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## Interview: Dr. Fahed Fanek

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# The Palestinian economy needs protection in order to survive

*Dr. Fahed Fanek is a well-known Jordanian economist and financial consultant, who contributes to the mainstream newspapers, including Al Ra'i and the Jordan Times. A senior researcher and the publisher of a newsletter, he is also a leading member of the Arab Thought Forum. Although Dr. Fanek is not an official member of the Jordanian delegation to the peace talks, his views on economic and political affairs are considered to reflect those of the established institutions. He gave an interview to Muriel Mirak-Weissbach on Oct. 31 in Amman, Jordan, the second part of which, focusing on political aspects of the peace negotiations, will appear in an upcoming issue.*

**EIR:** You have written about discrepancies between the Israeli and Palestinian versions of the accord. Could you explain?

**Fanek:** I finally got the English version and found it more similar to the Israeli version. In the Arabic PLO version, it said there is a committee to discuss the use of common water in the area; in the Israeli version, they said they would discuss the water of the West Bank and Gaza. That's what's there in English. So the Israelis are trying to say, "My water is mine but your water is negotiable." They want to interfere with the West Bank water, but the Palestinians have no right to the water which Israel is using.

**EIR:** What is the real economic content of the PLO-Israel agreement?

**Fanek:** The economic content puts the West Bank and Gaza as an annex to Israel. The Israelis will continue to be the decision-makers in every respect except tourism, income taxes, and the day-to-day life of the Palestinians. They will continue to be in control of the bridges, highways between cities. In effect, the solution helps Israel to continue to tell the world that it is giving concessions and it is for peace, so that would alleviate the pressure on Israel. At the same time, its economy is arranged in Israel's favor. Until now, during the interim period, Israel continued to export goods to the West Bank, to prevent Jordan from exporting goods to the West Bank, and to prevent the West Bank from exporting goods to Israel, which is unfair. It means it is not an agreement between equals; it's an agreement between the victor

and the defeated.

**EIR:** Why would it be accepted then?

**Fanek:** We should understand it and not deceive ourselves, that's all. I am not refusing the agreement; I am saying it is better than nothing because the alternative is even worse. But we should understand it and call a spade a spade.

**EIR:** Dr. Jawad Al Anani, minister of state for prime ministry affairs, has raised concern that massive investment in the West Bank may generate a disparity with the East Bank, which he thinks could be destabilizing. What do you think?

**Fanek:** By disparity, I think Anani means that their standard of living is higher, and I think that's simply a distortion. The calculation was done by the World Bank and no one can believe it. It says that the per capita income in Jordan is \$1,050, and almost double that on the West Bank. No one would believe that. Everyone knows that the standard of living in Jordan is better than on the West Bank, except that the prices there are twice or three times higher. So if you talk about it in real terms, it is different.

Furthermore, the World Bank accounted for the expenditures of the occupation administration as "public sector," and used that to tally part of the income of the Palestinians, which is not true. If you spend money on the occupation, or the income of the Israeli settlements, this is not part of the Palestinian economy; the World Bank treated the expenditures of the occupation administration and the Army as "public sector expenditure," so it figures as part of the income. Plus, they added the income of the Israeli settlements, which is very high of course, because they are subsidized. So, when you make an average, it looks nice. But if you segregate the Palestinian economy from the Israeli settlements and the occupation, then the standard of living there, even in nominal dollar terms, is lower than Jordan's, let alone accounting for the higher prices there.

**EIR:** What is your view of tax and customs regulations on goods moving to and from the Occupied Territories?

**Fanek:** I think it is necessary because the Palestinian economy and industry is an infant industry which needs protection for at least 10 years. Without that, there is no hope that

anyone would start a new industry on the West Bank, because it would be overrun by the Israelis. So customs is a must.

Now, the World Bank allowed Jordan to impose protective customs up to 30-50%. No one says that the Palestinian economy is stronger than the Jordanian economy. If the Jordanian economy is justified in having such protection, then what about the Palestinian economy? It needs protection. Remember, when Portugal, as a backward country, joined the European Community, it was allowed to send its products to the EC with no restrictions, but it continued to protect its own industry from the EC in a transitional period. I think that should be applicable. But, unfortunately, the plan to be implemented is the opposite. The West Bank, according to the plan, is to be more receptive to Israeli products, while Israel is not receptive to Palestinian products.

