

*MIDDLE EAST SECURITY  
AND DEVELOPMENT:  
A NEW APPROACH*

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# *MIDDLE EAST SECURITY AND DEVELOPMENT: A NEW APPROACH*

This statement by United States religious, humanitarian and development organizations focuses on U.S. government aid policies in the Middle East primarily as they touch upon issues of conflict, peace, security and development for Palestinians, Israel, Egypt, Jordan, Syria and Lebanon.

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**Drafting Committee:** the following white paper was discussed and written over a period of several months by a small working group consisting of: Peter Gubser, American Near East Refugee Aid - ANERA; Lisa Wright, Church World Service; Corinne Whitlatch, Churches for Middle East Peace; Jim Bowman, Lutheran World Relief; Catherine Gordon, Presbyterian Church (USA); and, Serge Duss, World Vision US.

# ***MIDDLE EAST SECURITY AND DEVELOPMENT: A NEW APPROACH***

## ***EXECUTIVE SUMMARY***

*"We will win a better future by making common cause with the peoples and governments of the region -- those who are committed to the vision we share of a Middle East where all people have jobs that let them put bread on their tables, provide a roof over their heads and offer a decent education to their children; of a Middle East where all people worship God in a spirit of tolerance and understanding; and of a Middle East where respect for the sanctity of the individual, the rule of law, and the politics of participation grow stronger day by day. . . . My friends, we stand at an historic juncture, when a new Middle East is struggling to be born. We know in our heads and in our hearts that we must help the peoples of the region to deliver a future of hope."*

**U.S. Secretary of State Colin L. Powell  
Remarks at U.S.-Arab Economic Forum,  
Detroit, Michigan, September 29, 2003**

***It is impossible to imagine an enduring peace that ignores the pressing human needs of most peoples in the region.***

By its very existence, the building of a barrier between the Israeli people and the Palestinian people is becoming a physical symbol of despair and the failure of peaceful negotiations. Pope John Paul II recently commented on this construction, saying, "In reality, the Holy Land does not need walls but bridges....Without reconciliation between people, there cannot be peace."<sup>1</sup> The Bush Administration has promised its leadership toward the vision of an Israeli-Palestinian peace that realizes the Palestinians' right to a viable and healthy state, ends the occupation, and meets Israel's legitimate security concerns. Resolution of this conflict is a prerequisite for regional peace and development. Although this peace process has faltered, it is our conviction that planning for a regional economic development program should begin while political solutions unfold. Our organizations stand ready to participate in a dialogue about a new approach to the role of U.S. resources in realizing Middle East security and development.

In the summer of 2002, President Bush brought attention to the need for

economic development of the Middle East. This was followed shortly by a hearing in the House International Relations Committee on a "Marshall Plan" for the Middle East. In December 2002, Secretary of State Powell announced the U.S. Middle East Partnership Initiative (MEPI) to encourage fundamental economic, political and educational reform in Arab countries. The House International Relations Committee held a second hearing in March 2003, aimed at assessing the status of MEPI. Pilot programs for this laudable initiative are now underway, focusing on four areas of--economic reform; educational opportunity; political pluralism and democratization; and a new reality whereby women enjoy full and equal economic, political and educational opportunities.

Even the World Bank concurs that a regional development strategy for the Middle East is difficult to construct. The Bank begins its own strategy paper for the region with the following caveat:

*“A word of a caution.* The Middle East and North Africa Region covers a wide array of countries from Morocco in the West to Iran in the East. Each one of the countries has a long and rich history and strong individual characteristics. A region-wide strategy is bound, by its very nature, to make generalizations that do not always do justice to the specific situation of a particular country. Nevertheless, a number of similarities exist that constitute a good basis for general principles and overall guidance, which then needs to be adapted in what must remain country specific strategies.”<sup>2</sup>

Within that context, this statement by United States religious, humanitarian and development organizations primarily focuses on U.S. government assistance policies in the Middle East as they relate to issues of conflict, peace, security and development for Palestinians, Israel, Egypt, Jordan, Syria and Lebanon.

By means of this document, "Middle East Security and Development: A New Approach," these organizations offer recommendations based on their collective experience in the Middle East and with sustainable development programs for consideration in policy deliberations on this issue. Regional development must be grounded in sound and sustainable economic activity and under girded by a peace effort that is as committed to just relationships as to physical security among the peoples and states of the Middle East region. These parties must have reason to believe that hopes for peace and

economic development are more than abstract promises and political rhetoric.

For over half a century, U.S. policy in the Middle East has been driven by security concerns related to petroleum, the State of Israel, and the Cold War. The security concern largely ignored is the economic security of the area's peoples and states. It is impossible to imagine an enduring peace that ignores the pressing human needs of most peoples in the region.

