

Middle East Development Bank gets green light in Washington talks

by Dean Andromidas

On Jan. 11, a group of experts from the Middle East and North Africa concluded a meeting in Washington, sponsored by the U.S. State Department, with almost unanimous support for the creation of a Mideast Development Bank.

In a summary statement read by State Department Undersecretary Joan Spero, the chairman of the meeting, it was stated that the initiative taken by Egypt, Israel, Jordan, and the Palestine Liberation Organization in proposing a Mideast Development Bank "illustrates the new realities of the Middle East. . . . These parties in the region have risen to the challenge posed by the international community to develop their own institutional proposals to support their strategy for moving from conflict to partnership." The State Department meeting, comprising both the nations of the Mideast and North Africa as well as the countries of the Organization for Economic Cooperation and Development (OECD), agreed to the general characteristics of such a bank. The bank should focus on projects to promote regional integration, and should be a catalyst for private sector investment, Spero said. It should have a sound financial structure and a mandate to command strong support from international capital markets; it should be not a carbon copy of existing regional development banks, but rather a "multifaceted" institution "tailored to the unique needs and opportunities of the region." The bank should "cooperate closely with the IMF [International Monetary Fund], World Bank, and other regional institutions, whose role would remain essential in the region."

Another clause states that "funds should be lent only at market rates. However, it could administer voluntary trust funds that could offer concessional rates for special activities."

The broad economic goals of the "New Middle East" discussed at the meeting involve 1) building trans-border infrastructure projects; 2) invigorating the private sector and stimulating private capital flows; and 3) enhancing regional economic policy dialogue, reform, liberalization, and integration. The Washington meeting also set up a task force that will develop detailed proposals for the new institution, including mandate, membership, eligibility for borrowing, operation functions, capital requirements, and the like. The task force will meet again in Washington in March and every month thereafter, and will present its proposals at the Amman

Economic Summit scheduled for Oct. 30-Nov. 1.

All the participants expressed agreement with the summary as read, except the representative of Great Britain, who complained that the "mandate confuses ends and means," and cautioned that the task force "should not assume that one mechanism is better than another," but should remain "open to all options." With that proviso, he somewhat grudgingly accepted the summary report.

Stop the foot-dragging

The Israeli delegate stressed that it was important that "the political decisions regarding the bank should be made by Oct. 30." "After Oct. 30, the real work has got to begin," he said. Seconding his Israeli colleague, the Jordanian delegate emphasized that the next meeting must deal with the specifics of the operation of the bank, rather than be another discussion about principles, which he hoped had been totally resolved by this meeting. The Italian delegate urged the need to make some headway on the proposals even before the March meeting.

This commitment for the creation of a new financial institution dedicated to regional economic development began as a proposal last October at the Casablanca regional economic development conference sponsored by King Hassan of Morocco, under the initiative of Israeli Foreign Minister Shimon Peres. Referencing a disagreement about the formation of such a bank which arose at the Casablanca conference and resurfaced in Washington, Undersecretary of State Spero, speaking before the concluding press conference, said that the "difference of opinion" manifested earlier at Casablanca "had narrowed quite significantly" in favor of such a bank.

There were alternatives presented, however, in particular from the European side, which was pushing some other form of economic cooperation institution as an alternative to a bank. The decisive influence, Spero noted, was the "visionary perspective" of the regional countries themselves, which since Casablanca had united around the bank concept. Egypt, Israel, the PLO, and Jordan presented a paper with a "unified, clear, and powerful vision," in their call for the establishment of a bank, she said. Although "all the i's and all the t's have not been dotted and crossed," concerning whether there should be a bank or an economic cooperation institution,

Spero said that a strong consensus was developing. How such an institution will actually look is still to be decided, however. "The final solution may be a combination of the two," Spero said.

From the discussion, it was clear that the United States acted strongly in favor of the bank. The task force that will dot the i's and cross the t's consists of the Group of Ten countries, as well as the steering committee countries of the Peace Process Groups (European Union, Russia, Saudi Arabia, United States, and Tunisia). At the request of the United States, the regional cooperation group (Egypt, Israel, Jordan, and the PLO) was added to the task force, as was the case at Casablanca, because of their role in hosting the first conference.

