

Jordanians, LaRouche comment on Middle East Development Bank

The following interviews with Jordanians were conducted by Muriel Mirak-Weissbach in Amman, Jordan during the first week in July. Mr. LaRouche was interviewed on the weekly radio program "EIR Talks" on Aug. 11.

Interview: Umayya S. Toukan

Mr. Toukan is director general of the Amman Financial Market and rapporteur of the Preparatory Committee for the Amman Summit.

EIR: Can you tell me about the Middle East Development Bank?

Toukan: It's a regional development bank, operating on a commercial basis, at market rates of interest. The initial capital should be \$5 billion. The question has been asked, why have such a bank? The European Union [EU] has presented a counterproposal. They say, you don't need financing, but more project identification and coordination. So a task force has been founded, composed of representatives of the countries involved, whose members are on the steering committee, for the bank. The most active members are the U.S., the EU, Israel, Jordan, the Palestinians, and Egypt. They have had many meetings, the last one in June in Paris, which was very good, in that they arrived at a compromise solution. They proposed then to have the bank evolve in two phases, first with policy coordination and project identification, then with funds provided from international capital markets. The next meeting was in Moscow on July 21-22. The Saudis are still opposed to the bank, because they feel they would have to finance the capital. The minister of finance of the United Arab Emirates feels strongly about the MEDB.

EIR: Who would have decision-making power in the bank?

Toukan: The secretariat would research projects and deal with technical questions. Small and medium-size industrial projects would be preferred, because they attract private capital more. The bank would be geared exclusively to private sector investment, because governments cannot borrow on a

commercial basis. There is a concessional window, but on a voluntary basis; for example, Germany could put up \$5 billion on a concessionary basis.

We will concentrate on the private sector, we are not counting on government funds. Private sector savings should finance economic activity, including infrastructure. Concepts such as BOT [build, operate, transfer] and BOO [build, operate, own] have been designed to give incentive to the private sector. If government funds are available, great, that would be a bonus. Social projects, development projects, don't lend themselves to the private sector, but we have no choice.

Interview: Dr. Nabil Ammari

Dr. Ammari is in Jordan's Planning Ministry, responsible for negotiating the MEDB for the Jordanian government.

EIR: What can you tell us about the MEDB?

Dr. Ammari: There are two proposals on the table. The Americans' proposal, supported by the four regional countries, Egypt, Israel, Jordan, and the Palestinians, calls for a full-fledged bank which would lend out at international market rates. The other proposal, of the Europeans, presented by the French, is that it *not* be a bank, but a Middle East and North Africa Financial Intermediary Organization, or Menafo. They think that the shortage of capital is not the problem. They think that the financial resources are there, but what is lacking is 1) the projects to be financed; they see this as a problem of identifying and preparing projects. The Europeans want to do this, to do the training, the feasibility studies, and so forth. Then, 2) the policies are lacking. They see this Menafo as a vehicle to coordinate policies, and attract foreign investment. The Europeans' idea is to present policies and projects to other financial institutions and let them finance them.

EIR: What is Jordan's view?

Dr. Ammari: We disagree with the latter view. We feel that

there is a shortage of resources and that such a bank can play a role in addressing the area. It would be located in the area, would be conducive to attracting more capital and attractive to foreign investors. It would help mobilize new resources, attracting even flight capital out of Jordan, Egypt, and Syria.

EIR: I understand the proposal is that the MEDB lend at international market rates.

Dr. Ammari: Yes. These market rates would be lower than what is now available to Jordan, Egypt, and Syria. Jordan's creditworthiness has improved, but it is still not able to borrow except at higher market rates. We agreed also on the voluntary fund, which would give subsidies to regional projects without financial viability. This is especially important for the three members. In the case of Israel, with its high per capita income, there is no problem of viability, but we are hit by the problem of affordability. Thus, the voluntary fund in the bank is important. The Menafo would provide grants. We have agreed to have a phased arrangement, whereby we move from 1) to 2), from Menafo, a body to identify projects and harmonize policies regionally, to a body for financing. Our idea is to put both in one body. Thus far, there has been no agreement. The next meeting will be in Moscow on July 22-23, where we will try to put the two together.

Interview: Dr. Michel Marto

Dr. Marto is deputy governor of the Central Bank of Jordan.

EIR: How do you view the MEDB?

Dr. Marto: The MEDB has been in discussion for years, long before the Casablanca conference. Because of the unfortunate experience of some banks [African and European development banks], some people are skeptical. The Europeans and the U.S. disagree on this.

What we want is a development bank. The further integration of the region cannot take place if policies are not harmonized, as they are, for example in the European Community. Here, with the different regimes in taxation, subsidies, and customs, we cannot develop the region.

The Europeans want to supply financial mediation, they want an institution that will make feasibility studies, then get in touch with international financial institutions—okay, wonderful. But we feel that the bank should have its own muscle, its own resources, because it could do what the Europeans want, and more. It could implement these ideas.

It could be the nucleus of the bank—establish the bank with funding, make it a full-fledged bank, with capital. We need to agree from the beginning on what it should do. There are other institutions, but there is nothing similar to the Euro-

pean Bank for Reconstruction and Development. None of them deals with private sector investment, such as the Abu Dhabi Fund; the Iraq Fund, which is non-operational; the Saudi funds. The Arab Fund operates, but only for government, public sector projects.

Interview: Lyndon LaRouche

Mr. LaRouche is a well-known physical economist, and the author of the Oasis Plan for Mideast Development and the International Development Bank proposal.

EIR: Jordan's minister of industry and trade announced that the \$5 billion Middle East Development Bank will probably come into being at the upcoming Amman summit. . . . How do you see this proposal and the developments around the MEDB from the standpoint of the Middle East peace process?

LaRouche: First of all, the problem here is that there's a tendency to go, particularly on the Jordan side, toward private banking. And even though the projects, the titles for the names of the projects, which they are considering boosting are valuable, under private banking arrangements, it's not going to happen. You get a token in the direction of what's needed, but not substance.

So the fact that they adopt the policies and agree to finance them is good, but the means . . . which is private banking, is not going to meet the problem. It's not going to maintain peace in the Middle East, even though the people who are pushing it say they are working for Middle East peace. It's like saying, "I'm going to build a bridge," but then you build one-quarter of the bridge over this chasm, and then you drive over it. That's not a very good idea. You should build a whole bridge first, and that's the problem here.

So they say they're for Middle East peace—but they're actually *not* for Middle East peace—but they're not willing to build a complete bridge. And they should, Jordan should remedy its recent negotiations, to correct that fault; and others in the Middle East also.

The problem is, that they're very much under British pressure, under London pressure, which means they're under pressure from the people behind the World Bank, and it's the World Bank, in large degree, which has led in creating this worldwide water shortage, which they're now complaining about.

So the problem comes back to the same thing: People have to face up to reality; and doing little token things, which may be in the right direction, in title, is not enough. If you're going to cross a river and have people drive across the river or the chasm, you've got to build the complete bridge, not the quarter bridge.