The region faces major economic challenges, such as equitable access to water. However it also holds promise for many economic opportunities, including trade, tourism and joint business and infrastructure projects. Addressing these issues could become the cement of peace between Arabs and Israelis if faced together. Encouraging that effort should be at the core of U.S. Middle East policy.

Over the long-term, most of the financial resources for regional development will have to come from area governments and private investors. Foreign assistance will have a limited but vital role. To generate funds for human development, military spending in the region and in foreign aid budgets must be curtailed, redirected, and supported by a regional arms reduction regime.

As a basic strategy, the paper advocates that the United States restructure its assistance to the region to better support regional peace processes and give much higher priority to economic development in the Middle East. As the World Bank notes about overall assistance to the region, "These aid flows—often in support of key alliances rather than a purely development agenda—may at times take the pressure off of governments

*To generate funds for human development, military spending in the region and in foreign aid budgets must be curtailed, redirected, and supported by a regional arms reduction regime.*

to implement development-oriented, structural change.”<sup>3</sup>

U.S. assistance should be channeled into increased bilateral development assistance, while simultaneously being carefully coordinated with significant investment in regional development projects and infrastructure. The desired outcomes of such an approach include human advancement, economic growth, more equitable distribution of resources, education reform, greater participation in governance, protection of human rights, and the empowerment of women. We would ask that U.S. policies and economic assistance contribute to these ends. Furthermore, we would encourage the U.S. to engage

other donors and countries in the region in conversations about how such goals can be achieved. It is our hope that the U.S. will take initial steps in this direction by restructuring and reallocating its present annual aid to the Middle East to support a regional development strategy. This will necessitate the enhancement of bilateral assistance to countries other than Israel and Egypt, which now receive a disproportionate share of U.S. aid. Such a strategy will foster the security of nations and peoples in the area and increase the security of the United States.

# ***MIDDLE EAST SECURITY AND DEVELOPMENT: A NEW APPROACH***

For over half a century, United States' Middle East policy has been driven by security concerns – the Cold War, the security of international petroleum supplies from the Gulf, and regional security that focused mainly on ending constant Arab-Israeli tensions that erupt periodically into overt conflict. The dimension of security that has been little recognized over the decades is economic security within the region. It would be incorrect to argue that economic necessity among the populations of Arab states and among the Palestinian people is the root cause of the ongoing tensions with Israel. Nevertheless, it is shortsighted to believe that a durable peace between Israel and its neighbors can be established that ignores the economic deficiencies and human deprivation that affect the great majority of people in this area.

Even in Israel where per capita income is 10 to 15 times that of the nearby Arab states and the Palestinian people, continuing conflict is taking an economic toll. Budgets for social security and social emergencies are being cut to increase defense expenditures. Peace would have a positive social and economic impact on Israel as well as on Arabs.

Without the expectation that ordinary life will be made better, what hope is there that peace will outweigh the cycle of violence in regional relationships?

Aid has played an on-going role in the long shadow dance of peace and

security between Israel and its immediate Arab neighbors, the Palestinians, Egypt, Jordan, Syria and Lebanon. Aid dollars helped finance modest relief and development efforts in all these countries at one time or another, at times related to Palestinian refugees. Since 1978, the Middle East has dominated the U.S. foreign assistance budget with the vast majority going to Israel and Egypt. Between them, those two countries have traditionally received about 40 percent of congressional appropriations for aid worldwide. Over half the amount going to Israel and Egypt has been for military assistance on grounds that risks taken for peace in the 1978 Camp David Accords make them vulnerable to attack.

## **Premises for Peace and Security**

This statement by United States religious, humanitarian and development organizations challenges the underlying assumption of U.S. Middle East policy that military assistance should be the dominant element of U.S. assistance policy in the region. In a 1994 statement, "Toward a Safer Future for the Children of Abraham: A Proposal for Restructuring U.S. Aid to the Middle East," several similar groups offered the following premises as a more realistic framework for peace-seeking:

- A basic cornerstone of any aid package for the Middle East must be promotion of peace and stability in and among all the countries of the region

*The dimension of security that has been little recognized over the decades is economic security within the region.*

*In an area as compact as that shared by Israel and its immediate Arab neighbors, security cannot be guaranteed by territory, only by goodwill and agreements seen as mutually beneficial.*

- Durable peace and stability will depend on a variety of factors, among them military reductions, sustainable economic development, respect for human rights and people's dignity, and greater popular participation in governance.
- Violent and extremist challenges to the status quo – whether religious or secular – arise out of concrete historical circumstances, in particular economic and social failures of governments; repressive policies; uprootedness derived from rapid urbanization, unemployment and underemployment; the erosion of traditional social patterns; and the denial of political participation. These root causes must be addressed, or extremism will likely increase.
- Setting in motion a process of regional cooperation and integration is important to promoting improved relationships among the peoples and governments of the area, and to finding effective solutions to regional development problems.