The cornerstone of the Middle East Peace process initiated by the 1993 Oslo accords and the Gaza-Jericho agreement between the PLO and Israel was economic development, built on the foundations of regional infrastructure projects in the water, energy, and transport sectors. On the table for discussion is the Mediterranean-Dead Sea Canal and a Red Sea-Dead Sea Canal for the production of electricity and the desalination of seawater. In a discussion with *EIR*, Spero said that a Red-Dead-Med Canal, "or whatever combination they may finally come up with," would be a potential recipient of financing from the new bank. Nonetheless, an official present at the conference, who wished not to be named, responded to a question on who opposed the concept at the meeting: "Well, of course, the financial institutions expressed their usual caution in the face of something new."

Spero indicated that the bank could move forward even without a Syrian-Israeli agreement. The only requirement is that the countries wishing to become members accept the Madrid peace agreements. When questioned whether that meant the country must also recognize Israel, she indicated that that issue was not totally resolved. The Saudis, who were opposed to the bank, have softened their opposition, although they still have not formally given their support to it. Spero also said that it was intended that all the details be worked out by the time of the Amman summit. "At Amman," Spero said, "the political-level decision must be taken concerning the creation of that institution."

Beware of the World Bank and IMF

The commitment to a Middle East Development Bank represents yet another crucial step on the way to the creation of a new Middle East committed to economic development. Yet the fight over the various bank proposals represents a continuing tug-of-war between the partisans of peace and economic development, and the opposition, led by Britain and allied institutions including the World Bank, International Monetary Fund (IMF), and the United Nations. To "cooperate closely" with these institutions is what is at the heart of the danger to the peace process.

The terrorist provocations by the Hamas organization, which is leading the Palestinian opposition to the accords, and the provocations of the right-wing Jewish settlers movement, although financed and manipulated as British assets, are given fertile ground in the impoverished conditions prevailing in the Palestinian National Authority as well as Egypt, Jordan, and other countries of the region.

A ranking member of the Palestinian National Authority (PNA), who recently concluded a trip to the United States for talks with IMF and World Bank representatives there, confirmed the role of these banking institutions as saboteurs of the peace process. While technical assistance is being offered in the area of banking and finance, the money already allocated for development projects is still not flowing. When asked why they were stalling, the IMF and World Bank representatives in the United States claimed that they "had to respect the will of the donor countries." This is the line given to mean that they do not accept the role of the PNA's economic coordinating agency, the Palestinian Economic Council for Development and Reconstruction (Pecdar), as a reliable, trustworthy entity for channelling development funds. An IMF delegate currently in Gaza responded to the same question, saying that "big projects require more time, at least two to three years."

In addition, highly reliable sources in Gaza report that 60 to 70% of U.S. government aid for the Palestinians is being channelled through the hundreds of non-governmental organizations (NGOs) now operating in the Palestinian autonomous areas. These "No-Good Organizations" use the money to fund institutions which do not even exist in the area in question. What is the money being spent on? "They have opened shops, little offices, and have bought agents. They are creating agents and agencies which serve their own interests," these sources report.

On the Israeli side, the Rabin government, under pressure from the settlers movement, which is heavily supported by the British-controlled wing of the international Zionist movement, has been unable to deal forcefully with the question of illegal settlements. There is said to be growing concern for the upcoming 1996 elections, and whether the Labor-led government can be returned to power.

Parties supporting the Middle East peace process in Palestine, Jordan, and Israel are eager for the White House to assert more direct leadership, to reintroduce momentum to the negotiations. This is the assessment of a leading Palestinian politician and a journalist close to both the PLO and the Israeli Labor Party. A few months back, President Ezer Weizman gave an interview on Israeli TV, comparing the PLO-Israeli peace agreement to Israel's Camp David agreement with Egypt. Weizman, who was defense minister at the time of Camp David, stressed that if the United States had not taken a decisive stand at that time, the agreement would not have been reached. Weizman's point was that the same thing is true today.