

## Is the World Bank preparing civil war in Palestine?

by Muriel Mirak-Weissbach

The peace agreements signed between the Palestine Liberation Organization (PLO) and Israel in September 1993 and between Israel and Jordan in December 1994 were hailed as milestones on the road to peace, in a region which has known little other than war over the last five decades. The optimism engendered by the agreement resulted from the fact that the political settlement was premised on a commitment on all sides to real economic development, whose shared benefits would lay the basis for defining new relations among the adversarial populations. The economic annexes to the Oslo accords, echoed by the Jordanian-Israeli treaty a year later, promised vast infrastructure projects, especially for the creation of new sources of water, which would revolutionize the economies of the states in the Middle East.

Now, a year and a half have passed since the Oslo accords were announced. Instead of peace, prosperity, and the perspective of a flourishing future, there is soaring unemployment and collapsing living standards. Optimism has given way to frustration and bitterness among vast layers of the Jordanian and Palestinian populations. Unless the directionality of economic policy is radically shifted toward implementation of the development projects envisioned in the accords, the entire process will be fatally jeopardized. As the Justice Minister of the Palestinian Authority, Freih Abu Middain, remarked in an interview to *EIR* published in this *Feature*, "Oslo is going to collapse, the whole peace process is going to go to Hell within three or four months, if something does not change."

It was clear from the outset, that the success or failure of the peace process hinged on economic policy: as Lyndon LaRouche stressed repeatedly in the pages of *EIR*, either great infrastructure projects would be implemented fast, bringing concrete, visible improvement in living standards to the Palestinian population, and thus proof of the benefits of peace, or else agencies like the World Bank would monopolize policymaking, thwarting efforts toward development, in favor of "get-rich-quick" schemes for speculative investment. If the latter course were taken,



*A school in Gaza, 1993. The success of the peace process hinges on bringing about a visible improvement in the living standards of the Palestinian population. Instead of supporting the development of infrastructure and social programs like education, the World Bank is promoting "get-rich-quick" schemes for speculative investment.*

LaRouche warned, extremist opposition to the peace process on both the Israeli and Arab side would gain ground, and the hope of peace would be drowned in blood.

It is no exaggeration to state that the World Bank, and related international agencies representing the British oligarchy, are not only sabotaging efforts at development, but are pursuing a course of action which can have no other practical consequence than the outbreak of civil war among a divided Palestinian population. Such a tragic turn in the autonomous areas would immediately spill over into Jordan, whose population is at least 60% Palestinian.

### **Development sabotaged: the case of Gaza**

Gaza, a virtual concentration camp spread out along a 46 kilometer coast, and a land area that reaches 6-8 km inland, is the test case for the Oslo accords. Since the economic and social situation there is by far the worst of any region of the Palestinian autonomy, it would have been the place where improvements could have been most readily and dramatically achieved. *EIR* campaigned for immediate work to begin on a deep-water port in Gaza City, as well as a Mediterranean-Dead Sea canal, to be cut across Gaza. Furthermore, *EIR* presented a viable project for nuclear energy-driven desalination plants, to be installed in the port city, to provide ample freshwater for domestic, industrial, and agricultural use. Such a nuclear-run complex would have provided a science-driver for the economy of the area; the energy-desalination plant complex would have served also as a training center

for engineers and scientists, as well as a living technology museum for children.

Although tremendous interest was shown in *EIR*'s plan by leading economists in the Palestinian community (as well as in Jordan), the World Bank and its appendages shot it down. The 1993 World Bank report on the Middle East specifically downgraded nuclear energy, listing it among its lowest priorities. Producers of safe nuclear reactors, capable exclusively of generating energy for peaceful applications, in Germany and the United States, refused to provide the technology. As one German bureaucrat in charge of relations with the Middle East told *EIR*, "The Palestinians in Gaza don't need nuclear energy; they need garbage disposal units."

