

The diplomatic aspect of the gas

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By Oded Eran

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The tremendous scope, in Israeli terms, of the gas discoveries makes them a strategic resource that Israel can use to promote its relations with the global economic and diplomatic blocs. On the other hand, without agreed arrangements with Israel's Mediterranean neighbors, the strategic resource could undermine regional stability even more.

Israel's clear interest is to arrive at arrangements with its neighbors, like the agreement with Cyprus on demarcating the boundary between the economic zones. Without a peace agreement and given Hezbollah's strong position in Lebanon international mediation will be needed.

One of the main Israeli entrepreneurs in the area of oil exploration has already made an offer to Cyprus to set up a joint facility to process the gas, which will later be transported in tankers to Europe. But there is a preliminary question, the answer to which lies not only with the gas producer, and that is where Israel's economic-political interests dictate that it channel the gas. One option is to export it to the Asian economic giants, led by China and India. That is logical, because their economic power is steadily growing. Export to the east makes it possible to have economic cooperation to exploit the gas and transport it with other producing countries, such as Egypt, and producers in the Arabian peninsula.

The other option is to export the gas westward, to Europe. Along with the potential for friction with neighbors such as Lebanon, the Palestinians and perhaps also Syria, if it discovers gas in its economic-maritime zone, there is great positive potential in cooperating with them in exporting the gas and transporting it to Europe. A joint liquefaction plant shared by all the gas-producing states seems a utopian dream today, but it is certainly possible through a third economic-diplomatic party, such as gas companies and European funding institutions.

As opposed to those who back exporting eastward, supporters of export to Europe will argue that Israel's economic, cultural and scientific future is anchored in Europe. The natural gas exports should be directed there so they can be leveraged to build a balanced, deep and more established relationship with the European Union.

Appended to this question is the issue of Turkey. Already today a network of pipelines to transfer gas from central Asia to Europe is being developed in Turkey. In it lies an alternative to the transport route from Cyprus that can be exploited to change the current relationship between Israel and Turkey.

On the other hand, there will be those who will argue that Turkey's turn eastward is not temporary, and that Israel cannot entrust a tremendous strategic resource to a government as hostile as Ankara.

Prime Minister Benjamin Netanyahu was right when he spoke about using the royalties for long-term investments, especially in education. Bank of Israel Governor Stanley Fischer and others are doing the right thing in seeking to study the economic implications of the flow of royalties to the government, and to create the right financial tool for their optimal use.

But the strategic-diplomatic aspect of gas exports deserves more thorough discussion, and the decision cannot be left entirely up to the gas companies.

The place for this discussion on the government level is in the National Security Council, but there is also an interest in a thorough public discussion of these questions, not only the question of the level of taxes and royalties.

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