These premises from 1994 remain a realistic framework for using U.S. foreign assistance more effectively in pursuit of peace and security for parties and states in the Middle East as well as of the United States itself. The following analysis and comments seek to underscore and update this perspective.

As a starting point, the religious, humanitarian and development organizations presenting this paper wish to make clear that it is not enough merely to stimulate economic development, both nationally and

regionally. The goal must be to support a just peace that will achieve poverty reduction and human advancement that is sustainable within the constraints of the fragile Middle East eco-system. A major part of United States and other international aid should be extended in ways that will contribute materially to grassroots economic activities, community advancement, and development projects in which local people participate at every step and from which they benefit directly. The U.S. is presently supporting many such programs through USAID and its Middle East Regional Cooperation Program. However, the lion's share of assistance is in the form of military assistance and unprogrammed economic assistance. Non-governmental organizations (NGOs), both domestic and international, foster many such programs in the Middle East. Building upon these experiences will help encourage transparency of operation and fiscal accountability to all parties in the use of development funds, whatever their source. This would be a major contribution to the growth of civil society, a necessary element in promoting democracy, regional cooperation and peace.

### *I. Middle East Security and Development Depend on a New Way of Thinking*

Political maps have the effect of depicting countries in an isolation that does not really exist or that is maintained at extraordinary costs. While development of national economies is critical and requires greater external support, a parallel process at regional cooperation is no less vital. Peace, security and economic development cannot be achieved by hermetically sealed national units.

Israel did not gain greater security from military control over south Lebanon and the Sinai, nor from its present occupation of the Golan Heights, and the West Bank and Gaza. The use of modern weapons, or even crude ones in determined hands, is little inhibited by a few hundred yards of no-mans' land, innumerable military check points, or even physical security barriers or walls. In an area as compact as that shared by Israel and its immediate Arab neighbors, security cannot be guaranteed by territory, only by goodwill and agreements seen as mutually beneficial.

Consider water as a regional reality. Half of the people of the entire Middle East depend on water that crosses the border of some other nation. In this paper's area of focus --Israel, the Palestinian territories and the immediately surrounding states -- only Lebanon has an abundance of fresh water. Israel, Syria, Jordan and the Palestinians share surface and sub-surface water sources. Israel's water-intensive agriculture and its settlement and occupation policies in the West Bank and Gaza have created great inequities in sharing between Israelis and Palestinians. Fair and efficient uses of scarce water resources require a cooperative approach.

Watershed management for economic development cannot be left to individual countries without heightening tensions. Regional cooperation is the only long-term hope. It will require all parties to develop greater efficiencies in water use and to make hard decisions about agricultural and industrial development that will shape the utilization of both capital and technology. As a starting point, there must be a reduction in water used for irrigation in Israel, Gaza and Jordan.

It is common to speak of "the Israeli-Palestinian conflict," but the reality is that the 50-year struggle continues to have a huge impact on all countries of the region, even those that have already made a formal peace. Israel maintains a large and expensive military apparatus intended to deter or repel invasion. Occupation has heaped injustices upon the Palestinians, and these feed religious fanaticism and political factionalism throughout the region and elsewhere in the world. Jordan, Lebanon and Syria have hosted large numbers of long-term Palestinian refugees at great economic and political cost to themselves. Syria invests heavily in a large military force in part because it feels threatened by Israel's continued occupation of the Golan Heights.

These illustrations only document that in a small, interconnected area, all actions have regional consequences. The security of peoples cannot be national; it must be regional. This is a reality that needs to be made more apparent in the efforts of U.S. policy makers to foster peace in this part of the Middle East.

## ***II. Regional Development Must Rest upon Human Development.***

Israel has achieved an economic break-through in the region. With a per capita income of \$20,000, it has joined the ranks of developed nations. By contrast, people in the surrounding Arab countries average less than one-tenth of that, and Palestinians in the West Bank and Gaza receive less than 5 percent the Israeli per capita income.<sup>4</sup> Israel has a highly educated and technologically trained workforce while the neighboring Arab population has a small,

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educated elite and experiences high rates of illiteracy, especially among women. The Palestinian Authority faces a society with an average 37 percent unemployment with levels as high as 60 percent in some areas, and consumption rates that have fallen so dramatically that 60 percent of the population now lives in poverty and 43 percent of children are anemic.<sup>5</sup> The great economic divide between Israel and its Arab neighbors did not create the present state of hostilities, but it is hard to imagine an enduring peace that does not address this reality. Indifference to human needs in the region and, worse yet, policies that foster or perpetuate it, will not bring security to any of the peoples or countries of the region.

