World Bank, U.S. donors conference jeopardize Mideast peace accord

by Joseph Brewda

"Let's face it: Over $100 billion has been spent on weapons since the [Persian] Gulf war and here we are talking about a commitment of less than $2 billion on peace," Jordanian Crown Prince Hassan complained to reporters after a "donors conference" for Mideast development sponsored by the World Bank and the Clinton administration in Washington on Oct. 1. The conference supposedly dealt with the economic development of the Gaza Strip and West Bank, but only $1.7 billion in initial aid was promised, and only $3 billion projected as an aid package over 10 years. "We simply can't continue to see piecemeal handouts and amateurish approaches, altruistic though they may be, amounting to anything in terms of dealing with the global problems of suffering," Hassan added. "Media events in Washington or Oslo" are not a "substitute for change on the ground."

Palestine Liberation Organization (PLO) Chairman Yasser Arafat had similar comments: "$1.7 billion? It is nonsense. It is peanuts. We need at least $5 billion for the West Bank" over the next three years. Arafat had already told the Israeli newspaper *Davar* on Sept. 15 that "if the United States and the international community failed to send funds to finance infrastructure projects in the territories, and especially in the Gaza Strip, it was doubtful if the agreement could be implemented." Similarly, Israeli Foreign Minister Shimon Peres has called for an $8 billion per year "Marshall Plan" to develop the entire region, emphasizing the need for massive infrastructure projects.

Unfortunately, Hassan and Arafat are correct: The World Bank and the Clinton administration are opposed to precisely the type of projects required to make the accords work. The administration was already moving to oppose the substance of the accords on Sept. 20, when Secretary of State Warren Christopher announced plans for the donors conference which, he said, would be modeled on the January 1992 donors conference that pledged aid to Russia. At that conference, the United States and other nations decreed that aid to Moscow is contingent on its "long-term reform plans" and its implementation of International Monetary Fund (IMF) conditionalities.

On Sept. 20, the World Bank released its *Developing the Occupied Territories: An Investment in Peace,* a six-volume series laying out its vision of Palestinian development. The study, and a related report, "Mideast Peace Talks Regional Cooperation and Economic Development: A Note on Priority Regional Projects," shows that the World Bank is thoroughly opposed to the type of projects that Hassan, Arafat, and Peres have urgently called for:

The World Bank plan

No state-directed credit: Right up front, the World Bank demands that neither Israel nor the emerging Palestine state ever carry out the type of state-directed "dirigist" credit policies required to agriculturally and industrially develop the region.

"International experience," the report asserts, "indicates that differentiated patterns of protection, activist industrial policy or public channelling of money into unviable enterprises via the financial system too frequently lead to economic disaster." In reality, the contrary has always been shown to be true. It is only when such policies are followed, for example formerly by the United States and by Japan, that countries ever develop.

"Economies that have prospered in the past," the study continues, "have relied primarily on the private sector, working in undistorted markets, as the primary engine of economic growth." To understand this formulation it is important to know that the World Bank considers increasingly impoverished Mexico to be a show-case example of economic growth.

Abandon attempts to achieve food self-sufficency: The World Bank is clear that increased food production through developing new sources of water will not be allowed. "Diminishing water resources throughout the region will constrain the development of the agricultural sector," the report reads, "with future growth limited to high-value export crops catering to niche markets." In other words, grow oranges, asparagus, and cut-flowers for Europe, but do not grow staples like rice and beans for one's own population.

This is par for the course for the World Bank and IMF. For example, the IMF is demanding that Egypt take land currently used to grow staples like beans, and instead grow cotton for export. Egypt used to produce virtually all of its food, by adhering to the development policies of former

President Gamal Abdul Nasser. Today, having failed to continue infrastructure development, Egypt barely produces half of its food. It is, consequently, easy for foreign powers to spark food riots in Egypt. Similarly, the IMF is demanding that Mexico stop growing staples, claiming that Mexico can more cheaply depend on international markets for its food supply. In Peru, farmers are growing coca plants for producing cocaine, rather than potatoes, a policy lauded by the World Bank in its praise of the "informal economy."

No industry, but a service economy: The World Bank is also opposed to heavy industry. "Given the paucity of industrial raw materials and the small market size, heavy industry is unlikely to be a major contributor to future growth," the report reads. "Instead, skill-based, light and medium-sized industries would appear to be more promising."

