5 Regional Economic Cooperation

The Regional Economic Development working group (REDWG) and the parallel Arab-Israeli cooperative economic forums that developed in the aftermath of the Israeli-Palestinian Oslo Accord constitute something of a success story for the multilaterals. To be sure, measuring success in this process requires different criteria than for many other regional forums, where tangible outcomes like economic growth and development are standard indicators. While a narrowing of the economic disparities in the Middle East may ultimately be required for durable peace and regional stability, the REDWG process cannot be judged solely according to these long-term economic needs and goals. Although the American sponsors of the process believed that REDWG could facilitate economic development generally,[1] their primary objective was to facilitate political ties and cooperation between Arabs and Israelis. According to the process conception of cooperation, the working group made progress in its efforts to achieve common understandings among its participants concerning the value of regional cooperation in this issue area.

This story of REDWG's evolution is thus not about the prospects and impediments to economic development in the Middle East and North Africa region. Rather, it is about the development of an unprecedented forum for Arab-Israeli economic cooperation where weak economic foundations exist upon which to build such cooperation. The political intentions of this process were present at its outset and persisted throughout its development. Despite setbacks and stalls that occasionally brought the process close to breakdown, REDWG surpassed expectations about what Arabs and Israelis could achieve. And unlike ACRS, this process did not collapse.

While REDWG faced problems similar to those of other multilateral working groups, such as setbacks in the bilateral peace process and the lack of sufficient funding to implement many of the larger regional projects, the group was able to survive and expand. Yet to do this, REDWG had to reinvent itself to the point where the most significant economic cooperative activity occurred outside the formal REDWG context. The spin-off parallel processes that emerged from and remained associated with REDWG—such as the Middle East and North Africa (MENA) economic summits—proved resilient, if battered, forums for Arab-Israeli cooperation. Indeed, few outsiders are aware of the extent to which Arab-Israeli regional economic cooperation flourished after Oslo, producing regularized contacts, abundant meetings (in the hundreds) and nascent institutions even in the darkest hours of the bilateral peace process. In the context of the Arab-Israeli conflict, this was a remarkable accomplishment.

What accounts for the nature of REDWG's development and the proliferation of related forums of Arab-Israeli multilateral economic cooperation? Most importantly, REDWG participants made progress in depoliticizing the process, enabling them to see economic issues as "technical" ones amenable to regional, multilateral cooperation. While political divisions inevitably created problems for the group, participants sought and reached common understandings about the purpose and utility of economic cooperation, in large part because of their changing conceptions about the nature of economic development and the impact of globalization on regional relations. Specifically, regional participants developed common conceptions about the role of Arab-Israeli economic cooperation in attracting foreign investment in a globalized economy.

Because regional parties can serve their economic interests in a variety of ways (e.g., domestic structural reform, continued centralized planning, or bilateral economic arrangements), understanding why regional elites choose to believe a particular path serves their interest becomes important in explaining outcomes that may appear anomalous in the abstract. Both Arabs and Israelis—while generally rejecting the notion of a "New Middle East"[2]—increasingly perceived a shared value to continuing economic cooperation in order to foster the region's integration into the global economy, creating a business-friendly environment by reducing the political risks of economic investment in the region. Shared beliefs among key regional elites about the fact and role of globalization provided common incentives for continued cooperation even if intraregional economic ventures were limited and at times viewed negatively, especially during periods of high tension in Israeli-Palestinian relations. An additional incentive to continue cooperative ventures stemmed from regional parties' desire to enhance their regional roles by housing the new institutions that were expected to emerge from the process.

As in the case of arms control, the parties' view of the process cannot be assumed. Economic incentives reveal less of the REDWG process than an understanding of the way in which elites gradually supported economic cooperation based on shared beliefs developed in part through their interactions in the multilateral context. Shared interpretations of globalization also explain the variation among the different economic projects that emerged from Arab-Israeli cooperation, with some projects proving more vulnerable to bilateral setbacks than others. According to the perceived globalization logic, we would expect projects oriented outside the region to attract greater support than those focused primarily on improving intraregional cooperation, as the former reflects the shared understandings of regional parties in the economic issue area. Consequently, the relative durability of the MENA economic summits (established to garner extraregional private sector investment) should not be surprising (as, conversely, it was not surprising when the higher political profile of the summit process, presented by some as an integrative mechanism, led to setbacks in REDWG generally). Likewise, projects that were less directly outward-looking and more explicitly focused on creating intraregional projects, like the proposed Regional Business Council (RBC), proved more vulnerable to bilateral setbacks. After reviewing the empirical story of REDWG, the chapter will explain its complex development by exploring both the facilitators and impediments to successful cooperation in this issue area.