Yet, even the so-called "appropriate technology" and very minimal infrastructure envisioned in the World Bank program have not been provided. This includes roads, housing, schools, and hospitals. If you go to Gaza today, as this author did, you will look in vain for any such projects. None of them has been started.

What is Gaza today? As one member of the Palestinian National Council and Central Committee told *EIR*, "Gaza, at the time of the Oslo accords, was little more than a giant garbage heap. Thereafter, it became a very, very, very, very dirty city. Now, it is a very, very dirty city." The city has been cleaned up, heaps of garbage have been removed, yet in the absence of an urban sewage system, waste continues to pile up, constituting a serious menace to health. The only project actually functioning is one organized by the



*Where are the development projects that are going to give these youngsters in Gaza a future? Virtually nothing of what has been promised by international institutions and world governments has actually been delivered.*

Germans, which is construction of a solid waste management and treatment plant. German technicians from the Society for Technical Cooperation have travelled to Gaza to set up the project and work is proceeding, expected to be completed in a matter of months. Palestinians are hoping that the same agency will build a \$15 million sewage system for Khan Yunis, the second largest city after Gaza.

This German project, which is bilateral, financed outside the channels of the World Bank, is the exception to the rule. Otherwise, in Gaza, *there are no projects*. Those few new buildings seen to rise up along the beach or in the city, turn out to be—every single one—the product of private financing. Some are hotels, some are private homes. *There is not one project* for social housing, schools or hospitals. As far as basic infrastructure is concerned, some workers can be seen putting up pavements and curbstones in the city. This is what the World Bank means by “roads” as a priority in infrastructure: maintenance of existing roads, nothing more. It should be noted that in Gaza city, there are about four main roads which are paved. The rest are dirt roads, many flooded by waste water.

Why are there no projects? The answer is as simple as it is diabolical: because there are no funds.

Since the signing of the Oslo accord, many conferences have taken place, bringing together “donor” countries to discuss funds for Middle East development. The amounts pledged reached up to \$2.4 billion, of which \$470 million were to go to Gaza in 1994. Only \$270 million has been disbursed. Controversy has raged since fall 1993 over wheth-

er the PLO institutions established to channel development funds into projects were “accountable,” “transparent,” “credible,” and the like. One fund was established, the Holst Fund, named after the Norwegian foreign minister who had sponsored the secret Israel-PLO talks, specifically to finance expenditures of the Palestinian Authority’s administration, especially the police force and security, of 16,000 men. The Holst Fund is currently \$19 million in arrears of its payments. When Palestinian government officials recently asked for monies to be disbursed, they were offered \$2,000! Saudi Arabia is reportedly putting up \$7.5 million, to keep police paid for another couple of months. In addition, 22,000 civil servants, including teachers, have to be paid. Funds from the European Union will cover these salaries, but only until the end of March.

Other expenditures made by the Palestinian Authority, which are vital to maintaining services for certain Palestinian layers, are not recognized by the donors and their official spokesman, the World Bank. These “illegitimate” outlays include activities in health, education, and social programs in Jerusalem; anything outside the occupied territories, including among Palestinian refugees in Syria, Lebanon, and Jordan; and support for families of Palestinians killed in the Intifadah.

### **World Bank, ‘internationals’ commit fraud**

It is not just that the World Bank and other international organizations—derogatively dubbed in the region as “the internationals”—are reluctant to cough up the sums promised

in various contracts. These organizations are committing actual fraud, moving in to make a quick buck on the backs of people who have been oppressed for 47 years.

