The World Bank is the killer worm that sabotaged Middle East peace

by Muriel Mirak-Weissbach

In September 1993, the peace agreement made by Israel and the Palestine Liberation Organization, was hailed as the beginning of a new era in relations between the two former adversaries. The Oslo Accords, named after the Norwegian capital which had hosted secret negotiations, called for the extension of Palestinian autonomy, through phased arrangements over five years, eventually leading to the establishment of Palestinian sovereignty. The thorniest problems in the relations between the two former belligerents, relating to statehood, and the status of Jerusalem, were postponed to the latest phase, in which "final status" talks would settle outstanding questions. In the interim, a vast array of economic projects was to be implemented, whose effect would be to improve the economic and social condition of the Palestinians, and, as a result of such collaboration, to lay the basis for altering the adversary relationship into one of cooperation.

Had the promise of the Oslo Accords come to fruition, the Middle East today would be an area pulsating with economic growth, generating development, not only for the territory handed over to the Palestinian Authority (PA), but also for neighboring Jordan, Lebanon, and Israel itself. Instead, the entire regional economy deteriorated dramatically, and the Palestinian population—the targetted beneficiary of the peace agreement—finds itself far worse off than it had been under total Israeli occupation. The years since the signing of the Oslo Accord, have seen successive agreements sealed between Israel and Jordan in 1994, as well as between the Palestinian Authority and Israel, up through the Wye Plantation accord in October 1998. But none of these agreements constituted steps forward in the process. The government change which took place in Israel in 1996, following the election of Benjamin Netanyahu as Prime Minister, ushered in the era of outright political sabotage of the agreements, whereby Israel, under the pretext of "security concerns," froze all progress which should have led to the final status discussions. Netanyahu also used the security issue, to justify closure of the territories, thus preventing Palestinians from reaching their jobs in Israel.

Now, in the wake of the May 17 election of Ehud Barak to replace Netanyahu, there are clear indications that a deal with Syria will be struck, but the original Oslo agenda is still unfulfilled. If President Clinton is to succeed, as he has promised, to restart the peace process with the new, more amenable, Israeli government coming in, he must deal not only with the blocked political talks, but with the underlying cause of the failure of the peace: the economic issue. Here, it is not a question of picking up the process where it was stalled, but radically reversing the economic policy which was imposed—in violation of the actual peace perspective—by the World Bank, International Monetary Fund (IMF), and their sponsors worldwide.

What should have happened

The Oslo Accords were explicit in directing that peace could be assured, only to the extent that real economic development were to take place. The economic annexes to the agreement were clear in spelling out what kind of development was meant; among the areas of cooperation, were water, electricity, energy (oil and gas, including pipelines), finance, transportation, trade, industry, etc. (see *EIR,* May 28, 1999). These areas were slated to be developed jointly, in the context of a broader regional development perspective, again laid out in detail in the annexes. This was to include a development program for the West Bank and Gaza Strip, as well as for the entire region; for the latter, a Middle East Development Bank was envisaged, and big projects were to be tackled, among them the Mediterranean-Dead Sea canal, and regional desalination programs.

Had the plan been implemented, the Middle East Development Bank would have been established, with initial capital provided by donor countries, and would have issued long-term, low-interest (or interest-free) credit, earmarked for the infrastructure projects in the annexes. The first big regional project to be started would have been the Med-Dead Sea canal. In *EIR*'s view, another canal, connecting the Dead Sea to the Red Sea, should also have been dug. Both would have raised the level of the Dead Sea, and replenished the depleted aquifers.

More important, desalination plants should have been lo-

Palestinians in a refugee camp in Jordan. Had the Oslo Accords been carried out, hundreds of thousands of Palestinians would have found jobs, modern housing, as well as schools for their children and medical facilities.

cated along the new canals, as well as along the Mediterranean coast, off Gaza. *EIR* had proposed at the time, that the cheapest and most efficient means of running desalination plants, would be through the installation of nuclear energy plants. These inherently safe, high-temperature reactors (HTR) would provide energy as well for agriculture, domestic, and industrial electricity needs. The introduction of nuclear energy technology would have revolutionized the entire economy. Such a plant, located at Gaza, could have been combined with research laboratory facilities and training centers, which would have fired the imagination of young Palestinians about science, sparking excitement about this, and other, new technologies. This nuclear desalination approach would have solved the water problem, forever.