The Development of REDWG: The Empirical Record

REDWG Emerges

Despite expectations about the relative ease of economic as opposed to security cooperation, controversy and deadlock marked REDWG's pre-Oslo record, although some important progress was made on planning for Palestinian economic development. The central reasons for this deadlock proved to be the question of Palestinian representation and the style of the European Union's leadership (as REDWG gavelholder).[3]

Noneconomic controversies surrounding REDWG had to be overcome before the group could focus on the issues within its bailiwick. The question of Palestinian representation in the working group was the most significant obstacle. This dispute led the Israelis to boycott the first REDWG plenary (after the January 1992 Moscow conference) on May 11–12, 1992, in Brussels. The Israelis insisted that Palestinians from outside the West Bank and Gaza Strip (the diaspora Palestinians) could not attend any multilateral meetings, following the restrictions initially laid out in the Madrid letter of invitation. This concern arose from the Israeli perception that participation by diaspora Palestinians would imply tacit acceptance of the PLO and broaden the Israeli-Palestinian dispute to outside the territories.[4] Attempts by Israeli Foreign Minister David Levy to find a compromise that would enable the Israelis to attend were reportedly rebuffed by the European sponsors.[5] Israeli suggestions that diaspora Palestinians could attend as members of other Arab delegations were also rejected by the Palestinians, particularly since they had gained the support of Secretary of State Baker on this issue.[6] Moreover, the extraregional sponsors were prepared to proceed with the May meeting even without Israeli participation.[7] The inclusion of diaspora Palestinians led some Israeli commentators to call for an Israeli reassessment of the value of the multilateral talks,[8] despite a recognition of the benefits Israel received from such a forum. Moreover, the Israelis were particu larly cautious about the aims of a European-controlled REDWG, given the historical mistrust by Israelis of European designs in the Arab-Israeli peace process and the perception of a European bias toward the Arab side.

Thus, while thirty-eight regional and extraregional delegations attended the May meeting in Brussels (in the seminar-style format used in the first rounds of all the multilateral working groups), the absence of the Israeli delegation limited the group's progress in terms of proposals to generate regional projects and ventures. Still, the Europeans and Americans were determined to go forward with the session because of their belief that economic cooperation could facilitate the peace process.

Following the Brussels plenary, a new Israeli Labor government was elected, under the leadership of Prime Minister Yitzhak Rabin and Foreign Minister Shimon Peres. The election not only led to a more flexible Israeli position on the issue of Palestinian participation, but it also signaled greater attention to the economic development area given Peres's (and his key aides') long-standing beliefs about the importance of economic cooperation to regional peace and stability.[9] Organizational changes in the Foreign Ministry, such as the establishment of a new Peace Department and Policy Planning Division, also signified more emphasis on cooperation and economics, with the new Director-General, Uri Savir (the future architect of the Oslo channel), suggesting that "the criteria for diplomats abroad will be measured more in terms of enhancing trade than winning debating points on the history of the Arab-Israeli conflict."[10] Not surprisingly, a compromise was quickly found to enable Israeli participation in the second REDWG plenary in Paris on October 29–30. This entailed the new government's accepting an Egyptian compromise that allowed for diaspora Palestinian participation, but only if they were not members of the Palestine National Council (PNC) or residents of East Jerusalem.[11] In Peres's words, "We [Israel] are not going to ask the chief rabbinate for its 'kosher' stamp for Palestinian negotiators."[12] Peres also assumed a more favorable position on a larger European role in the multilateral process and, even before the October REDWG plenary, suggested several ideas for cooperative economic activities in REDWG during a visit by Secretary of State Baker to the region in July.[13] The Israelis also intended to press for more definitive areas of economic cooperation at the Paris meeting, including the establishment of subcommittees of experts to negotiate practical economic proposals in areas like tourism, agriculture, transportation, energy, finance, and Red Sea development.[14] In a briefing to the Israeli cabinet on the eve of the Paris plenary, Peres argued that while multilateral progress was contingent on the bilaterals, "there is no need to wait" before engaging in multilateral projects.[15] The fact that the Israeli delegation was co-headed by the governor of the Bank of Israel, Jacob Frenkel, suggested a serious intent under the new Israeli government to attack substantive common problems, rather than focus solely on divisive political disputes.

Yet this enthusiasm to join REDWG in the second Paris plenary led to a perception (and fear) among Arab states that Israel sought to dominate these discussions. For example, one American official present at the Paris meeting noted how the Israelis entered the process too ambitiously, presenting a proposal for a Middle East development bank without first gaining the support of the United States.[16] Arab participants, who argued that such ideas were not feasible before further bilateral progress was made in the peace process, rejected the proposal.[17] At this early stage, little contact occurred between Arab parties and Israel and the sessions were primarily a forum for extraregional participants to present lists of potential projects. Most of the early proposals were quite modest, and stressed less contentious cooperative areas like tourism, university exchanges, communications, and job training.

