
Middle East

Fight for development bank is top priority

by William Jones

The Israeli-Palestinian peace accords signed on Sept. 28 in the East Room of the White House, superseding the September 1993 Declaration of Principles as well as the May 1994 Cairo agreement that established Palestinian self-rule in Gaza and Jericho, have revamped the diplomatic chessboard of the Middle East. The presence of Egyptian President Hosni Mubarak and Jordan's King Hussein underlined the fact that Israeli-Palestinian agreements have become the hub of any comprehensive peace settlement between Israel and its Arab neighbors. Although Israel has had a chilly peace with Egypt for 16 years, Jordan and Israel just recently signed their own peace agreement.

But the lynchpin accord is the one with the Palestinians. And for that, in the West Bank and Gaza, there was considerably less enthusiasm than in Washington. Palestinians have yet to feel any beneficial effects of the "peace process." The economic development projects, understood by all the parties as the underpinning of peace, have come very slowly. The World Bank has continually hemmed and hawed about Palestinian "transparency" and "accountable mechanisms," and effectively prevented the issuance of the financial support that had already been pledged. Further, according to the State Department's Special Middle East Coordinator Dennis Ross, "it took time to sort of settle, in fact, an agreement on the right kinds of priorities and the right kinds of projects that should be pursued."

Moreover, real roadblocks have been put up all along the way—by the British, who have felt themselves upstaged by the U.S. President in one of their traditional spheres of influence, and who continue to orchestrate the terrorist assets they control both on the Israeli and Palestinian sides, to sabotage the agreements; by the World Bank, whose only "development philosophy" for the last 30 years has been one of zero population and zero economic growth, especially in poor countries; and by the "free market" ideologues of the International Monetary Fund and the international financial institutions, ever on the watch to stifle any signs of the "dirigist" policies that might favor substantive infrastructural development. As much publicity as the Donors' Conference at Casablanca last October received, very few projects have gotten

off the ground which could make the peace a palpable reality for the Palestinians.

At a background briefing Sept. 27, the State Department's Dennis Ross indicated that the administration is leaning toward the kind of large-scale projects that will make a difference, and he also scored foot-dragging by the financial institutions. He was asked: "What range of price tag would an economic support program carry? And given that Congress is in the mood to cut funding and the Middle East Development Bank hasn't quite met initial expectations, where is the money going to come from?"

Ross replied, "At this point, one of the things that we need to do in terms of the donor effort is not so much pledge new money. . . . The amount of assistance that's been pledged by the international community to respond to Palestinian needs, in truth, is sufficient. The problem had not been the pledging, the problem has been the delivery. And the problem has also been not just in terms of delivery, it's been in terms of targeting.

"We need to come up with an approach that streamlines the process of pledging and delivery, and we need to come up with an approach that targets much better what are the economic needs. Now we restructured our own aid program to focus less on a large number of small projects and more on a smaller number of larger infrastructure projects."

The power of the Presidency

President Clinton's strong support for a Mideast Development Bank, a project proposed by the four regional parties—Egypt, Jordan, Israel, and the Palestinians—as a catalyst for development, shows his awareness of this problem. Since the bank proposal was formally presented at Casablanca last year, the President has used all his authority to try to bring it into existence.

In discussions with the four regional leaders at the White House on Sept. 28, President Clinton presented a draft document that he proposed be made into a Joint Declaration of the Washington Summit by the five parties. This they agreed to. The Joint Declaration notes that the leaders "recognized the importance of economic cooperation and development in supporting a lasting peace in the region and committed themselves to enhance mutual coordination for the common benefit of their peoples and all the region." "In this regard," the statement continues, "they pledged their full support for the upcoming Amman Economic Summit and for the establishment of a Middle East Development Bank."

At a luncheon later in the day at the White House attended by representatives of the donor countries, President Clinton lobbied for the bank among visiting European leaders and encouraged strong financial support. One senior administration official said that some of the interlocutors had gotten "a bit on fire," sparking what he called "a good collegial back and forth on the issue." Another senior official at the ceremonies indicated that President Clinton had been

“forceful” in his defense of the bank before Spain’s Premier Felipe González, this year the chair of the European Union. Here also, some leaders, such as the European Union’s Jacques Santer, expressed misgivings about the feasibility of a development bank, but these objections seem to be a “parting shot” by opponents.