As for the areas to be progressively handed over to administration under the Palestinian Authority, in the West Bank and Gaza, the emphasis was to be on providing urgently needed basic infrastructure: first and foremost, housing, but also schools and hospitals, were to be constructed. The main transportation links would include the vital "corridor" which would link the Gaza Strip to the West Bank, thus providing the fledging Palestinian entity with a communications grid, linking it further to Israel and other countries. The other two vital infrastructure projects for the PA were the Gaza airport and the Gaza Sea Port, the latter of which was identified in the annexes. Such facilities would have been indispensible for Palestinian trade relations with the rest of the world.

Had these projects been carried out, the region would be booming today. Unemployed Palestinian labor would be productively and gainfully employed in the huge construction efforts; the construction industry would have developed with Palestinian cement factories and other building materials production, while unskilled labor would have been assimilated and qualified through activity in this sector. Skilled Palestinian labor, including engineers, would have found meaningful work. Agriculture, with the availability of water, and basic technological imports, would have flourished in the extremely fertile land. Hundreds of thousands of Palestinians, some of whom had been living in refugee camps for generations, would have found modern housing, as well as schools for their children and medical facilities.

What happened in reality

None of this has materialized. With the sole exception of the Gaza airport, which has been hotly contested, none of the major infrastructure projects have been completed. Minimal improvements have been made, for example, in the introduction of a sewage system in Gaza, and some housing has been built. Many hotels and a flashy gambling casino have sprung up on the West Bank. But general economic progress has been nowhere to be seen. Instead, unemployment has risen among the Palestinian population, and more families are been thrust below the poverty line.

How, and why, did this come about?

FIGURE 1
Selected infrastructure projects for Middle East development

To put it succinctly: Powerful political interests centered in the British-led financial oligarchy, decided to kill the prospect of peace, by infiltrating a worm into it, which would bore away from the inside, to ensure it would rot. The worm was known as the World Bank.

The sabotage took several forms: the financial instruments and mechanisms; the selection of projects; and outright fraud.

Estimates of the cost of economic development varied greatly at the time the Oslo Accords were made public. One group of Palestinian economists under Yousef Sayigh had projected $11.6 billion would be required from 1994-2000. Another study, issued in 1992, by the Palestine Studies Project, Center for Engineering and Planning in Ramallah, entitled "Masterplanning: The State of Palestine: Suggested Guidelines for Comprehensive Development," projected that $30-35 billion over ten years would be required to finance development of Gaza, the West Bank and East Jerusalem. In the 1980s, when such projects were being debated in some Israeli Labor Party circles, economist Gad Yaacobi had talked of $25 billion over a decade. And Shimon Peres, who signed the agreement with Palestinian leader Yasser Arafat, had reckoned back in 1986, that $50 billion would be required for a regional effort.

In comparison, what was actually pledged by the World Bank was an order of magnitude less than even the conservative estimates given. As PA Finance Minister Mohammad Z. Nashashibi told *EIR* in an interview in October 1993, the PA had argued with the World Bank at a meeting a month earlier, that they needed significant funds for a ten-year program. "They were convinced," Nashashibi reported, "and raised their commitment from $350 million a year to $550 million a year." Then, on Oct. 1, when the donor countries met in Washington, they ended up pledging $2.2 billion over five years, which meant $440 million a year. Nashashibi complained that this figure would not cover urgent allocations for housing, and stressed that they also needed financing for the PA administration and the creation of a police force of up to 25,000. Referring back to the Sayigh program, Nashashibi said that the PA had hoped to spend $6 billion of the project $11.6 billion, to build 200,000 housing units. "The World Bank did not take this into consideration," he explained. "The World Bank says this is not something for the public sector," he added.