Israel is widely regarded as rich, stable and powerful, but the lack of peace is draining away the benefits of this advantage. The country's central bank estimates that annually 3 percent of the nation's gross domestic product is eaten up by costs related to the unending conflict. In human terms, that means a 3 to 4 percent decline in the standard of living. Already at 10.7% in 2002, in 2003, unemployment was predicted to hit 12 percent, the highest rate in Israel's history.<sup>6</sup>

As Senator George Mitchell put it, "The conflict has badly hurt the economy of Israel and all but destroyed that of the Palestinians."<sup>7</sup> The road ahead for development is daunting. Palestinians begin not from zero but from a 35-year deficit. Housing is in serious short supply, and much of what exists is in poor condition and deteriorating further under the pressures of increased conflicts with Israel. Physical infrastructure needed for economic growth has been neglected or destroyed. Productive investment has hardly been allowed. The combined

factors of a growing population and low productivity have contributed to record unemployment rates. Commerce among Palestinian communities has been inhibited by military checkpoints and bureaucratic delays. Sales of Palestinian goods to Israel have all but ended, and trade with the outside world has been made almost impossible.

The per capita income of people in the Arab world has declined by 28 percent from its high in 1980, and the buying power of that income dropped even further -- by 35 percent when compared to advanced industrial countries between 1975 and 1998.<sup>8</sup>

Average income figures do not tell the whole story of what is happening to people, but in this case they give a good clue. As the UNDP *2003 Arab Human Development Report* notes, "Current unemployment rates in the West Bank and Gaza are more than double those that prevailed in the U.S. during the great depression."<sup>9</sup>

***Unemployment:*** As mentioned above, Palestinians suffer the highest rate of unemployment at an estimated 37 percent, but most Arab countries are experiencing double-digit joblessness. When that reality lingers year after year, it translates into worsening poverty for millions of families. For decades, that reality has been softened by the repatriated income of Arabs working abroad and by charitable organizations both Muslim and Christian, and both eastern and western. In the post-September 11 world, however, both opportunities and safety nets are shrinking.

In the face of a rapidly growing population, according to the World Bank, up to 47 million new jobs would need to be created between 2002 and 2012 just to keep up with new entrants into the job market, and an additional 6.5 million jobs beyond this would be necessary to reduce regional unemployment rates below 10 percent.<sup>10</sup> Failing that, life will be materially worse for whole countries.

**Health:** The World Health Organization estimates that the combination of disease and disability reduces life expectancy in the Arab region by 5 to 11 years. Overall, infant and child mortality rates have improved in the region, but mortality among rural children under five is 21 to 100 percent higher than for urban children. In many countries of the region, 15 to 25 percent of children are experiencing stunted growth, a clear indication that food shortages and poor nutrition lie at the heart of much of the health dilemma being experienced.

Sound development will not occur apart from an emphasis on establishing nutritional and healthcare structures that reach entire populations. Anything short of that undermines full utilization of human capabilities as well as being a moral blot on society.

**Education:** In today's increasingly globalized and knowledge-based economy, education is the key to the

future. Arab countries on average have made important strides in recent years: spending on education as a percentage of gross domestic product (GDP) increased by half from 1980 to 1995; literacy rates jumped by almost half from 1980 to the mid-1990s; 60 percent of children in their age group are now enrolled in primary or secondary school; and total enrollment in all school levels has increased by 80 percent in the past 22 years.<sup>11</sup>

All this is encouraging, but serious problems remain. Overall illiteracy in the region is very high at 38 percent, and higher still for women.

The poor quality of government schooling has forced even middle-income families to turn to private education that is becoming too expensive for many to continue. Government and many lower-tuition private and religious schools are not educating children for employment in the modern sector. While women and girls have had greater access to education in recent years, throughout the Arab region 25 percent are not enrolled in primary school, and 50 percent do not attend secondary school. A recent International Monetary Fund study notes that this gender inequality in education also carries an economic cost, as it directly reduces the growth rate in the region.<sup>12</sup>

Without a major reform of educational systems, Arab societies will not have the kind of workforce needed to

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participate fully in the modern world. The design and implementation of such reforms will be both complex and costly. They will not likely occur fast enough without the assistance of countries in the region and beyond.

***Women's Empowerment:*** In all of the above development categories - income, employment, health and education - women throughout the Arab region experience the greatest deficits. This reflects both traditional role definitions in these societies and the limited access women have to political organization that might change social options and expectations. Until these deficits among women are addressed, these countries systematically deny themselves half their productive potential.