**EIR:** There have been proposals for the Palestinians to send their agricultural produce to the EC.

**Fanek:** Just to bypass Israel. That should tell you something. Why should they bypass the Israeli market, which is close? Proximity says that Palestinians should be able to sell in Israel, as long as the Israelis are selling in the West Bank.

**EIR:** What can you say about the projects listed in the annexes to the PLO-Israel agreement?

**Fanek:** There are some joint projects, Palestinian-Israeli joint ventures in the West Bank, which means that it is Israeli capital and Palestinian labor. The Israeli products would have the "Made in Palestine" label, and that would help them market these products in the Arab world. There will be Israeli capital, technology, machinery, etc., with cheap labor from the West Bank. They will pretend that this is Palestinian production so that it can be sold on the Arab markets.

**EIR:** The Palestinians, however, want to develop their own industries and technological capabilities.

**Fanek:** Yes, they will try, but they cannot compete with the well-established Israelis. They will remain inferior in this respect to the Israelis, at least as long as they do not have the right to make decisions. You cannot imagine an economy when the decisions are made by another power, not by a national power.

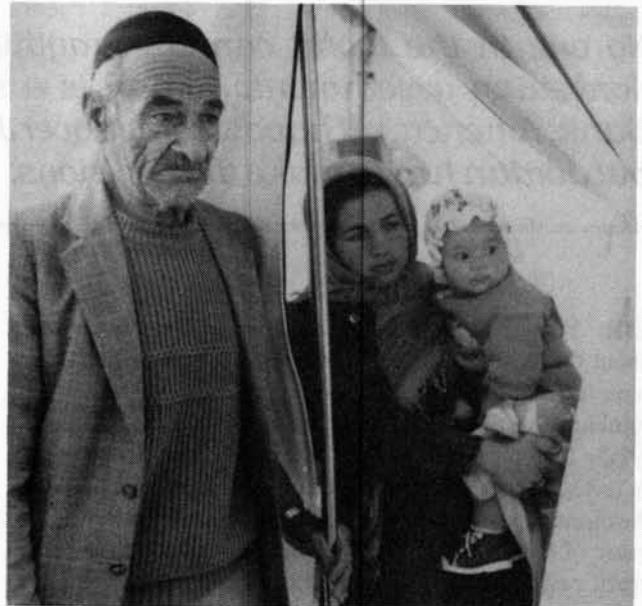
**EIR:** Who will be making the decisions?

**Fanek:** Israel will make the decisions during the interim period.

**EIR:** All the decisions?

**Fanek:** All the decisions, except those relating to tourism, health, education, income taxes, and the like. Otherwise, everything else; for instance, banking and currency are left to the Israelis.

**EIR:** But just two days ago, there was a PLO-Jordanian



*Palestinians on the West Bank, whose house was demolished by the Israeli Armed Forces. After decades of occupation, argues Dr. Fanek, the Palestinian economy will require protective customs and other special measures in order to survive.*

meeting to discuss setting up joint banking institutions for the interim period.

**Fanek:** Yes, but this is only a friendly exercise between Jordan and the Palestinians who do not have the right to decide on this subject. Jordan, which will negotiate this subject with the Israelis as the real decision-makers, would like to know what the Palestinians would like to see. So it's only because we like them to be happy that we talk to them to see what they will accept. That means a guarantee that what Jordan would agree on with the Israelis would not be rejected by the Palestinians. But it is not binding on anyone. The agreement between Jordan and the Palestinians is only a goodwill gesture; it is not for implementation until the Israelis agree with Jordan on these subjects.

**EIR:** What is the role of international institutions such as the World Bank and International Monetary Fund? The World Bank has conducted several studies and the IMF has had a lot of say regarding Jordanian and Israeli economic policy.

**Fanek:** No one in the world can say anything about Jordanian policy except the Jordanian government. Of course, the World Bank has the right to put Jordan under pressure, but Jordan is a sovereign country, only Jordan can make decisions. The IMF, the World Bank, America, all have leverage over Jordan, they can put pressure on Jordan, but Jordan has to make the decisions. If they are bad enough, they will not be made, despite the pressure, because we are a rather democratic country, and there is public pressure as well. The government has to weigh these pressures and make decisions.