A year later, some funds began to trickle in. In September 1994, the Bank signed an agreement with the PA, whereby a $30 million grant would be allocated for projects in Gaza, as the first tranche of $129 million for the year. The money was to go for schools, electricity power lines, roads, sewage systems, and improved water facilities. Over the following years, funds pledged by the donor countries came in in dribbles, all under the watchful eyes of the World Bank.

The most recent figures available from the Palestinian National Authority website, on donor assistance, were released at the end of 1997. In that report, the PNA gave figures for total pledges, commitments and disbursements in the five years from 1993-98. The total pledges were $3,655,446,000, and actual disbursements were $1,961,681,000. Significantly, the World Bank, which had pledged $203,700,000 of that, disbursed only $105,709,000. The biggest donors were the Europeans, the United States and Japan. The West Europeans disbursed about $1 billion—over half the total.

Robbing the poor

But the role of the World Bank cannot be appreciated if viewed only in the light of the funds it has or has not disbursed. More important, in fact, than the amounts it directly controls, is the policy control that this institution exerts. The World Bank assumed this prerogative before the ink had dried on the Oslo Accords. At the donors conference in Washington, on Oct. 1, 1993, according to the Bank's version of events, "participants . . . asked the Bank to provide technical underpinning and a framework for effective use of such assistance" as had been decided by the donors. Then, "Responding to the sense of urgency expressed at the conference by all the parties," the Bank sent a mission to the Occupied Territories (OT) from Oct. 11-Nov. 22, 1993, with the following objectives: "(i) to provide an effective framework for *channelling donor assistance* to meet the immediate needs of the Occupied Territories; (ii) to identify *technical assistance* needs for building Palestinian capacity for designing and managing economic development programs; and (iii) to lay the ground work for more effective use of donor assistance beyond the immediate term by identifying necessary *technical studies of high-priority policies, programs and projects*." The result of the mission was a report, issued in record time, on Dec. 7, 1993, called "Emergency Assistance Program for the Occupied Territories." That report established the "rules of engagement" in the de facto war of the World Bank against peace through development in the Middle East.

As spelled out in the objectives, the World Bank established itself as the entity determining the flows of financial assistance to the PA, in accordance with the priorities that *it* would define as such. The reference to "technical assistance" is important, as this is the rubric under which most of actual thievery by the World Bank takes place. Technical assistance is supposed to provide training for the Palestinians, so that they will be capable of implementing programs given them. This includes "policy studies" and "feasibility studies and preparation work for priority investments" to be made.

The way that "technical assistance" functions, is as follows: The World Bank, or another "international" organization, announces that it has a project, worth a couple of million dollars, for some local improvements. To "prepare" the project, the Palestinian Authority is asked, or rather, told, to hire a couple of outside experts, at the price of $20,000 per month. This also applies to "experts" called in to "educate" the Palestinians in the grand art of building democratic institutions.

Feasibility studies on projects are part of the same racket. Thus, for example, the World Bank will arrange the financing for "experts" to study the feasibility of the Med-Dead Sea canal, and come up with a project which will cost $3 billion. The project, the feasibilty study says, should be financed by private investors. No such private investors come forward. But the studies have been done, and the "exerpts" are duly paid.

Another way in which World Bank funds are disbursed, is through the Bank's own activities. It has become notorious, that the World Bank and IMF will send delegations ("missions") to Gaza, to inspect the books of the Palestinian Authority. Members of such a delegation enjoy a $1,000 per day expense account, and often stay for a week or ten days.

War on development

But aside from such petty fraud, the real damage done by the World Bank is on a far greater scale: This is the outright sabotage of development. The thrust of the World Bank's strategy outlined in the report, is the direct opposite of what was laid out in the economic annexes to the Oslo Accords. Instead of great projects, the World Bank demands the program should "emphasize short-gestation, labor-intensive, rehabilitation and maintenance activities to make better use of existing infrastructure." In discussing public sector investment, the report says, "The immediate focus would be on upgrading, repair and maintenance of existing facilities; however, new construction, particularly during the later stages of the program would also be important." All this is motivated by the need to absorb unemployment. As for new investments in infrastructure, they are "Pending the outcome of feasibility and engineering studies."