There has been some progress in these areas. Among Israel's immediate neighbors, Lebanon, Syria, Jordan and Egypt are in the middle ranks of Arab countries on a scale that measures economic, professional and political participation of women.<sup>13</sup> Development in these states and for the Palestinian people will depend in significant measure on a common determination to open a more integrated regional society to the full participation of women as well as making the economic investments and political adjustments necessary to speed the process.

tended to regard these as national pursuits. Individual countries have been expected to make their own way, seek their own solutions, and guarantee their own future. Israel has insisted on peace negotiations with individual states and has abjured comprehensive approaches, fearing that any type of Arab unity might again lead to war. But peace reduced to a series of bilateral treaties is not a formula for regional stability. Arab leaders frequently indulge in pan-Arab rhetoric, but that has most often been a code for affronting a common enemy than for seeking a common future.<sup>14</sup> Forging a truly regional consciousness can be an important factor in the pursuit of peace, security and development.

### ***III. Envisioning Joint Economic Development as the Cement of Peace***

Since the days of Israeli diplomat and Deputy Prime Minister Abba Eban, some have held the dream of peace nurtured by a shared economy. They have fantasized about a regional economic cooperation combining the technical-scientific capacity of Israel, the Palestinian workforce, capital from the Arabian Peninsula, and markets open to all.

In reality, *the region is now less integrated economically than it was thirty years ago.* Arab countries hold only 3.6 percent of world trade, and just 7 percent of that is among the countries of the Middle East and North Africa. Furthermore, such inter-Arab trade is growing at less than half the rate of world trade generally. As a result of high tariffs and nontariff barriers, the IMF estimates that the overall trade restrictiveness in the Middle East and North Africa region is above that of all other regions in the world.<sup>15</sup> The

One of the barriers to both security and development is that policymakers have

beginning steps towards an Arab trade area may help, but its effect will be limited by the deficiencies shared in common by most countries in that region: domestic markets too small to sustain a diversified manufacturing sector; a labor force too far behind in the knowledge economy; educational systems that do not mesh well with the requirements of modern technology, production, and trade; and inequities, especially for women, that limit social and political participation in the society. A larger vision of regional cooperation is necessary. In the meantime, the U.S. should negotiate mutually beneficial trade agreements with Egypt, Lebanon and Syria similar to those it already has with Israel and Jordan.

As the most advanced economy in the region, *Israel stands to benefit tremendously and quickly from access to broader Middle East trade.* But that will await an Arab-Israeli-Palestinian peace perceived as legitimate by the Arab world. If Israel chooses to take maximum advantage of its position of wealth and power and leaves Palestinians feeling politically and economically hopeless, the rest of the Arab world will continue to take note and have little reason to be more open and accepting of Israel as a regional partner. Only a mutually acceptable peace will lead to a mutually beneficial economic future.

When that is achieved, major regional economic opportunities will abound. *Facing the water dilemma together* may be the first. Having recently begun construction of a large-scale water desalination program, Israel is taking the steps needed to be independent of other water sources, but other issues remain. For example: environmentalists have long worried about the virtual disappearance of the Dead Sea under the pressure of the

uncoordinated development of agriculture, tourism and industrial projects. An oft-mentioned idea to address this is the construction of a Red Sea-Dead Sea canal and pipeline. This could move Red Sea water to a point above the Dead Sea and release it in a 1500-foot-high drop that would not only replenish the shrinking salt lake but also produce electricity and desalinate ocean waters. Israel and Jordan need to hasten discussions over this water source in order to preserve its existence. Finally, negotiation of a more equitable division of water between Israel and Palestinians will be critical to both Palestinian development and to a durable peace. Israel's claims to aquifers beneath the West Bank and the Golan have been a long-term point of contention.

*Travel and tourism* in all the countries of the region has been devastated by the prolonged violence of the Israeli-Palestinian conflict and by attacks upon governments seen as indifferent to the needs of their people. Few parts of the world hold the number of historical and religious treasures of such great interest to so many in other parts of the world. Tourism has long been important to the economy of the region, but its potential has hardly been tapped. Nor will it be until political cooperation and economic investment link the whole region into an integrated tourist destination. Positive and long-term and broadly shared benefits will depend upon culturally and environmentally sensitive tourism, in which a substantial portion of the earnings remains in the region.

In July 2002 at the hearing on a proposed "Marshall Plan" for the region, the U.S. House Committee on International Relations heard testimony on proposals for an economic recovery plan for Palestine. A financial group

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spokesman outlined his vision of an investment fund that would foster joint ventures between Arab-Israeli peace partners as a key element in the creation of sustainable businesses in the region.<sup>16</sup>

The point is not that the above suggestions represent the best economic opportunities that peace would permit. They only illustrate the kind of thinking that would be possible once regional development is affirmed as a goal, creativity is released, and the international community shows a willingness to help. Policymakers should not ignore the need for more financial resources to assist the necessary institutional reforms within these Arab countries and the need for capital to launch serious joint economic projects. These could well generate the hope and confidence among both Arabs and Israelis that will make formal peace more possible and more enduring.