While these laundry lists of ideas for regional cooperation proved critical once the bilateral process allowed more serious and direct Arab-Israeli negotiations, the pre-Oslo period was limited because of Arab parties' reluctance to move ahead before bilateral progress had been made. As the head of the joint Jordanian-Palestinian delegation to REDWG, Dr. Fayez Tarawneh, explained at the Paris meeting, "We cannot make any contact with the Israelis with Arab lands occupied and their people under siege. . . . The Israelis would like to cooperate right now but . . . we cannot accept this as it would indicate normalization before peace."[18] According to Tarawneh, the Arab states coordinated their positions before the Paris meeting in a separate session and reached an agreement to link multilateral progress with the bilateral talks.[19] Still, the Jordanian delegation head expressed optimism over the potential of these talks, arguing that "the multilateral talks are an important forum attended by several states as representatives of the world nations, and the Arabs should not waste the chance to affirm their positions and principled stands and should prepare for a better future for the region after the Middle East problem is resolved."[20]

Because of the limitations in fostering Arab-Israeli projects in the pre-Oslo period, the European sponsors shifted the focus of the group toward extraregional studies of development needs of the region, particularly of the West Bank and Gaza. Extraregional participants played a major role in structuring the work agenda, with such items as commissioned feasibility studies. By the Paris plenary, extraregional REDWG members assumed the role of "shepherds" (or managers) for specific initiatives in different sector areas: tourism (Japan); transportation and communications (France); vocational training (the United States); data bank for regional specialists on economic development, or bibliography (Canada); energy and networks (EU); agriculture (Spain); financial markets (United Kingdom); trade (Germany); institutions, sectors, and principles (Egypt).[21]

Yet it was at the third REDWG plenary in Rome on May 4–5, 1993, that more serious work began. The parties by that time not only understood how REDWG worked but demonstrated some willingness to begin projects by agreeing to engage in intersessional, technical workshops between the larger plenary sessions. Perhaps the most significant development at Rome was the tasking of the World Bank to conduct feasibility studies and recommendations for development, primarily of the West Bank and Gaza Strip. The World Bank sent teams of experts to the region to study the development needs of the Palestinian economy and infrastructure, and produced a report (with input from the key regional parties—Israel, Jordan, and the Palestinians) detailing its conclusions. The report was presented at the fourth REDWG plenary in Copenhagen in November 1994.[22] While the Israelis hoped REDWG would also focus on wider Arab-Israeli regional projects, they were supportive of the World Bank study because they recognized the significance of improving economic conditions in the territories for a political settlement and greater security for Israel itself.

This World Bank study later served as the framework for future extraregional assistance to the West Bank and Gaza after the Oslo Accord, when a donor conference pledged over $2 billion in assistance to the Palestinians over a five-year period. In this sense, REDWG served its original mandate of facilitating the bilateral peace process despite its lack of progress in advancing wider regional development projects. The Rome meeting also reflected greater seriousness than the previous plenaries in that the extraregional shepherds began committing funding for the regional proposals. These included a pledge of $14 million from the United States for training, $3 million from Italy for energy projects, $400,000 from Spain for agriculture studies, and $6 million from the EU for feasibility studies for projects such as roads, electricity grids, and commerce.

In the wake of the plenary, the regional parties also expressed greater willingness to work with the shepherds in moving these projects forward. A sign of greater regional willingness to cooperate in this process was the announcement by Israeli Deputy Foreign Minister Yossi Beilin after the Rome plenary (in the beginning of June 1993, still *before* Oslo) that several of the multilateral working groups would meet in the region itself in the next round (Fall 1993) of plenary sessions. As one Western diplomat involved in the process observed, the Arab and Israeli participants were "getting used to seeing each other in seminars. There is regular contact. Nobody would have thought that the multilateral sessions would be more successful than the bilateral ones."[23] Thus, despite the rough start, a substantive working agenda for REDWG had been defined and had gained the commitment of regional parties on the eve of Oslo.

While the Oslo political breakthrough in Israeli-Palestinian relations allowed REDWG to engage in more significant economic planning and for Arabs and Israelis to interact more directly than in the previous period, the working group also faced some serious difficulties that limited its ability to implement many of its projects. And yet, rather than lead to the demise of Arab-Israeli multilateral economic cooperation, these problems led to the diffusion of cooperation into parallel processes that produced nascent Arab-Israeli economic institutions. This unique evolution of multilateral economic cooperation raises important themes that the subsequent sections will address; namely, the growing regional forces both impeding and facilitating cooperation and the increased role of perceived globalization pressures in shaping the nature and prospects for such cooperation to continue.

