



Middle East Investment – War in Gaza

How will the war in Gaza affect Middle East investment? Will the deep seeded resentments that fuel support for Hamas ever subside? Does the generalized chaos in the Middle East give Israel a window in which to impose a final military solution in Gaza? Does the hatred that the military government for Islamists give Israel a green light? And what does the situation in Gaza imply for investment in Israel specifically and for investment in the Middle East in general? The chaos in Syria and Iraq threatens Turkey, Iran and other neighboring nations, including Israel. For most investors this region does not fall into the category of **good offshore investment ideas**.

Roots of War: The Balfour Declaration and the Holocaust

In the later days of World War I Great Britain needed money to keep fighting against Imperial Germany. In return for loan guarantees the British government promised to *“view with favor the establishment in Palestine of a national home for the Jewish people, and use its best endeavors to facilitate the achievement of this object”*

This is a shortened version of the Balfour Declaration written by the UK Foreign Secretary Arthur James Balfour to Baron Rothschild (Walter Rothschild, 2nd Baron Rothschild), who was a leader of the British Jewish community. The Balfour declaration was effectively incorporated into a League of Nations mandate. This legitimized and facilitated the return of many Jews to the Holy Land. After the World War II era Holocaust the movement of Jews to Palestine accelerated. The United Nations recommended a partition plan in Palestine and Jews in Palestine declared a Jewish state, Israel. The next day neighboring Arab nations declared war. As a result this and subsequent wars Israel controls Jerusalem, and lands to the East of the Jordan River and the Golan Heights which were part of Syria. Israel controlled the Gaza strip and then gave it up allowing local residents self government. Hamas won elections in Gaza several years ago, declares that Israel has no right to exist and routinely fires rockets toward Israel. The Israeli army is currently operating in Northern Gaza in an attempt to destroy tunnels, stashes of rockets and other factors that threaten Israel. Although Israel is doing well economically Israel and Middle East investment are constantly threatened by political and civil unrest and outright war. However, as an investor you do not need to look to selling things in or to Israel but rather investing in Israeli companies that sell abroad. For example, who makes all of those drones?

Israeli Defense Industry

Israel is one of the world’s major exporters of military equipment, long having passed ten percent of the world total each year. Major producers are Elbit Systems, Israel Aerospace Industries and RAFAEL. It is the 11th largest arms exporter in the world. There are more than one hundred fifty defense companies based in Israel with combined revenues of more than

\$3.5 billion a year. Israel supplies the USA, EU, India, Latin America and Southeast Asia with high tech and low tech weaponry. **Fundamental analysis** of Israel and Middle East investment means looking at what the country needs, produces and profits from.

If and When Reconstruction Occurs

Fortunes were made in Japan and Europe as these economies reassembled themselves from the wreckage of WWII. The USA profited greatly as the only major power not devastated by fighting on its soil. Now look at Egypt, Turkey, Jordan, Israel and the rest of the nations on the periphery of the fighting in the Middle East. If and when peace occurs, these nations will become foci of Middle East investment and prosperity. **Invest your money** where profits will be greater. This could be the Middle East when peace returns.

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