The racket of the World Bank and other "internationals" works as follows. The World Bank sends a delegation to Gaza, on the average, twice a month. The World Bank delegates send letters announcing the dates of their arrival, but never inquiring as to whether the proposed dates are convenient for their hosts. They arrive, often in groups of two, and take up lodgings in one of the two Gaza hotels. They enjoy a \$1,000-a-day expense account, far exceeding what they need to pay locally. They spend their time interrogating Palestinian Authority representatives, going through their books, and generally taking up valuable time. They engage frequently in outright harassment. For example, one World Bank delegation went to Gaza recently to investigate an alleged discrepancy in Palestinian accounts, amounting to \$4 million. After a week of checking through accounting books, the World Bank crew had to acknowledge that the missing sum was due to a transcription error made by the World Bank. In addition to the World Bank delegations, there are also those streaming in from Harvard University.

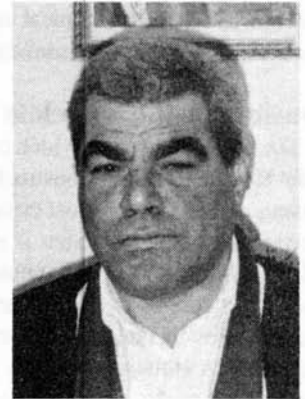
Sometimes, an "international" will come up with a well-heeled project. For instance, a \$2 million price tag will be put on a project for some local improvements. The only hitch is, the Palestinians must hire two experts to do the relevant feasibility studies and so forth, to the tune of about \$700,000 apiece, by the time the project has been completed. When one reads in the press of agreements reached between some European country and the Palestinian Authority for "technical assistance," what this usually boils down to is the following: The country in question offers its technical assistants, to the tune of \$20,000 a month. Palestinian political authorities have made clear that with the same amount of money, 20 Palestinian engineers could be gainfully employed in real projects. In general, when a bilateral deal is made, the "donor" country gains 75% and the Palestinians 25% of the value of the contract. A still more outrageous example of arrogance vis-à-vis the Palestinians is the idea floated in Washington at the Department of Commerce, whereby "preferential treatment" would be given the West Bank, which would be allowed to export goods to the United States at reduced or no tariffs. The hitch was that the West Bank be designated a "non-independent country."

To appreciate the extent of World Bank fraud, it is useful to compare World Bank offers to actual needs. If in Gaza, as has been officially estimated, there are 60,000 unemployed, and if \$10 a day were allocated to keep these people alive on some form of unemployment compensation or welfare, then a total of \$600,000 a day, or \$18 million a month, would be required. Normally, in contracting, one figures that 20% of total expenditures will be allocated for labor costs; that means that, in order to employ this number of unemployed even at these slave wages in construction, one would have to have a

project with a \$90 million investment. In comparison to this figure, the World Bank Emergency Rehabilitation Program

## Samieh Samarra: Our wealth is our people

Samieh Samarra, head of the newly founded Palestine Radio and Television in Gaza, is one of the few people one meets in Gaza whose optimism has not been dampened by the difficulties encountered in the peace process. "It is the first time that Palestinians have ruled themselves, the first time we have government authority, the first time we can say and do what we want," he told *EIR*.



He makes no bones about the duty, as he sees it, for Palestinians worldwide to join in the effort. "Why don't they come here? We're building the first realistic state, the others are just sheikhdoms." Comparing this to the experience of Israel, which was "a state built on an idea, but had to bring people in from the outside," Samarra stresses that "we are all here; we have the land here and the people here. We have families whose histories go way back, they are rooted in the Ottoman Empire days. This is our wealth." Such wealth, he explains, lies in the unique experience that Palestinians have gained, over a hundred years. Samarra proudly points to a young girl working in the radio station, saying, "This girl, 18 years old, has lived all her life under occupation. Think of the experience that that constitutes."

Samarra sees the new media outlet, which is to be outfitted by Marconi and provided technical assistance by the British, as a means of reaching out to the Palestinian community in the entire Middle East, including the Palestinian camps in Lebanon and Jordan, communities in Baghdad and the Gulf countries. "We want to influence them," says Samarra, "to bring them back. We have to dismantle the Palestinian camps, solve the Arab-Israeli conflict, and bring in Palestinian resources to build up Gaza." Looking to the experience in Jordan, Samarra is optimistic: "Amman is a beautiful city, built by Palestinians. Now we can do the same thing here in Gaza."

contemplates \$88 million in Gaza—over a period of three years!