Post-Oslo Activity (November 1993–October 1994)

Progress

The first plenary after Oslo took place in Copenhagen on November 8–9, 1993. This session was the first plenary in which regional parties agreed by consensus to a plan that specified a list of substantive economic projects, termed the Copenhagen Action Plan (CAP).[24] As Uri Savir explained in his concluding remarks at the Copenhagen plenary, "For this first time the working group on Regional Economic Development is engaging in substance abandoning the academic discussions which characterized its work in the past."[25] In contrast to earlier REDWG meetings, the regional parties expressed an interest in taking more concrete actions, in coordination with the extraregional sponsors, to enhance regional economic development and private sector interest in the region.

To that end, the regional endorsement of the CAP signified a readiness to engage in region-wide cooperative efforts that went well beyond the development needs of the West Bank and Gaza. The Plan covered ten sectors and proposed thirty-five regional projects.[26] In a REDWG intersessional workshop in Cairo the month following the Copenhagen plenary, the group continued its work on the CAP, approving several agricultural projects, a pollution cleanup of the Gulf of Aqaba, the preservation of marine life and coral, as well as a joint tourism project involving the Palestinians, Israelis, and Egyptians.[27]

The breadth of the action plan led the group to establish a smaller monitoring committee (MC) in its next plenary in Rabat in June 1994. The MC would oversee the implementation of the various projects on behalf of the plenary members and encourage greater regional initiative. While the MC's full membership still included regional parties from the Gulf and Maghreb, the four "core" regional parties (Israel, the Palestinians, Egypt, and Jordan) took the lead and established four subcommittees (infrastructure, trade, tourism, and finance). The goal of the subcommittees was to better coordinate the work carried out in the intersessionals and bring the projects to fruition.

At its first meeting on December 5, 1994, in Cairo, the MC clarified the membership and organization of the group, deciding that it would be cochaired by the core regional participants (rotating the chair between them every six months) and the European Union. It was agreed that senior officials representing the core parties would chair the sectoral committees and that its meetings would normally take place in the region approximately every six months, again highlighting enhanced regional initiative and interaction.[28] The MC also established a small secretariat in the region—a proposal initially discussed at the June REDWG plenary in Rabat and endorsed by the steering group of the multilaterals in a meeting in Tabarka in July 1994—comprised of representatives from each of the four core parties. The secretariat began operating in Amman in March 1995.[29] At the Amman Summit in October 1995, the participants decided to transform the MC into "a permanent regional economic institution to be based in Amman."[30]

The creation of the MC secretariat began to signal a shift in REDWG away from centralized economic cooperation under the European umbrella toward more diffuse, and often smaller, forums headed by different extraregional parties. Yet, despite the beginnings of negotiations over specific economic projects in the year following Oslo, REDWG faced several serious impediments to progress that ultimately restricted its work. This led to various spin-offs that owe their existence to REDWG but ultimately were better able to implement REDWG's agenda than the original working group.

Problems

A variety of forces contributed to REDWG's problems, including its large size, the discontinuity of leadership because of the rotating nature of the European Union gavelholder, the inherent limitations of economic integration schemes in the region, and bilateral peace process setbacks. However, two developments were most significant in diminishing REDWG's impact: 1) the increased competition between the United States and the Europeans over leadership in the economic cooperation sphere; and 2) the lack of funding for the large-scale public sector projects necessary to implement the group's working agenda. Thus, rather than serving as a facilitating force in multilateral economic cooperation, extraregional parties began creating impediments to moving the regional agenda forward.

From the outset of the multilaterals, the United States was negative toward European intervention in the peace process, particularly because the Israelis did not trust the major European powers. However, the United States also recognized the need to involve the Europeans at least at the financial level to support regional development initiatives that could buttress the political process. The American solution was to give the Europeans control over REDWG as its gavelholder in order to reap the economic benefits of European involvement without ceding control over the more central bilateral peace tracks, which remained firmly under the leadership of the United States.

Before the Oslo Accord, the Americans were satisfied with this arrangement, since most of REDWG's work remained conceptual at that stage. However, after Oslo, when the demand and potential for more serious and substantive economic development plans arose, the United States preferred to reassert its leadership role, although it still hoped the Europeans could financially support the process. Needless to say, the Europeans resented the expectation that they would foot the bills while the Americans received all the political credit for progress in Arab-Israeli cooperation.