Whatever investment is to be made, must come from the private sector, says the report. Even in the housing sector, which, Nashashibi and others had stressed, was of the most urgent requirements, public funding is rejected. The priority identifed in the report is not to provide massive new housing but to upgrade conditions in the refugee camps! "With access to more space per person, and upgrading the quality of housing and infrastructure to those remaining in the camps being the overriding objective in the longer term, the strategy in the short term would be to assist the ongoing United Nations Relief and Works Agency (UNRWA) program for improving housing in the camps; to support expansion of housing for low and moderate income households being undertaken by the [Palestinian] Housing Council, suitably modified to minimize and adequately target subsidies. . . . But the key effort in the housing sector should not focus on the *direct* construction of houses, but creation of an institutional, regulatory, and policy framework that is supportive of private development." Similarly, in telecommunications: "The public sector investment program would be limited to $3.2 million" whereas the bulk of investment should be private, and a "regulatory framework" again must be established.

Although repair work and maintenance of existing infrastructure may be necessary emergency interventions, in the Bank report, they are the main focus. Anything which relates to more ambitious projects, building new facilities on a major scale, is relegated to the lowest priority. Thus, in the case of the Gaza airport and sea port, Finance Minister Nashashibi reported that the Bank simply would not consider them. "The World Bank did not even mention the port in Gaza, or the airports" in Gaza and Jericho.

'It all goes back to making a profit'

Not only has the Bank excluded all major infrastructure projects from its agenda, but it has organized internationally to impose its "free market" ideology on economic and political forces which could otherwise be involved in supporting real development. Since the Oslo agreements, it has held court at a number of international conferences, called to debate regional development, and has each time dictated policy. The first such meeting, in 1994 in Casablanca, launched the process under the auspices of the Middle East and North Africa (MENA) development conference. The following year, in the Jordanian capital Amman, the conference was a major event gathering 2,000 politicans, businessmen, industrialists, and press. Under the official auspices of the Davos, Switzerland, World Economic Forum, the Amman conference featured heavy representation from the World Bank and the IMF, whose sole message was: The only route to development in the region is through privatization, deregulation, liberalization of trade and tariffs, and a leading role for the private sector.

At the conference, the Middle East Development Bank, which had been announced in the Oslo economic annexes, came to life, but "less a development bank than a merchant bank," according to U.S. representative Joan Spero. The bank's shareholders and partners, she said, would have to be committed to the doctrines of the free market and privatization. In short: Any hopes that the MEDB would finance the Med-Dead canal or nuclear desalination, were dashed.

As for the nuclear energy option, that too was raised, briefly, only to be shot down like a duck at a shooting gallery. At the time that the Amman conference took place, it should be noted, leading spokesmen of the political forces in the region had gone on record supporting the nuclear desalination approach. PA Finance Minister Nashashibi had embraced the idea warmly in extensive comments to *EIR,* as had then-Crown Prince Hassan of Jordan, who was deeply involved in regional economic policy issues.

Regardless of this, any suggestion that nuclear desalination plants could solve the scarce water problem, was rejected out of hand, at several panels in the conference. Instead, World Bank vice president Koch Weser proposed that water resources be better managed, and that water prices be raised, to promote conservation. John Hayward, also of the World Bank, said that water projects must be considered from the standpoint of profitability. "It all goes back to making a profit," was the dictum.

As if to drive home the point, about the kind of economic policy that would "work" according to the World Bank, the only major deal that was clinched at the MENA conference, was a $5 billion agreement among Enron, a Texas-based energy company, Qatar, and Israel, whereby Enron would process Qatar's gas, to be shipped as liquefied natural gas to Israel. The project would provide gas, nothing more. On the other hand, an ambitious project was presented by the Italian hydrocarbons firm ENI, for a vast regional network of gas pipelines, conceived as development corridors along which new industries would spring up, generating broader economic growth. This approach was not considered orthodox by the conference.