Much has been discussed of proposals for “industrial zones” along the borders, three in Gaza and six along the West Bank, which would create a maximum of 5,000 jobs, but financing for them has not been secured. Palestinian Authority President Arafat asked his German guest, North Rhine-Westphalia governor Johannes Rau, in mid-March to finance such parks, as well as to support projects for a Gaza port and airport, but all the Social Democratic politician had to offer was advice (“technical assistance”?) on how to build up a smoothly running administrative apparatus.

### Housing for the homeless

The economic sector which could and should most rapidly develop in Gaza is construction. The lack of adequate housing represents the most critical social problem in Gaza. The population, whose size is estimated between 850,000 and 1.2 million—no precise census has been made—is being enhanced by the arrival of Palestinians from abroad, and by a natural growth rate of 4.2% in the West Bank and Gaza. According to Housing Ministry officials, about 50% of the population is under 14 years of age and only 10% is over 45. More than 35% of the population lives in refugee camps,

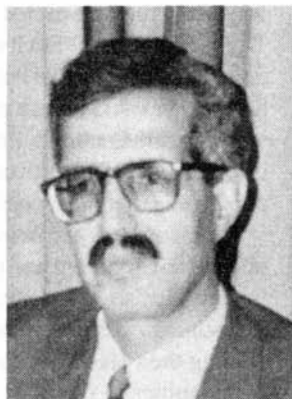
which are controlled by the United Nations Relief and Works Agency for Palestinian Refugees (UNRWA). Population density in the West Bank is 180 persons per square kilometer, compared to 1,930 in the Gaza Strip. In the Beach Camp for refugees in Gaza, the figure rises to 100,000 persons per square kilometer.

Forty thousand housing units are required immediately to provide relief for those worst off, and 200,000 units are estimated to be needed by the year 2000. Current housing, which in a Ministry brief is euphemistically described as of “relatively acceptable quality,” is disastrous in Gaza. People live in makeshift dwellings constructed of cement blocks, bricks where available, and otherwise, of metal sheets, scrap metal, or literally anything usable as physical protection. In the wretched bidonville which is Gaza, eight, ten, or sometimes more people crowd together in one room to sleep. The Palestinian family on the average has seven persons, a number often augmented by the arrival of relatives since the peace agreement. Running hot and cold water, electricity, and hygienic facilities in these shanty towns are a chimera.

The obvious step to take would be to employ the currently unemployed to build housing for the homeless. The Palestinian population has highly skilled labor, including the engineers required for construction. In addition, the presently

## Freij Ahmed el Khairy: Peace requires courage

Freij Ahmed el Khairy directs the Palestinian National Authority (PNA) Regional Civil Affairs Committee in Gaza. The committee deals with civilian and legal matters between Palestinians and Israelis related to the Cairo agreement, as well as with matters pertaining to agriculture, passports, settlements, border points, travel rights, import-export, investment, prisoners, Israeli courts and their treatment of Palestinian detainees.



El Khairy considers the travel restrictions imposed as a result of Israel's closure of the borders to be the most serious problem he is called upon to deal with. “Those hit the hardest are the students from Gaza who study in West Bank universities, and therefore have to traverse Israeli

territory, which they cannot do now,” he says. Of the 1,300 Gaza students in this category, only 750 have received travel permits. “But it is also students who travel abroad,” he continues. “Many, and not only students, are detained at the borders, at Rafah or the Tel Aviv Airport, without reason. This is a violation of the agreement.” Among the examples cited by el Khairy is that of a woman, Nawal Ajouri, who was kept two and a half months on the Egyptian side with two small children, though in possession of a permit; another woman with five children was sent back. The reason lies in the “security file” system, whereby anyone with a family member in the past or present in prison is considered suspect.