The U.S.-European tug-of-war began as early as September 1993, when discussions began in the wake of Oslo on organizing an international donors conference for economic assistance to the Palestinians. While REDWG had sponsored the World Bank study on Palestinian economic development needs, the Americans took the initiative and proceeded to organize and sponsor the donors conference in Washington on October 1, 1993, outside of REDWG. This U.S. initiative angered the Europeans, as a struggle began over the relationship of the donors conference to REDWG's work, and over who controlled economic activity in the Arab-Israeli peace process. According to one official involved in this dispute, the discussions "got ugly" as both the Americans and Europeans tried to gain the upper hand.[31]

In a week of arguments before the conference, the EU agreed that the conference could take place in Washington, but demanded that the follow-up work would occur within REDWG. The United States preferred the follow-up work to take place within the multilateral steering committee, which the United States co-chaired with Russia. Ultimately, the parties agreed to a compromise whereby the conference would establish a separate ad-hoc liaison committee (AHLC) for Palestinian assistance (including both the Americans and the Europeans) which would report to the steering group. The parties decided that the Norwegians would serve as the first chair of the AHLC, which was expected to rotate. However, the Norwegians became the de facto chair since the parties could never agree on the next chair, reflecting the continued tensions between the United States and Europeans over leadership of the process.

The story of the AHLC was the first of several similar episodes in which the U.S. preference for implementing the economic dimensions of peace agreements outside the European-controlled REDWG became clear. The establishment of the Israel-Jordan-U.S. trilaterals followed a similar pattern, with the United States resisting REDWG in operationalizing the economic components of the Israel-Jordan peace treaty. While the largest split occurred with the establishment of the economic summits, these leadership battles beginning in the aftermath of Oslo posed significant setbacks for REDWG, at least from the European perspective. Indeed, the European launching of the Barcelona process with a ministerial level conference including fifteen European and twelve Mediterranean participants[32] in November 1995—and the Euro-Mediterranean partnership to which it has led—was viewed by many as a direct response to the American effort to maintain control over regional economic affairs.[33]

In addition to the U.S.-European leadership rivalry, the more fundamental problem of funding limited REDWG's ability to implement its agenda and contributed to the spin-off pattern that emerged after Oslo. When the multilaterals began, many believed that the participation of the oil-rich Gulf states, particularly the Saudis, would contribute to the financing of regional development projects, especially those affecting the Palestinian areas. However, with the Saudis facing unprecedented economic pressures and expressing reluctance to support regional initiatives before the bilaterals had been resolved, they made it clear that others should not "look to us to pay the bills" for multilateral economic projects.[34] Moreover, the Europeans and Japanese were also slow to channel public funds into multilateral development projects, with most funding remaining in the hundreds of millions rather than the multibillion dollar range necessary for some of the more ambitious initiatives, such as regional canals.[35] According to an Israeli Foreign Ministry official, while the Europeans and Japanese were expected to contribute large investments into regional development, there was, instead, a "lack of political will among wealthy countries outside the region . . . [who] have not made development of the Middle East a domestic priority."[36]

Rather than small sums of money devoted toward a number of feasibility studies of various initiatives included in the CAP, the regional parties preferred funding for concrete projects that would be visible to the public at large (e.g., hotels, airports, new roads). To that end, many of REDWG's participants—regional and extraregional—began to recognize that the public sector orientation of the group was not realistic during times of government budget cuts and greater reliance on private sector growth. These forces created an impetus for a new type of regional forum—the MENA summit process—that could attract private sector funding. Because REDWG was not designed to promote private sector investment, the United States responded to the regional parties' desire to create a parallel economic process that would satisfy these goals and that would also be in accord with its own self-interest in retaining influence in the economic realm.[37]

The Diffusion of Economic Activity

After its June 1994 plenary in Rabat, REDWG's plenaries became briefing opportunities for activities occurring outside the full working group, primarily within the new MENA summit process and in the subcommittee work of REDWG's MC.[38] Indeed, the economic cooperation spawned by REDWG both within its MC secretariat[39] and in the related MENA summit process generated a tremendous amount of regional economic activity, including over one hundred meetings and workshops among regional participants from mid-1994 (when the MC's subcommittees and MENA summits were launched) to early 1997 [see table 5.1]. Much of the substance of this activity relied on REDWG's initial work, but the operationalization of the projects and institutions largely occurred outside the formal REDWG framework. The MENA process produced three institutions: the Bank for Economic Cooperation and Development in the Middle East and North Africa (MENABANK), the Regional Business Council (RBC), and the Middle East and Mediterranean Travel and Tourism Association (MEMTTA). However, as plans for these institutions progressed at the economic summits, the sub-

TABLE 5.1 REDWG and Related Regional Economic Cooperation Calendar of Plenaries and Sample Intersessionals, 1992–1997