#### ***IV. Financing the Regional Development Vision***

Over the long-term, *financial resources for regional development will need to come mainly from area governments and private investors* both local and international.

Governments in the region will be unable to invest significantly more in their economic future unless military reductions are achieved. Military spending, especially for arms imports, has badly damaged the economies of all the area's nations. On average, Middle East countries are spending almost 7 percent of their GDP to maintain and equip their armed forces.<sup>17</sup> That has not bought security; it has only resulted in attempting to keep pace with, or out-distance, neighboring states in an arms race that spirals ever upward.

Working with Europe and Russia, the United States should join in *brokering a*

*regional arms reduction regime.* We propose something on the order of the successful Conventional Forces in Europe model. The U.S. administration could take the lead in behind-the-scenes discussions with individual countries to identify the components of their neighbors' military forces they find particularly threatening and then seek agreements on mutual cuts. Many countries in the region also have sought unconventional weapons including nuclear, chemical and biological armaments. The only way to establish a regime that would successfully reduce military threats and spending and reduce proliferation would be to find ways to limit both in concert.

Another suggestion is that the U.S. use its influence to reinvigorate the Middle East Arms Control and Regional Security (ACRS) Working Group, which was established as part of the Madrid peace process discussions in 1991. The ACRS held six plenary sessions between 1992 and 1995, in which 15 regional parties participated and the U.S. and the Russian Federation served as co-gavel holders. These meetings focused primarily on confidence building measures in five areas: declaratory measures, communications, maritime agreements, military information exchange, and conflict prevention/regional security.<sup>18</sup> Several measures were implemented, including agreements relating to maritime issues, pre-notification of military exercises and the establishment of a regional communications network. These multilateral talks were put on hold at the end of 1995, however, due to complications in the peace process and disagreement among parties over when to put a discussion of weapons of mass destruction on the agenda.<sup>19</sup>

Equally important, the U.S. should call on other arms suppliers to the region to join in a five-year ban on sales and deliveries of major military equipment. As the area's largest supplier by far, for the U.S. to commit to such a policy would create immense leverage in gaining the cooperation of the other major purveyors: Britain, France, Russia and China. Together, they could bring great pressure on other suppliers of weapons and technology like North Korea.

Reforming taxation, reordering social and economic priorities, and establishing tighter controls on corruption will also be necessary to generate a continued stream of financial resources for human development.

Further, economic decision-makers will have to seek ways to attract back to the region capital that has fled war, economic turmoil and political uncertainty for safer international environs. Regional development also will depend on attracting corporate direct foreign investment as well as portfolio investment by foreign individuals.

This is the standard wisdom of today's market economies, but such policies are effective only where there is a profit to be made. Many of the Middle East's most crucial development necessities will not hold that allure. Long-term development will depend on investments in better health care, better schools, and better infrastructure, as well as on resolving the status of refugees, greater social equity, particularly poverty reduction, broader political participation, and the promotion and protection of human rights.

Even in an age when privatization and

confidence in markets hold sway, *governments have a critical economic role in development.* It is imperative that the ideological preferences of the U.S. and other western nations not undercut that reality. That is not, however, an argument for indifference about the quality of governance. Sound social and economic development is more likely to occur where there is broad participation in political life.

*Foreign assistance will have a limited but crucial role in economic development* that includes Palestinians, Israel and the neighboring Arab states. Aid cannot make up for unfairly structured or incompetently run economies; it cannot permanently compensate for high unemployment, misallocated resources, or the distortions created by nepotism, cronyism, and corruption, both public and private. But aid can shorten the waiting time for the benefits of a well-conceived development strategy. That should be the goal of foreign assistance to the region.

Focusing significant U.S. government aid on development in this region is important not only for the money it would infuse directly but also for the *stimulus it would provide to other donors.* A firm and significant U.S. commitment of funds to cooperative development activities in the region will draw similar commitments from other countries, including Arab petroleum producers, and the multilateral financial institutions.

Such a coordinated effort in official development assistance will likely have other spin-off benefits. Private investors will have confidence to act more boldly. If numerous donor countries are committed to the task, they may encourage diversification of the Middle East regional economy by opening their own markets fully to

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non-traditional exports from the area, particularly those that result from joint activities of more than one country of the region.

## ***V. Recasting U.S. Middle East Aid***

Military aid has dominated U.S. economic grants and loans to countries of the Middle East. That must change so that more resources can go to economic development.