For el Khairy, this should change with the peace agreement: “They're letting in thousands of people, deportees are coming back, some prisoners have been released, so why shouldn't this file be changed?” he asked. “Those who are today heads of the PNA were once all deportees and enemies of Israel; but now they want to deal in peace.” Citing his own case, he says, “I too was a deportee, and now I'm the official interlocutor of the Israelis.”

Considering the continuing use of “magnetic cards” for identification of Palestinian males, the persistence of electronic fences in the northern and eastern areas of the Gaza Strip, the impasse on issues regarding the status of refugees, the elections, and related military deployment,

unskilled labor could be rapidly upgraded through employment in construction, a fact proven thousands of times over in the history of developing sector economies. A large number (perhaps as many as 55,000) of the 60,000 Palestinians who previously worked in Israel, but who have been locked out since the latest terrorist attacks, are construction workers. They have been largely replaced by laborers imported from the Philippines and Romania, and therefore do not have much hope of regaining their jobs in Israel.

What is preventing the Palestinian Authority from doing the obvious—deploying unemployed construction workers to build housing for the homeless—is money. To finance purchases of building materials, credit is required. The World Bank says, “private enterprise” should move in.

To outflank the internationals and their financial sabotage, several alternatives are under discussion in the Palestinian Authority. First is the idea of a “housing cooperative system which allows people of low and medium income to own a piece of public land for a nominal price for the purpose of building their own houses,” as outlined in a Housing Ministry draft. Here, the problem is straightforward: How many such citizens have the means to start building at all? Where could they find credit? One idea developed for financing housing projects is that of a Housing Bank. This, too, has

the Palestinian civil affairs committee head finds it difficult to be optimistic. “The obstacles placed in our way daily make us feel the Israelis are not serious about peace, and if they don’t hand over empowerment and guarantee safe passage, they’ll endanger the peace process.” More serious is the continuing killing: “Even in Gaza, a journalist, three Palestinian soldiers, two civilians have been killed.” El Khairy attributes the continuing violence to the application of “collective punishment” on Palestinians and complains, “they are using the same techniques as under occupation.”

Yet his pessimism does not lead to resignation. On the contrary, he shares with his government colleagues a steadfast determination to make the agreement work. “We are not for killing, whether it be Israelis or Palestinians. But we are not in favor of collective punishment. We know that peace has a price. There is opposition to it on both sides, so both leaderships have to have courage to fight for peace, and to make sacrifices. He who thinks peace is cheap, is wrong. Peace requires more than war to be implemented on the ground. The people have to see it, see its benefits on the ground. Then, they can fight for peace, and on both sides. This is the only way we can deal with opposition on both sides, not by punishment. The only solution is to accelerate implementation of the peace accord, so people can see that peace works.”

been sabotaged by the World Bank and International Monetary Fund. The concept is to begin with \$20 million to be raised on the basis of capital the Palestinian Authority owns, in the form of land and five large buildings financed by the European Community. With a further \$50 million in soft loans, the Housing Bank could begin financing construction of 180,000 of the 220,000 units needed. The World Bank and IMF oppose the plan, saying the initial capital should be given to ten banks, which in turn would issue credit. According to government authorities in Gaza, this would defeat the purpose, as commercial banks would lend first to wealthy persons. The Housing Bank is based on the perspective that ten years would be needed, before a return on the investment should be expected. The only alternative envisioned is that the World Bank would provide a \$500 million soft loan, of which 10% would be made available for low- and middle-income housing.

The Housing Ministry has also drawn up a proposal for helping citizens complete buildings whose construction has been interrupted by lack of funds. A pilot project would cost \$50 million, to build 5,000 units in the current year, i.e., 1,250 units per month. The money would be lent out to the people building, and “the success of the project will not only contribute to solving the problem of housing and unemployment, but will also positively affect the construction support industries, e.g., factories producing bricks, tiles, etc.”

