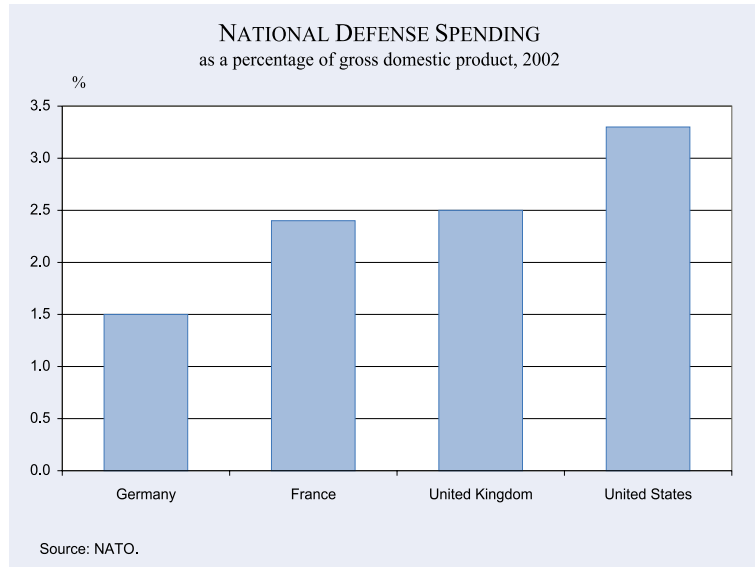


GERMANY'S MILITARY IN NEED OF MODERNISATION

Even if Germany had agreed to take part in the war on Iraq, experts say it would not have been able to do so for lack of modern equipment.

Germany, like other NATO allies, must transform its traditionally static armed forces into mobile, high-tech services. But, like most other NATO allies, Germany has neglected defence spending since the end of the cold war.

While the United States spends 3.3 percent of its gross domestic product on its armed forces, Germany's military spending last year totalled just 1.5 percent of GDP. According to NATO, half of the country's defence budget goes to salaries and benefits for personnel and only 13 percent is spent on new equipment. Capital investment must be raised to at least 30 percent, however, in order to modernise at the necessary pace, says General Naumann, a former chairman of NATO's military committee. The idea is to close military bases and cut back personnel, a third of which are civilians. This is meeting stiff resistance of the labour unions as well as the mayors of the towns which host the bases and have become dependent on them for their livelihood.



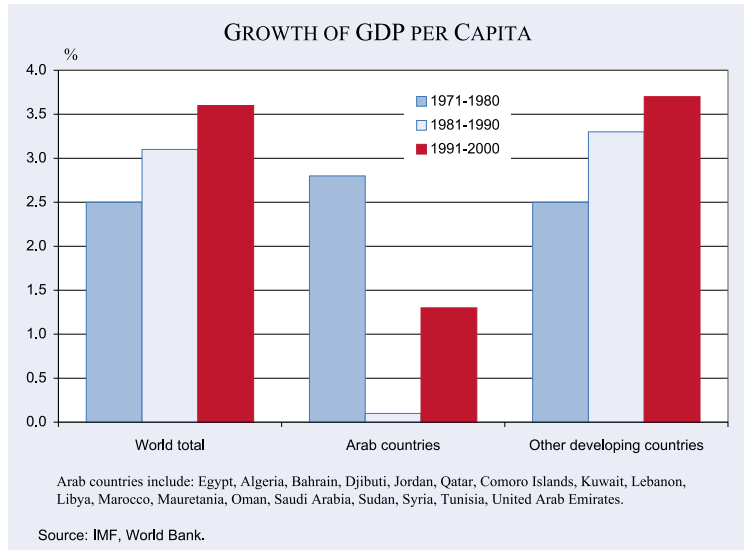
The cost of absorbing former Communist East Germany, which is still getting huge transfers every year to support the excess of its consumption over output, an ever expanding welfare state and rising unemployment payments in a slow-growth economy have put severe constraints on the German budget. And with a budget deficit already exceeding the Maastricht limit of 3 percent of GDP, deficit spending on modernising military equipment is just not in the cards.

Yet, Germany has been generous and effective in peacekeeping operations from the Balkans to Afghanistan, where it now shares command of the international force in Kabul. It has several hundred highly trained special operations troops, excellent mine-clearing and water purification equipment, ABC detection tanks as well as a strong medical corps and state-of-the-art flying hospitals. All in all, it has more troops deployed abroad than any other country besides the United States.

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DOES ISLAM RETARD ECONOMIC GROWTH?

It is still an open question whether Islam has a retarding effect on growth in the Arab countries or whether the general economic slowdown, oil market developments, the regional security situation, and country-specific policy pressures exert a greater influence.



It is a fact, however, that the standard of living in the countries of the Near East is hardly higher on average than in many developing countries – despite their oil wealth. Thus in 2000, average per capita income of the Arab countries amounted to around \$4,700 while in the other developing countries it was about \$4000. World-wide, GDP per capita averaged about \$7,500.

The average figure for the Arab countries hides wide divergencies, however. Thus in Qatar, GDP per capita is around \$19,000, while it just reaches \$900 in Yemen.

per capita climbed more than 3 percent p.a. worldwide. The last time the Arab countries were able to keep pace with the rest of the world was in the 1970s when surging oil prices pushed up their standard of living.

Their great dependence on oil has not allowed these countries to benefit from rapid globalisation. Whereas world trade almost tripled during the past twenty years, Arab exports not even held their own.

Economic performance is not the only measure of well-being, however. According to the UN Human Development Index, illiteracy is one of the major problems of the Arab population – although literacy is an essential prerequisite for participating in the prosperity of an increasingly knowledge-based world. If the definition of well-being is extended to other areas like political freedom, use of the Internet, and women’s participation in political and economic life, the Arab countries fall back further in the development ranking.

Qatar	18,789	Algeria	5,308	Mauretania	1,677
United Arab Emirates	17,935	Lebanon	4,308	Comoro Islands	1,588
Kuwait	15,799	Jordan	3,966	Yemen	893
Bahrain	15,084	Egypt	3,635	Arab countries	4,728
Oman	13,356	Syria	3,556	Other developing countries	3,933
Saudi Arabia	11,367	Marocco	3,546	World total	7,473
Libya	7,570	Djibuti	2,377		
Tunesia	6,363	Sudan	1,797		

Source: UNDP

A look at economic growth during the past three decades explains why the Arab countries are lagging the rest of the world. During the 1980s, GDP per capita did not grow at all and during the 1990s it only grew by 1.3 percent. At the same time, GDP

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