Perversely, in recent years less and less aid has gone to long-term development because more and more has been needed for immediate relief efforts. That is true of both official and NGO assistance. Keeping the human condition from getting worse is essential, but that alone will not restore hope, and hope is the first necessary ingredient for security and peace.

*Increased funds for long-term development assistance will be a key factor in envisioning and achieving peace and security in the region.* That need not mean a vastly increased U.S. aid budget. If the steps suggested above for reducing military spending in the region occur, funds that our government is now extending in grants, loans and subsidies for arms procurement could be available for human development.

Further, *the U.S. must address the present disproportionate allocation of aid resources within and to the Middle East.* As noted above, together Israel and Egypt garner 40 percent of the total U.S. foreign assistance budget. Congress was obviously concerned about this in 1998 when it established a cap on Middle East aid to assure that there would be funding for others. Yet with every change on the ground, there is renewed pressure to channel still more support to favored recipients.

When it seemed that the Wye River initiative held promise, President Clinton requested an additional \$1.9 billion in Foreign Military Finance and Economic Security Funds (ESF) for the Palestinians, Israel, Egypt and Jordan. \$1.2 billion of this post-Wye aid was slated to go to Israel.<sup>20</sup>

It is imperative that our government break out of the present pattern of rewarding traditional allies with more weaponry and larger ESF grants without regard to where the greatest human development need exists and how U.S. funds can best help meet that need.

Also of concern is that in attempting to restore stability and responding to post-conflict reconstruction needs in Iraq--a critical and legitimate U.S. responsibility--humanitarian and development assistance for other states in the region may be diminished.

- *As a basic strategy, the United States should regard ESF and development aid funds for Israel and its immediate Arab neighbors as a pool for regional development.* Bilateral grants for health, education, nutrition, agriculture, women's empowerment and participation in governance should be seen and designed as help in preparing individual countries to participate in a dynamic regional society and economy. A large proportion of that pool of funds should be used directly to stimulate joint projects and joint economic activities involving two or more countries. Wherever possible, such U.S. aid should be combined with that from other donors in common strategies to pursue this regional vision.

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*In support of these goals, we commend the following* as important examples of using U.S. aid and initiative to encourage regionally conscious development:

- Support for regional development institutions such as a Middle East development bank and the Arab Fund for Economic and Social Development. Such entities can be of immense value in mobilizing and channeling external resources to the region.
- Stimulate and support regional infrastructure initiatives such as water-resource development and management, electric power grids, highways, ports and communications systems. One functioning example is the Middle East Desalination Research Center, a joint Israel-Jordan-Oman organization.
- Stimulate and support the development of a freer flow of products, capital and labor across national borders of countries in the region. The goal should be to create the advantages of larger markets and resource sharing not available to these individual countries and to provide a regional economy that can be a buffer for individual countries in an age of economic globalization. Care must be taken, however, to guard the interests of workers and consumers and not allow benefits to flow disproportionately to business interests.
- Stimulate and support regional projects and programs aimed at protecting natural resources and a fragile environment. This will be particularly important as

businesses and infrastructure projects span political jurisdictions. The present need for economic development must not come at the cost of long-term sustainability.

- Stimulate and support joint production in agriculture, manufacturing and tourism based on clear agreements about the appropriate sharing of benefits.

The United States should take the lead in gathering key regional and international actors to forge a regional economic development strategy for Israel, the Palestinians and the adjacent states.

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## ***A CONCLUDING NOTE ON U.S. SECURITY***

***It is time for a new approach in which political settlement grows side-by-side with the intertwined economic advancement of all parties.***

For over half a century, the divide between Israel and Palestinians, and to a lesser extent between Israel and its nearest Arab neighbors, has been approached almost exclusively as a political problem about land, sovereignty and security that could and would be resolved under the umbrella of massive armaments. It has been assumed that social and economic development must wait until nations feel militarily and politically secure. It is time for a new approach in which political settlement grows side-by-side with the intertwined economic advancement of all parties and especially for those who have been most ignored in the past.

Realization of this vision cannot be achieved in the absence of a peace agreement that ends the occupation, establishes a viable Palestinian state and upholds Israel's legitimate security needs. Elements of a regional economic development program, however, can be explored and implemented while these essential political solutions unfold. This should be the strategy of U.S. Middle East aid policy. Peace will come more rapidly

and be sustained more surely if all peoples in a region presently facing conflict and hostility can see positive improvement in their daily lives.