Associated with creating such light industries are plans to create "free trade zones." Demanding open trade relations between Israel and the Arab states, the report states that "a possible approach to consider would be a free-trade area with Israel, linked with a significant opening of trade to Jordan and Egypt," i.e., that Israeli-owned Palestinian sweat-shops assemble cheap radios for export to neighboring Arab states.

"Above all," the report continues, "the economy of the West Bank and Gaza is likely to remain mainly a service-oriented economy with an important contribution made by the tourism sector." Already, some Israeli economists, such as Ezra Sedan, who are opposed to Arab industrial development, are saying that the accords can be used to develop "Riviera-style" beach resorts on the Gulf of Aqaba coast—presumably employing Arab prostitutes.

Rationalization and privatization: The study emphasizes the supposed need for rationalizing and privatizing "inefficient" government sectors that have "poor performance." As an example, the study cites *existing* health care as being inefficient due to being too high-technology. "Most health care resources are being used to provide costly, high-technology, hospital-based care," it complains.

In this respect, the report claims that the Occupied Territories are blessed with a relative lack of government involvement in the economy, since, after all, the territories are occupied. The territories do not have a "bloated bureaucracy nor any loss-making public enterprise. . . . Free from these legacies, public policy can, therefore, focus on structural reform." In other words, the Palestinians will have genocidal "structural reforms" imposed on them without even having a state, or even the crushing external debt typically used to enforce such policies.

In its related report, "Mideast Peace Talks Regional Cooperation and Economic Development: A Note on Priority Regional Projects," the World Bank gives "low priority" to almost all infrastructure projects which are urgently needed if the accords are to be implemented. The only project recommended, a gas pipeline from Algeria to Europe, is based on Algeria using the pipeline to pay off its huge IMF debt.

Among the regional projects intended for oblivion are: the Mediterranean Sea-Dead Sea Canal, necessary for irrigation, transportation, and water management generally; an expressway from Beirut to the Syrian border to develop war-ravaged Lebanon; a Gulf of Aqaba-Iraq land corridor, linking Jordan's Aqaba port on the Red Sea to Iraq. Of course, the World Bank would not even consider mass-scale nuclear power-driven desalination of sea water.

Harvard condemns development too

One week before the signing of the PLO-Israel Accord, Harvard's Institute for Social and Economic Policy in the Middle East released its "development plan," entitled "Securing Peace in the Middle East: Project on Economic Transition." It has been lauded by the Clinton administration, and Vice President Al Gore has appointed its author, Leonard J. Hausman, to chair the U.S. Taskforce for Private Investment in the West Bank and Gaza. Harvard is the base of self-identified economist Jeffrey Sachs, whose "shock therapy" policies have destroyed eastern Europe since 1989.

The Harvard study makes the same type of demands as those made by the World Bank. "Each of the three economies ought to be market-friendly, relying on the private sector and market forces to play the leading role in allocating resources," the study says. Israel, Jordan, and the Occupied Territories should move toward free trade within months of the accords, dedicated to a "market-oriented, private enterprise-dominated Palestinian economy." These free-trade arrangements could then be widened to include Egypt, Lebanon, and Syria; ultimately, they could be extended to create "an all-embracing Middle East Economic Community."

Similarly, it says that a "transborder flow of services" is "required for the successful development of industry and trade." A proposed Palestinian Department of Industry, Trade, and Tourism would "encourage the development of industrial and free-trade zones."

Harvard Prof. Roger Olson made similar demands in his address to the Sept. 30 annual conference of the Middle East Institute in Washington. Olson, a former Oxford University economist, directs the Harvard Center for Mideast Studies; the Middle East Institute is led by former top U.S. foreign service officers.

The prime importance of the accords, Olson stressed, is that resources that are now squandered could be managed through treaties between states. There is no real shortage of water in the region, he claimed, only misuse. The worst problem of misuse, he said, is that farmers use water in growing low-priced foodstuffs. Consequently, a regional agreement must impose a sufficiently high price on water such that growing such crops would no longer be possible. Imposing such a high market price is much more efficient than dictatorship, he added. This is the post-Cold War world, he said, and there will be no more free rides.