Meeting	Date, Place
Plenary Sessions	
First Plenary	May 1992, Brussels
Second Plenary	October 1992, Paris
Third Plenary	May 1993, Rome
Fourth Plenary	November 1993, Copenhagen
Fifth Plenary	June 1994, Rabat
Sixth Plenary	January 1995, Bonn
Seventh Plenary	April/May 1996, Amman
REDWG Monitoring Committee	
Joint Meeting of the Sectoral Committees	December 1994, Cairo
Monitoring Committee Meeting	January 1995, Bonn
Monitoring Committee Meeting	June 1995, Cairo
Core Party Meeting	October 1995, Amman
Core Party Meeting	November 1995, Cairo
Monitoring Committee Meeting	December 1995, Brussels
Core Party Meeting	January 1996, Amman
Core Party Meeting	May 1996, Amman
Core Party Meeting	June 1996, Cairo
Core Party Meeting	August 1996, Cairo
Monitoring Committee Meeting	February 1997, Amman
Finance	
Financial Markets and Stock Exchange Cooperation	April 1994, London
Finance Committee Meeting	December 1994, Cairo
Meeting on Financing Institutions	January 1995, Washington, D.C.
Finance Committee Meeting	January 1995, Bonn
First Meeting of the Task Force on Financing Institutions	March 1995, Washington, D.C.
Finance Committee Meeting	April 1995, Amman
Task Force on Financing Institutions	April 1995, Amman

TABLE 5.1 (*continued*)

Meeting	Date, Place
Finance Committee Meeting	May 1995, Cairo
Task Force on Financing Institutions	May 1995, Cairo
Finance Committee Consultations with the Europeans	June 1995, Bonn, Paris, and London
Task Force on Financing Institutions	June 1995, Paris
Task Force on Financing Institutions	July 1995, Moscow
Finance Committee Meeting	August 1995, Amman
Task Force on Financing Institutions	September 1995, Cairo
Task Force on Financing Institutions	September 1995, Rome
Task Force on Financing Institutions	October 1995, Washington, D.C.
Task Force on Financing Institutions	November 1995, Cairo
Task Force on Financing Institutions [MEDB Charter Deposited with the United Nations for Signatures and Ratification by Prospective Members]	February 1996, Cairo [August 1996, New York]
Informal MEDB Transition Team Meeting	September 1996, Washington, D.C.
Informal Task Force Meeting	November 1996, Cairo
MEDB Transition Team Meeting	January–February 1997, Cairo
MEDB Meeting: Committee of Prospective Bank Members	May 1997, Washington, D.C.
Trade	
Trade Committee Meeting	December 1994, Cairo
Trade Committee Meeting	January 1995, Bonn
Trade Committee Meeting	April 1995, Cairo
Trade Committee Meeting	June 1995, Cairo
Trade Committee Meeting	July 1995, Cairo
Trade Committee Meeting	September 1995, Amman
Trade Committee Meeting	December 1995, Geneva
Trade Round Table	December 1995, Geneva
Trade Committee Meeting	February 1996, Amman
RBC Steering Committee	March 1996, Amman

TABLE 5.1 (*continued*)

Meeting	Date, Place
Tourism	
Private Sector Cooperation Workshop	February 1994, Cairo
Common Regional Priorities Meeting	June 1994, Rabat
Tourist Agents Meeting	October 1994, Cairo
Tourist Agents Meeting	December 1994, Cairo
Tourism Committee Meeting	December 1994, Cairo
Tourism Committee Meeting	January 1995, Bonn
Tourism Seminar	January 1995, Cairo
Tourism Workshop	January 1995, Bonn
Aqaba Tourism Workshop	January 1995, Aqaba
Tourism Committee Meeting	March 1995, Cairo
Tourism Workshop	March 1995, Amman
Tourism Workshop	May 1995, Eilat
Tourism Workshop	June 1995, Cairo
Tourism Committee Meeting	July 1995, Haifa
Tourism Workshop	July 1995, Amman
Private Sector Workshop	September 1995, Tel Aviv
Tourism Workshop	September 1995, Casablanca
Tourism Task Force	October 1995, Cairo
Tourism Workshop	December 1995, Tunis
MEMTTA Interim Board of Governors and Executive Council Meeting	January 1996, Bethlehem
MEMTTA Interim Board of Governors and Executive Council Meeting	February 1996, Alexandria
MEMTTA Americas Division Meeting	May 1996, New York
MEMTTA Executive Council Meeting	September 1996, Tunis
MEMTTA Executive Council Meeting	November 1996, Cairo
MEMTTA Executive Council Meeting	October 1997, Orlando

TABLE 5.1 (*continued*)