It is not just Middle East security that will be enhanced by this new approach to aid. U.S. security will be increased as well. As President Bush noted in a May 2003 speech at the University of South Carolina's graduation ceremony where he announced the launch of a 10 year effort to form a US-Middle East Free Trade Area, and pledged to promote equality for women and to help modernize the region's justice, education and political systems, "The bitterness of the region can bring violence and suffering to our own cities. The advance of freedom and peace in the Middle East would drain this bitterness and increase our own security." This will not happen overnight, but if we lead the way in a program that focuses on developing new economic opportunities for people and nations in the Middle East, and if we do it in a way that demonstrates concern for all in the region and not just for traditional allies, the distrust and hatred that nurtures violence against the U.S. will begin to wither.

## ENDNOTES:

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- <sup>1</sup> “Pope John Paul II Criticises Israel's West Bank Barrier,” *Agence France Press*, International News, Vatican City, Nov. 16, 2003.
- <sup>2</sup> “World Bank: Middle East And North Africa Region Strategy Paper,” *The World Bank*, 2003, p.1.
- <sup>3</sup> *ibid*, p.5.
- <sup>4</sup> United Nations Development (UNDP), *2002 Arab Human Development Report*, p. 88 and CIA, *The World Factbook 2002*, “Israel”, p.7.
- <sup>5</sup> Data cited in *An Assessment: Twenty-Seven Months - Intifada, Closures and Palestinian Economic Crisis*, pg. xi, World Bank, May 2003 and the UNESCO report, “The Impact of Closure and Other Mobility and Restrictions on Activities,” July 2002.
- <sup>6</sup> Data from Senator George Mitchell’s statement before the House Committee on International Relations, July 24, 2002, p. 1.
- <sup>7</sup> *ibid*, p. 2.
- <sup>8</sup> UNDP, *2002 Arab Human Development Report*, pp. 88, 89. This document presents composite data from all Arab countries.
- <sup>9</sup> United Nations Development (UNDP), *2003 Arab Human Development Report*, pp. 25-26.
- <sup>10</sup> *Challenges to Growth and Globalization in the Middle East and North Africa*, George T. Abed and Hamid R. Davoodi, International Monetary Fund, 2003.
- <sup>11</sup> Calculations based on UNDP, *2002 Arab Human Development Report*, pp. 6 and 94.
- <sup>12</sup> *Challenges to Growth and Globalization in the Middle East and North Africa*, George T. Abed and Hamid R. Davoodi, International Monetary Fund, 2003.
- <sup>13</sup> Calculations based on UNDP, *2002 Arab Human Development Report*, pp. 6 and 94.
- <sup>14</sup> A notable exception to this pattern was the 2001 statement by Saudi Arabia’s Crown Prince Abdullah urging all Arab states to make peace with Israel upon its withdrawal from the Occupied Territories.
- <sup>15</sup> *Challenges to Growth and Globalization in the Middle East and North Africa*, George T. Abed and Hamid R. Davoodi, International Monetary Fund, 2003.
- <sup>16</sup> Omar Salah, Chairman, Century Investment Group-Jordan, “Testimony Statement.”
- <sup>17</sup> *CIA World Fact Book 2003*, Central Intelligence Agency, using country data for all countries in the region including Turkey, and not including data for Iraq.
- <sup>18</sup> *Middle East Peace Process Arms Control and Regional Security (ACRS) Working Group*, Fact Sheet, U.S. Department of State – Bureau of Political-Military Affairs, July 1, 2001, <http://www.state.gov/t/pm/rls/fs/2001/4271.htm>
- <sup>19</sup> *Arms Control and Regional Security in the Middle East*, Inventory of International Nonproliferation Organizations and Regimes, Center for Nonproliferation Studies at the Monterey Institute of International Studies, p. ACRS-1.
- <sup>20</sup> Clyde Mark, A CRS Report for Congress, “Middle East: U.S. Foreign Aid-Wye Agreement Funding, and the Request for FY2000,” Congressional Research Service, Library of Congress, July 28, 1999, p.2.

# **SUPPORTING ORGANIZATIONS\***

Alliance of Baptists

American Friends Service Committee

American Near East Refugee Aid - ANERA

Common Global Ministries Board of the United Church of Christ and the  
Christian Church (Disciples of Christ)

Catholic Conference of Major Superiors of Men's Institutes

Church of the Brethren

Church World Service

Churches for Middle East Peace

The Episcopal Church

Evangelical Lutheran Church in America

Franciscan Mission Service

Holy Land Christian Ecumenical Foundation (HCEF)

Lutheran World Relief

Maryknoll Office for Global Concerns

Mennonite Central Committee

National Council of Churches of Christ of the USA

Near East Foundation

Pax Christi USA: National Catholic Peace Movement

Presbyterian Church (USA) Washington Office

Reformed Church in America

Unitarian Universalist Association of Congregations

United Methodist Church - General Board of Church and Society

World Vision US

\*Supporting Organizations may also have additional policy positions to those expressed in this document.

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