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**EIR:** You wrote an article in the *Jordan Times* in October about the IMF's decision to stop its program in Jordan, in protest over the country's credit policy.

**Fanek:** Yes, this was a way of pressuring Jordan. Fortunately, the IMF retreated, and the program is back in operation. In fact, it accepted amending the conditions to accommodate the discrepancy [in the credit creation ceiling] which was the cause of IMF's anger. The IMF has now agreed to raise the credit ceiling, which is proof that what happened was not wrong, it was right; and the IMF finally admitted that it was right in response to the actual economic situation of the country.

**EIR:** Has Jordan been seeking debt relief in the United States?

**Fanek:** No, Jordan is not seeking debt relief because we are *getting* debt relief. Jordan is seeking debt *reduction* and got debt relief. That's the paradox. Prince Hassan went to America to ask for debt reduction, just as Egypt and Poland had done, and they received 50% forgiveness. But Clinton did not use the word "debt reduction," he used the term "debt relief," which may mean reduction, but not necessarily so. It may mean many things—lower interest rates, rescheduling, stretching out debt repayments, giving a grace period. That is debt relief. I think that what Jordan is after is debt reduction, and so far it has not gotten it.

**EIR:** You said before that Israel would be making the decisions in the economic policies implementing the agreement. What about the World Bank?

**Fanek:** As everywhere, the World Bank has to coordinate with the authority concerned, so most likely the World Bank will coordinate with both, with Israel and with the Palestinian autonomy. I think the World Bank will have some autonomy itself, because the World Bank is paying the money and is acting on behalf of the donors, who are superpowers, so it will not be an employee to obey orders from Israel. But it doesn't have the power to enforce anything, except its moral power, which is strong enough, I think. So the World Bank will have its way in the West Bank, most likely.

**EIR:** Will it be possible for independent industrial groups, from Europe, for example, to invest in the West Bank?

**Fanek:** The whole world will be invited to invest in the West

Bank, in Jordan, in the region, everywhere, it is open for everybody.

**EIR:** What are the guidelines on technology, particularly to solve the water problem?

**Fanek:** Guidelines will be at a minimum, because the Palestinian economy will be arranged on a free market basis, and they say they are lucky they got their autonomy only after the collapse of the Soviet Union, which means that the other way, of going socialist, is out of the question. So guidelines are not needed, businessmen will make their own guidelines. But water is a real problem, because all the sources of water are not enough to satisfy the needs of the Middle East. So the question is a matter of priority. For instance, why should Israel grow cotton, which uses one-third of the entire water in the region? In fact they are not selling cotton to the world, but water. I think Israel should cease to grow cotton and Jordan should cease to grow bananas, then the water available would be enough not only for now but for 20 years to come, according to research institutions.

**EIR:** What about the use of nuclear energy to desalinate water?

**Fanek:** It's very expensive, and we don't have the technology. Israel has the technology, so let them give us the natural water and they use nuclear-generated water for their own use. We don't have the technology and we don't have the funds to build the stations.

There were plans put forward by the Americans, for example by Johnston in 1952, to divide the water. Since the Israelis took what is theirs and what was [not] theirs, it's only normal to go back to that plan. Jordan is not getting its share now, although it's carrying the burden of 2 million Palestinians and does not have the water to feed them.

**EIR:** The nuclear technology may not exist here, but it does exist in Europe and in India. Introducing nuclear-powered desalination would change the parameters of the water crisis.

**Fanek:** Yes, but Jordan has a small shore, just some kilometers, and to depend on sea water is not good from a security point of view. You can knock out such a facility in one minute and leave the country without water.

**EIR:** The newspapers here have just reported on the decision

to go ahead with the Red Sea-Dead Sea Canal project.

**Fanek:** Yes, but that is not for desalination, it is only a replacement for the Mediterranean Sea-Dead Sea Canal. We admit that the Dead Sea needs water to keep its level, so instead of bringing it from the Mediterranean, it makes more sense to bring it from the Red Sea, because it would require relatively little to build the canal, and it would serve as a tourist attraction as well as a natural border between Israel and Jordan. So it is much better, especially because the little piece of land there is not good for agriculture, it is a desert, so there is no loss, whereas bringing it from the Mediterranean means a loss of arable land. If the Israelis would like to use it to cool its reactor in Dimona, that's another story. In that case, it is not a Dead Sea Canal.