As the idea of a “financial mechanism” for the Middle East has largely carried the day in discussions, according to Robert Pelletreau, Assistant Secretary of State for Near Eastern Affairs, the disagreement now boils down to whether loans from the bank would be at concessional (lower-than-market) interest rates or at commercial rates. This is a very important distinction, because funds for major infrastructure projects would have to carry low rates of interest over the relatively long time-frame needed to bring the projects to fruition. Speaking at the World Affairs Council on Oct. 2, Pelletreau said he felt that negotiators were “almost there” regarding the development bank. The exact formulation, however, of how the mechanism will actually function, including what the interest rates would be, will determine whether or not the institution will be a catalyst for development or simply another creditor waiting for a usurious return on its investment in an area getting poorer by the day.

Because of President Clinton’s personal commitment to a comprehensive Mideast peace, there is a good chance that the power of the U.S. Presidency will be wielded to bring the necessary instruments of development into existence. In his first one-on-one meeting at the White House with PLO Chairman Yasser Arafat, Clinton stressed the importance of having established a new relationship with the PLO leader. It was decided to establish a U.S.-Israeli-Palestinian trilateral committee in order to explore, identify, and develop cooperative projects, including in the most critical area of water production.

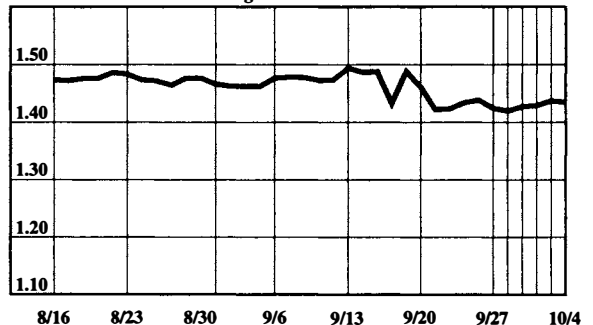
The power of the U.S. Presidency is the one factor that could possibly counter the “free market hysteria” and the open sabotage by the international financial institutions. But time is short. If real development does not begin soon, as Prime Minister Yitzhak Rabin warned at the signing ceremonies, all that will remain of the ceremonies will be some nice color photographs, and the region will again plunge into war and terrorism. One senior administration official says that President Clinton has found an ally in his fight for the development bank in French President Jacques Chirac, who is helping to overcome the British-orchestrated opposition to the bank and to Mideast development.

Another obstacle in the President’s path is the sabotage of a recalcitrant U.S. Congress, which has been making ugly noises about not allocating funds for the Palestinian National Authority. Following the lead of foes of the peace process such as Likud leader Benjamin Netanyahu, Sen. Jesse Helms (R-N.C.) and his co-thinkers are acting as a “fifth column” in Washington for the terrorists in the Middle East.

Currency Rates

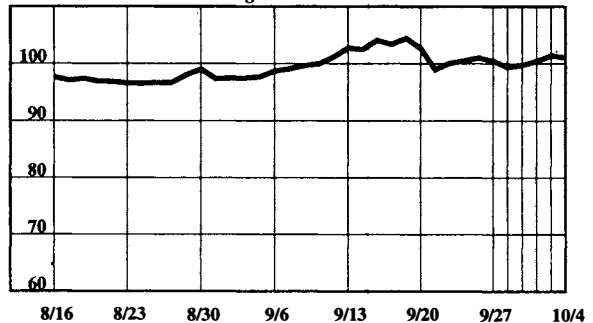
The dollar in deutschemarks

New York late afternoon fixing



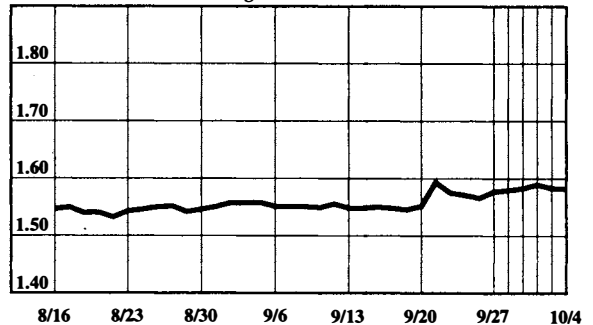
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

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