Another proposal of the Housing Ministry entails “an investment system and regulations which allow investors to have public lands in order to build housing units, hotels, factories, recreation facilities, etc. In return, the investors will build housing units and hand them over to the PNA [Palestine National Authority], to be rented or sold to people.” This means, investors would give up an agreed-upon percentage of the units built to the PNA. Fifty thousand units would be required through this means in the current year, to provide housing for 50% of the homeless. Abdeen Abdul Kareem of the Housing Ministry said that the Japanese government had shown interest in such a deal, with Keer International. There is an area in Rafah in the Tal Sultan, on the Egyptian border, which has been designated for such a project, for 5,000 units. Only the financing is lacking.

The other proposal mentioned by the Housing Ministry officials involves development of small villages. The concept is the same as in the case of urban areas: “Public land . . . will be provided with infrastructure, primary school, health center and other service facilities. The land then will be given to investors, cooperatives, and people for building.” The hitch is: “Technical assistance and financial support for the infrastructure are needed for the implementation of this project.”

PNA leaders have also been actively seeking the support of wealthy Palestinians from abroad, with limited success. The main obstacle to their investing massively, and relocating in Gaza, for example, is usually identified in the lack of



*Palestinian National Authority President Yasser Arafat in Gaza, 1995. Arafat is caught between the pressure from Israel to guarantee its security before Israeli troops withdraw, and the demands of his own people to hold elections, free of Israeli occupation.*

infrastructure and the political insecurity of the entire region. However, one initiative is forthcoming for the establishment of a new Palestinian-Arab company, which will include a Bank for Development, financed by Palestinian and Arab money, not international money. This Palestinian Investment Company is to start with a \$200 million capital, to be increased to \$1 billion, to finance projects, including tourism.

In sum, the Palestinian Authority, whose commitment to peace at Oslo was supposed to be lavishly supported financially by the international community, the “donors,” now finds itself the victim of the World Bank, which, acting as the “spokesman for the donors,” is sabotaging every and any effort at economic development. Furthermore, the British have positioned themselves to influence credit and monetary policy, by having offered their “expertise” in this field at the onset of the Oslo agreement.

The mood in Gaza, as a result, is very tense. People and the government authorities are fed up. If they could find independent financing to cover their deficit, estimated at \$300-400 million, to finance vital services, then they could, and certainly would, tell the World Bank to go to Hell.

### **Misery breeds despair**

The economic misery perpetuated by World Bank sabotage is stoking the coals of discontent in a population which has lived for decades under oppressive occupation. Instead of perceiving an amelioration in conditions of daily life, Palestinians have experienced a net deterioration. As a result of the closing of the borders to Israel, following terrorist

attacks against Israelis, Palestinians whose livelihoods depended on jobs inside Israel have been thrust onto the growing pile of unemployed. Furthermore, the local economy suffers the effects of petty economic warfare. Gaza, which used to produce 180,000 tons of citrus fruits, is now down to 120,000 tons. Israeli avocados and bananas are dumped on the Palestinian market at low prices, while Israel has cut back on its purchases of Palestinian strawberries, creating a sudden surplus of 1,200 tons.

In Jordan, the situation is objectively far better than in Gaza, but subjectively the population is experiencing a fall in living standards. Here, the promise of a peace dividend was enormous; with good reason, King Hussein presented the peace accord with Israel as a measure that would also bring prosperity to the Hashemite Kingdom. Joint projects in infrastructure contained in the treaty would have introduced an economic boom, but these projects, like those in Gaza, have suffered for lack of funding. As recently as mid-March, Jordanian Crown Prince Hassan travelled together with Israeli Foreign Minister Shimon Peres to Germany, in hopes that German Chancellor Helmut Kohl would wield his country's weight on the continent to garner European Union funds in the order of \$550 million for a couple of dam projects on the Yarmouk and Jordan rivers, which both countries had agreed to. No such funding, however, has been forthcoming.

