

Report from Bonn by Rainer Apel

Can Palestinians count on German aid?

German industry can play a big role in infrastructure development in Palestine, and in keeping the IMF out.

The economic aspect of the just-signed agreement on Palestinian autonomy in Gaza and Jericho has been given quite a lot of coverage in German media. The fact that *Handelsblatt*, the leading business daily, has printed most of the more detailed reports about prospects for infrastructural and industrial development in that region, signals a genuine interest of German industry to get involved.

This requires generous funding of projects by the private banking sector, because the government has so far committed only DM 25 million (\$16 million) in immediate support of the Gaza-Jericho plan. The DM 4.6 billion loans that Israel has received at preferentially low interest rates from Germany in the past years can serve as a model.

The German government should definitely commit itself even to more. After all, Bonn funded the Gulf war against Iraq in 1991 with DM 18 billion. The DM 25 million assigned for the Gaza-Jericho plan is a paltry sum.

In an interview Chancellor Helmut Kohl gave to the Sunday *Berliner Morgenpost* on Sept. 12 on the eve of the signing of the Israeli-PLO accord in Washington, Kohl called for a broad investment aid approach modeled on the post-1947 Marshall Plan. He criticized the conduct of the British and French governments, which after the fall of the Iron Curtain in 1989 did not commit substantial funds for East European development and reconstruction. Kohl said that certain governments of Europe which have historically had a leading role in the Mideast—Britain and France—have

the moral duty to do more.

An official of the Bonn government told this author that the chancellor's remarks referred to the fact that Germany contributed 58% of all European Community aid for Israeli-occupied Palestine before the Washington agreement. Bonn hopes that in the EC's new \$600 million special aid program for the next five years, other European governments will have a greater share. This implies that Bonn is holding back and waiting for others to put something on the table. This pragmatic approach is operating on a typical EC timetable, oblivious to the urgent needs of Palestinians.

What is known concretely about Bonn's support for "Gaza-Jericho" so far is not much more than what Carl-Dieter Spranger, the minister of economic cooperation, said Sept. 17. Welcoming the Israeli-PLO accords as a "decisive improvement of conditions for peaceful economic and social development of the region," he said that Germany is committed to "integrating existing local projects in the areas of clean water supply and sewage, and in the farming sector, into the framework of more comprehensive concepts of supply."

Many of the 4,200 Palestinian small craftsmen and medium-sized enterprises in the Gaza-Jericho region use modern German machines; but this falls short of a development outlook that seeks to rapidly change conditions for 1.8 million Arab Palestinians living in this area.

On Sept. 14, *Handelsblatt* reported estimates by Palestinian experts that \$10-12 billion would have to be

invested—\$2 billion from private Palestinian savings—over the next few years, to help create a basic transportation and industrial infrastructure, housing, and medical services for the population in the Gaza-Jericho region. This implies that about \$10 billion will have to come from non-Palestine sources.

The next day's *Handelsblatt* reported that there is not one single power plant in the entire Palestine region, and that all firms and households, hospitals, and schools depend on supplies from Israel's power sector. It is clear what foreign investors, including German, have to do: build power plants.

Mordechai Avior, assistant minister of foreign trade and industry of Israel, addressed a German-Israeli economics panel in Berlin on Sept. 13, and called on Germany to tap its vast scientific and technological potentials to make the Gaza-Jericho plan work. Such openly stated Israeli support is indispensable for any development in the Palestine territories.

But what is required most of all is that Germany help to keep the International Monetary Fund policies, which have had such devastating results in Egypt, from serving as a model for the Gaza-Jericho project. In Egypt, this problem was addressed by Germans some time ago: When a senior Social Democrat visited Cairo in April 1990, directors of eight German industrial firms operating in Egypt issued a joint call in Cairo for a rejection of IMF policy in that country.

The industrial managers' warnings are relevant today. They said that western governments' continued respecting of IMF credit bans would ruin industrial development at a time when first signs of small and middle-sized firms emerging in the Egyptian economy were offering prospects of real industrial recovery after a long period of unabated decline.