-2002 floating-exchange-rate monetary-financial system, with the successful system dominant during 1945-1965, the fixed-exchange-rate monetary-financial system. If those forces prevail, the most crucial features of the 1945-1965 system will be copied in launching global emergency reforms. In that case, we shall soon establish a fixed-rate, protectionist form of monetary-financial system, a new gold-reserve system similar to that of the 1945-1965 period.

During a period of approximately the past thirty-five years, the U.S.A., the U.K. and other formerly healthy industrial powers, have been ruined by the utopian delusion of what has been called a "post-industrial," or consumer society. This utopian policy led to the wrecking of the then-existing world monetary-financial system, by U.S. leadership in the 1971 break-up of the successful 1945-1965 monetary-financial system, and the avalanche of destruction of the regulatory systems on which earlier, stable economic development and prosperity had depended.

Now, that post-1971 monetary-financial system is hopelessly bankrupt. The delusion of the so-called "new economy" is collapsing into an inevitable bankruptcy. So, about thirty-five years ago, the U.S.A. and U.K. made a change in world policy which has now shown itself to have been a terrible mistake. It is time to correct that mistake, to return to proven sound principles, and to cooperate in organizing the urgently needed global economic recovery.

Under present conditions of general bankruptcy of the world's financial system, while a large-scale reorganization of bankrupt assets is underway, the crucial margin of economic recovery will be the creation of new, low-cost, long-term credit, which will be initially injected, largely, for essential programs of long-term building of basic economic infrastructure. This investment in infrastructure will then cause expansion of agricultural and industrial development. This investment must be supplied largely by perfectly sovereign nation-states, under terms of simple interest for loans of up to a quarter-century or greater maturity.

Under these conditions, there must be a greatly increased flow of high-technology to regions and localities of the world in which there is critical lack of sufficient technological inputs.

As part of this pattern, we shall require medium- to long-term agreements on relatively fixed fair prices for certain categories of commodities, especially in world trade. This system of fair prices will include energy-stocks, such as petroleum, which has a very sensitive relationship to the world's circulation of credit. A fair price means the price at which the average supplier nation can continue to contribute, profitably, the volume and quality of product which the world economy requires. Stable prices of essential raw materials, such as petroleum, combined with nominal long-term rates of simple interest on primary flows of international credit, are a crucial necessity, if a durable process of reconstruction is to exist.

These measures must be adopted, not as a matter of taste, but as a matter of survival. Sometimes, when the ship is sinking, no sane passenger says, "But, I refuse to be seen on a life-raft."

It will be objected by some, that we are living under conditions of spreading war, not the conditions of peace under which the 1945-65 monetary system was installed. That warning is, of course, true. However, if nations are not willing to establish the institutional preconditions of durable peace, including essential economic preconditions, then the immediate future of civilization everywhere, would be a virtually hopeless one. It were better to mount the life-raft. The first step, is to recognize, at last, the simple fact, that the ship, the war-torn present world financial-monetary system, is sinking, hopelessly. Then, perhaps, the proper moves toward the peace of prosperity, the life-raft, will be made by governments and others.