**EIR:** Tourism is being pushed by certain international financial groups as if it were the main industry for the region. What is your view?

**Fanek:** I think tourism is the only sector which will no doubt benefit from peace. Other sectors? It's controversial whether industry will benefit or will be damaged. No one knows for sure. But for tourism, it is agreed that it will benefit, doubling or tripling over one or two years. That's why in Jordan, for instance, there are new hotels under construction, seven in Petra alone. So expectations are very high and I think they are justified, because, with security and stability in the Middle East, the package we can offer is unique in the world. Most likely, it will be the number one attraction in the world: Sinai, Eilat, Aqaba, Petra, Jerusalem, Bethlehem, etc., when you combine them in one package, that's the best for any tourist in the world. So that for sure is coming.

**EIR:** What about the plans for building up infrastructure?

**Fanek:** That is left to the private sector. They smell the market and they react accordingly, and I trust their instincts more than the government, because if it were left to the government, they would make the wrong decision and they can't react to the signals of the market. Most businessmen are in hotels already, so they know better how to build hotels, how to market them, there's no complaint. The new hotels are coming now, in Aqaba, in Amman, in Petra especially.

**EIR:** Can the region survive on tourism?

**Fanek:** No. For Jordan, tourism represents only 4% of Gross National Product, so if it doubles or triples, it will be 8% or 12%. Tourism is not so essential to the economy of the Middle East, but it is a fact. Hopefully, Jordan will benefit also from transportation, because it is located centrally. Syria cannot reach the Gulf without Jordan, Israel cannot reach the Arabs without Jordan, Iraq cannot reach the Red Sea without Jordan, and so on. Turkey cannot reach the Arab world. It is the mid-point for transportation grids. That is a sector which will benefit; if it is now 10% and grows to 20%, while tourism grows from 4% to 12%, then that is a growth of 18% over

five years which would add to the annual 3% growth of the economy overall.

**EIR:** When you speak of transportation, are you referring to rail systems?

**Fanek:** I mean land transportation mainly, but also air travel. We have a big airline and the best land trucks and refrigerators in the area. Plus, we have the port of Aqaba, which means access for Saudi Arabia, Iraq, Jordan, Palestine, and perhaps Israel. The Israelis say they want to relieve Eilat from being a transportation port and let it be only a tourist spot. They would use Aqaba as their port. So, in any case, this sector represents a growing industry in Jordan.

**EIR:** Your reference to Iraq raises another question. Israeli Foreign Minister Shimon Peres has proposed that Jordan-Palestine-Israel become a sort of Benelux [Belgium, Netherlands, Luxembourg]. In Europe, the Benelux countries exist as an economic unit, but only by virtue of the industrial power represented by Germany and France. Of all the countries in the Middle East, Iraq is the only Arab nation with comparable industrial infrastructure and potential, the only national economy in that sense.

**Fanek:** That's right. And so far, Iraq is not part of the deal, and that is a big problem for Jordan, because all the markets of Israel and Palestine combined would not compensate for one-quarter of the Iraqi market. So it is to our benefit not to enter into such a Benelux unless Iraq is part of the deal. Iraq can be part of the deal only if the sanctions are removed and we get access there. Unfortunately the Americans are unable to see this, and don't see that Syria cannot move until Iraq says okay, because it is two branches of the same party rivalling each other. The Iraqis would be in a comfortable position to say that the Syrian Ba'ath sold out to Israel, signed for peace, shook hands with Rabin, etc.—that may mean the death sentence for the Syrian Ba'ath Party. So it is in everybody's interest to get an accommodation with the Iraqis. That's the only way to make Jordan enthusiastic about peace.

**EIR:** People here say, in fact, that they do not believe the United States wants real economic development here, if they destroyed Iraq. Some say the United States would like to replace Iraq with Israel as the central economic power.

**Fanek:** I do agree of course. I think the war with Iraq was inspired by the Israelis and the Jewish lobby in the United States. The Israeli writers and the American Jewish writers were for war. I think it was a defeat for America, because when a superpower is unable to get its way except by war, that's a weakness, not a strength. The Americans would have been able to get the Iraqis out of Kuwait without war, as everybody knows, but they closed the door and insisted on going to war. That I think was a defeat for America, which will carry a price that will have to be paid someday.