Furthermore, the much-awaited boom in tourism has been a disappointment. Although, as *Jordan Times* editor George Hawatmeh stressed in discussion with *EIR*, there are about 500 Israeli tourists coming into Jordan daily, this has not generated a significant increase in tourism revenues. Jordan is hoping to cash in on the tourist trade, which currently sees 500,000 Americans travelling to Israel yearly. With facilitations at border crossings and regional package tours, Jordan hopes that it can vastly increase its current intake of 30,000 American tourists per year. At the same time, anyone in a position of responsibility in Jordan knows that the kingdom's economy could never survive on tourism, nor would that be desirable. Jordan needs infrastructure development, in the form of great projects envisioned in the peace accords. Not only is the financing simply nonexistent, but even the debt relief promised Jordan by the United States was thrown into jeopardy by the new majority of “conservative revolutionaries” in the U.S. Congress. The news of the decision by Newt Gingrich's Congress, to reduce promised debt write-offs to \$50 million, hit Jordan like a thunderbolt. It was only contrary action by the Senate, and reassurances from the White House, which averted a serious crisis in Jordanian-U.S. relations.

### **A political mandate**

In both the Palestinian-governed autonomous areas and in Jordan, people's disappointment with the peace process is seriously undermining political stability. In Palestine, in

particular, this points up the urgency of organizing general elections in the autonomous areas. Elections which were to have been held last summer, have been repeatedly postponed by Israel, on grounds of security. According to the Oslo accords, Israel would redeploy its military out of the Palestinian-populated areas, thus allowing for Palestinian elections to take place. Following the increase in acts of violence, Israeli government spokesmen have said that redeployment could not take place. Instead, Prime Minister Yitzhak Rabin first proposed that the Israelis redeploy only for a few days, for elections, then reoccupy the areas. Rabin has recently proposed that elections take place with the Israelis still de-

ployed, but with "international observers" on hand to guarantee free elections.

Clearly, no elections taking place under conditions of occupation, camouflaged or not, would have any legitimacy, and on these grounds the PNA has refused the proposals. Yet, unless Palestinians are given the opportunity to express their political will at the polls, there will be no mandate for the Arafat government. It is estimated that the Islamist opposition movement Hamas, which rejects the Oslo accords, would make a showing at the polls, if it took part, but would not have the ability to organize a boycott of the vote.

Arafat is being placed in a Catch-22 situation: He is being

## How the World Bank sabotages development

The World Bank and the International Monetary Fund (IMF) are the two principal institutions of the Bretton Woods monetary system, created in 1944 at a meeting of the world's finance ministers and central bankers in Bretton Woods, New Hampshire. The twin institutions, and the United Nations Organization of which they are a part, embody the malthusian ideas of Lord John Maynard Keynes, the chief British negotiator at the conference.

The Bretton Woods system was originally based on a fixed exchange rate system, anchored to the U.S. dollar, which itself was pegged to gold. But after this system broke down in August 1971 and floating exchange rates came to rule the marketplace, the IMF and World Bank came to rely increasingly on a policy of imposing harsh austerity conditionalities, particularly on Third World countries. The lawful outcome of this was the collapse of living standards, the breakdown of health care systems and infrastructure, and the looting of the physical economy. With the onset of "Thatcherism" in the 1980s, followed by the free-market "shock therapy" of the 1990s, the looting process intensified brutally.

We can see this dramatically in the World Bank's policy toward the Palestinians, since the signing of the Israeli-Palestinian accords on Sept. 13, 1993.

### The World Bank and the Palestinians

At a "donors conference" for Mideast development sponsored by the World Bank and the Clinton administration on Oct. 1, 1993, only \$1.7 billion in initial aid was promised, and only \$3 billion projected as an aid package over the next ten years.