Meeting	Date, Place
MEMTTA Americas Division Executive Committee	Five Meetings, Dec. 1996–Nov. 1997
MEMTTA European Division Meeting	November 1997, London
Infrastructure/Agriculture	
Agricultural Workshop	March 1994, Cordoba
Veterinary Services Workshop	April 1994, Sharm al-Sheikh
Infrastructure Committee Meeting	December 1994, Cairo
Electricity Grids Interconnection Workshop	December 1994, Aqaba
Infrastructure Committee Meeting	January 1995, Bonn
Regional Navigation Workshop	January 1995, Washington
Civil Aviation Workshop	April 1995, Toulouse
Ports Workshop	April 1995, Marseilles
Railways Workshop	May 1995, Paris
TEAM Meeting	June 1995, Amman
Infrastructure Committee Meeting	June 1995, Amman
JRV, Joint Steering Committee	June 1995, Ein-Gedi
Regional Transport Study Workshop	July 1995, Amman
TEAM Steering Committee	September 1995, Cairo
SEMED Workshop	September 1995, Cairo
Electricity Grids Interconnection Meeting	September 1995, Haifa
TEAM and SEMED, Joint Meeting	November 1995, Amman
Telecommunications Workshop	December 1995, Tel Aviv
Electricity Grids Interconnection Meeting	January 1996, Cairo
Transport Workshop	January 1996, Amman
JRV, Joint Steering Committee	March 1996, Tiberias
Fast Track Transport Projects, Expert Meeting	April 1996, Cairo

TABLE 5.1 (*continued*)

Meeting	Date, Place
Transport Strategy Group	April 1996, Cairo
Regional Transport Study, Steering Committee	May 1996, Amman
TEAM and SEMED Steering Committees	May 1996, Amman
Infrastructure Committee Meeting	May 1996, Amman
Telecommunications Strategy Group	June 1996, Cairo
Transport Committee Meeting	June 1996, Amman
Transport Sector Coordination Meeting	July 1996, Brussels
Integration of Electricity Grids	September 1996, Amman
JRV Steering Committee	September 1996, Tel Aviv
Transport Committee Meeting	October 1996, Amman
Regional Transport Study Meeting	October 1996, Amman
TEAM and SEMED Steering Committee Meetings	October 1996, Cairo
Interconnection of Electricity Grids Meeting (with consultants)	November 1996, Amman
JRV Trilateral Economic Committee Meeting	January 1997, Jordan
Regional Transport Study Meeting	April 1997, Amman
The First MENA Summit	*October–November 1994, Casablanca*
Amman Summit Steering Committee	April 1995, Amman
Amman Summit Steering Committee	September 1995, Madrid
Ad Hoc Project Meeting: Core Party Ministers	September 1995, Amman
Ad Hoc Project Meeting: Core Party Officials	October 1995, Amman
Amman Summit Steering Committee	October 1995, Washington, D.C.
REDWG Preparatory Meeting	October 1995, Amman
The Second MENA Summit	*October 1995, Amman*
Cairo Summit Steering Committee	April 1996, Rome
Cairo Summit Steering Committee	July 1996, Rabat

TABLE 5.1 (*continued*)

Meeting	Date, Place
Cairo Summit Steering Committee	September 1996, New York
Cairo Summit Steering Committee	November 1996, Cairo
The Third MENA Summit	*November 1996, Cairo*
Doha Summit Steering Committee	May 1997, Washington, D.C.
Doha Summit Steering Committee	October 1997, Washington, D.C.
Doha Summit Steering Committee	November 1997, Doha
The Fourth MENA Summit	*November 1997, Doha*

Sources: REDWG Monitoring Committee Secretariat, *Annual Report: December 1994–May 1996* (Amman, May 1996); Tim Sheehy, *Report on the REDWG Committee Secretariat* (Oxford, 1997); Bureau of Near Eastern Affairs, *Middle East Peace Process: Meetings Following the Madrid Conference* (Washington, D.C., November 8, 1996); *REDWG Update* (issues 1–6); and author interviews with U.S. officials, May 15, 1997, Washington, D.C. Because many technical meetings, or intersessionals, convene with no public record, the list of meetings represents a significant but still incomplete account of all regional economic activity related to REDWG.

stantive work to create them was "given back" to REDWG through its MC secretariat and the subcommittees responsible for each institution.[40]

The MENA Summits

The origins of the MENA summits are difficult to trace, although many attribute the idea to Shimon Peres.[41] By the summer of 1994, many of the regional parties felt that REDWG had completed most of its studies, and the time had come to package REDWG's ideas and projects for the international business community. The model for MENA was Davos, an esteemed annual international business conference in Switzerland organized by the privately-funded World Economic Forum (WEF), where leading figures in the world's business and political community meet to network and forge deals.[42] In conjunction with the Council on Foreign Relations (CFR), the WEF organized the MENA summits in an attempt to create a regional version of Davos and generate private sector business interest in the Middle East. While the MENA process got off to a rough start and continued to face serious political impediments, the economic summit experiment proved a relative success in fostering Arab-Israeli cooperation.