The other big attraction at the conference, was tourism. Among the great projects presented by the Jordanian government, those featuring tourism were prominent, adding up to investments for $1 billion. There was the Dead Sea Tourism Project Master Plan, which foresees the construction of hotels with 15,000 rooms and 18,000 housing units along the beach. Similar designs were presented for resorts in Aqaba, in southern Jordan, and so forth. The illusion nurtured by Jordanian authorities, was that such investments in the tourist "industry" would fill the state's coffers with magnificent revenues, and put Jordan on a par with Israel in this field.

Palestinians in poverty

To form an idea of where the World Bank's leadership of the peace process has led since 1993, it is sufficient to take a glance at the current state of the economies of the region. Jordan, instead of swimming in gold brought in by floods of tourists, is wallowing in a deepening economic crisis. Thanks to its acceptance of the World Bank doctrine in regional economic programs, and thanks also to its faithful adherence to the dictates of the IMF's structural adjustment programs domestically, Jordan is suffering massive inflation, and skyrocketing unemployment. Rather than the hoped-for peace dividend, Jordan's population—60% of whom are Palestinian—has enjoyed instead a marked deterioration in living standards.

The failure of the World Bank's economic "peace policy" has been further aggravated by the disastrous effects of the Netanyahu's closure policy, over the past three years. Under the pretext of "security" concerns, Netanyahu's government repeatedly closed off access to Israel for Palestinians living in the West Bank, beginning in February 1996, thus preventing them from going to work at jobs in Israel. The deleterious effects this has had on the Palestinian economy has also had repercussions on Jordan.

And those who pay the highest price for the World Bank's sabotage, have been the Palestinians. In its quarterly economic reports on the West Bank and Gaza Strip, the Palestinian Economic Council for Development and Reconstruction (PECDAR) has been able only to document a continuing downward trend.

Thus, its autumn 1996 report, read, "between 1992 and 1996, real GNP in the West Bank and Gaza Strip (WBGS) has declined 22.7%." In the same period, "real per capita GNP . . . has declined an estimated 38.8%." In the middle of 1996, unemployment in Gaza was at 39%, and 24% on the West Bank. Wages fell 16% and 8% respectively. Much of this, according to the report, was caused by the Israeli closures in February 1996; however, had real development taken place in the West Bank and Gaza Strip since Oslo, the Palestinian labor force would not have remained so directly dependent upon employment in Israel.

In the first half of 1997, the situation improved slightly, as the closures were lifted; however, most employment was due to jobs in Israel, or jobs created in PA agencies. When, in August and September, Israel again closed off the territories, the crisis worsened, unemployment went up to 20-30%, and wages plummeted. As the quarterly report issued in October 1997 stated, "The total losses inflicted on the Palestinian economy by the recent closure measures may be as high as twice the donor disbursements during the first of half of this year."

Again, ostensibly, the cause of the crisis was the closures; in reality, it was the lack of development, which meant continued dependence on jobs in Israel. The World Bank's philosophy and practice had inhibited growth; Netanyahu had simply put the axe to the neck of the outstretched chicken.

The extent of the tragedy hitting Palestinians was documented in a special report by the Palestinian National Authority. Entitled "Poverty in Palestine (1998)," the report, the first of its kind, defined two poverty lines: one, the "absolute poverty line" reflecting the most basic needs, of food, clothing and shelter; and the "poverty line" indicating these needs plus health care, transport and education. It was found that for six- and nine-member households in the West Bank and Gaza in 1997, the level of absolute poverty was 82%! Those suffering absolute poverty, overall, were two out of three families in Gaza, and half those in the West Bank. The report explores ways and means of providing support and alleviating the poverty.

The report concludes with the ultimate understatement: "Any poverty alleviation strategy in the West Bank and Gaza should be part of a comprehensive development strategy." The question remains: what development strategy? Will the U.S. President seize the political opportunity opened up, at least fleetingly, by the Barak victory, to force through such a comprehensive development strategy, coherent with the letter and spirit of the Oslo Accords?