PLO Chairman Yasser Arafat was quick to respond: "\$1.7 billion? It is nonsense. It is peanuts. We need at least \$5 billion for the West Bank" over the next three years. Israeli spokesmen agreed. Deputy Foreign Minister Yossi Beilin called for \$15 billion in investment over five years, and Foreign Minister Shimon Peres called for an international "Marshall Plan" to supply \$8 billion a year to the region as a whole, including the Palestinians. (For further discussion of what is required, see *EIR*, Jan. 20, 1995, "Mideast Development: Three Projects from Casablanca.")

Now, a year and a half later, even the paltry sums offered by the World Bank have not been forthcoming.

On Sept. 20, 1993, the World Bank released a six-volume study, *Developing the Occupied Territories: An Investment in Peace*, which shows that the bank was absolutely opposed to the type of projects that Arafat and Peres have called for.

As *EIR* reported (Oct. 22, 1993, p. 9), the World Bank plan specified:

- *No state-directed credit.* Both Israel and the Palestinians are to rely "primarily on the private sector, working in undistorted markets, as the primary engine of economic growth."

- *No attempts to achieve food self-sufficiency for the domestic population.* "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."

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

- *Rationalization and privatization.* A "low priority" status is given to almost all infrastructure projects.





*A typical means of transport in Gaza. The Palestinians have the skills and the motivation to create a modern industrial economy; what is lacking, is financing.*

prevailed upon by Israel and the U.S. State Department to “guarantee the security” of Israeli citizens inside the autonomous areas that he nominally governs, as well as inside Israel, as a condition for holding elections. As has been pointed out, Israel was not able to guarantee such security when it ruled officially as the occupying power, so how should Arafat, with fewer means at his disposal, achieve this goal? As one leading Palestinian put it to *EIR*, “What can Arafat do to contain or impede the actions of a man who has already decided to kill himself, before killing others?” How can absolute security be obtained, “unless Arafat were to turn all the Gaza residents into spies?” Security, in the view presented by the Syrians and shared in Gaza, involves guarantees of the security of borders of all the nations of the region, not of individual citizens inside the borders of another country.

Nonetheless, the linkage between elections and Palestinian security guarantees for Israelis has been established. Unless a conceptual shift in the negotiations breaks this linkage, the perspectives for the future are dim. As one Palestinian, who spoke on condition of anonymity, told *EIR*, “They’re putting Arafat in an impossible situation. It is as if they wanted to provoke civil war.”

In this situation, it is no wonder that the mood inside the Palestinian leadership has shifted. Aware of the fact that further tolerance of the unacceptable conditions being placed on it by the international organizations, in the first place, by the World Bank, will only alienate the support of the population for peace, the PNA leadership will likely toughen its stance in all negotiating situations. One tell-tale sign of

this is the decision taken at the recent meeting of the PLO Executive, to replace Nabil Shaath as negotiator on the international level. Shaath, who has come under fire for having been too accommodating to the other side, was the preferred interlocutor of the U.S. State Department and World Bank.

At the same time, however, both the Palestinian leadership and the Jordanian government are maintaining their commitment to the peace process, despite the darkening clouds. The notion that “the dynamic of the peace process is stronger than any single actor in the region” is firmly engraved in the consciousness of all those involved, as leading political commentators, like George Hawatmeh, editor of the *Jordan Times*, or Samieh Samarra, director of the Palestinian National Radio and Television, will emphasize. What both parties would like to see is a much more active role played by the United States presidency. Not only to guarantee the debt relief promised the Hashemite Kingdom, but to exert political leadership to force through fulfillment of commitments made by the donor countries. The United States is the only agency involved in the peace process which has the power to do this, and it must, if it is to honor the commitment made by the President to lasting peace in the region.

In this light, the pledges voiced by Vice President Al Gore during his late-March visit to Jericho fell on most grateful ears. The vice president promised that the United States would release funds it has pledged, would prevail upon the donors to do likewise, and, most important, would assume an active political function in driving the peace negotiations further.