The Casablanca Summit, October 30–November 1, 1994

The Casablanca Summit launched the new MENA process, bringing together representatives of sixty-one countries, including heads of state, ministers, and high-level delegations. The event was co-chaired by U.S. President Bill Clinton and Russian President Boris Yeltsin. Arab participants mirrored those who participated in REDWG activities. Just as with REDWG, the Syrians and Lebanese boycotted the conference (as well as those that followed) because of their insistence on holding regional cooperation hostage to bilateral progress in their negotiations with Israel. In addition to the high-level political representation, 1,114 prominent business representatives attended the event (including representatives from nearly 150 American firms). As Secretary of State Christopher explained:

> We must transform the peace being made between governments into a peace between peoples. . . . Only the people of the private sector can marshall the resources necessary for sustained economic growth and development. Only the private sector can produce a peace that will endure. . . . Now . . . we must form a public sector-private sector partnership for government and business to bring their political and economic power jointly to bear.[43]

The lifting of the secondary and tertiary Arab boycott by the Gulf Cooperation Council (GCC) a month prior to Casablanca paved the way for new opportunities for international business to invest in regional initiatives that included Israeli participation [see appendix D].[44]

The conference agenda included panel discussions focusing on economic needs and investment opportunities by sectors similar to those developed in REDWG (infrastructure, trade, finance, and tourism). National representatives and international financial organizations (like the World Bank) conducted presentations outlining regional project proposals and the necessary financing to implement them.[45] The financing requirements for many of these projects reached the multibillion dollar range, far surpassing the levels of funding committed to REDWG projects from governmental sources.[46]

However, the title of the Israeli background paper on the Summit, "From Peace-making to Peace-Strengthening," and its assertion that the conference "illustrates the region's intent to maintain and promote this framework for the advancement of regional cooperation,"[47] revealed the Israeli view of MENA as another means to further its political acceptance into the region as much as a forum to further economic development.[48] This might explain the Israeli enthusiasm in Casablanca, exemplified by its unusually large delegation, comprised of high-level political representation, including eight government ministers (led by Foreign Minister Peres), along with 130 Israeli businessmen.[49] The large Israeli presence, however, backfired, fostering Arab fears of Israeli economic hegemony and turning the summit into much more of a high-profile event than Arab regimes had anticipated.[50] Still, despite the political tensions and sensitivities, the official speeches and final Casablanca Declaration [see appendix E] reflected a cautious optimism about the potential for regional economic cooperation as a foundation for peace. As Prime Minister Rabin observed:

> The Casablanca meeting could be a landmark in peace development. . . . The mere fact that this unique, large conference, was convened, is the expression of a new opening. It will create, not immediate results, but people will meet one another. I don't remember any conference where so many representatives of Arab countries, Europeans, Americans, from all religions—the mere fact that they are convened, talk to one another, get to know one another, creates a better basis for whatever resolution, creates new realities in the economic life, more readiness to do it and more likely to sign a peace treaty.[51]

In this sense, Casablanca was a continuation of the original purpose of the establishment of the Arab-Israeli multilaterals.

Thus, despite the negative reactions among Arabs to the aggressive Israeli participation at the summit, Casablanca emerged as another event in the chain of icebreakers between Arabs and Israelis. As Oded Eran, who served as Israeli Deputy Director General for Economics in the Foreign Ministry, explained, "To say that the Casablanca Conference was a negative milestone in the Israeli-Arab relations is simplistic. Not that there is not truth behind this, but it is neither precise nor correct. . . . The Casablanca Conference was a breakthrough, and following it, a process started, that—like any process—has its ups and downs, but the overall direction is positive."[52]

In order to enhance the prospects for continued regional cooperation and private sector involvement in regional development, the final Casablanca Declaration laid out a blueprint for future economic cooperation activity. Recognizing that "there must be an ongoing process to translate the deliberations at Casablanca into concrete steps," the Declaration called for the establishment of three regional institutions (a bank, a tourism board, and a regional business council) as developed in the REDWG's MC.[53] The Declaration also called for the creation of a Summit steering committee to follow up on Casablanca's agenda and to coordinate the Summit's activities with "existing multilateral structures such as the REDWG and other multilateral working groups."[54] An executive secretariat was subsequently established in Morocco to assist the steering committee and to help implement the regional initiatives and institutions called for by the conference.[55] And most significantly, the parties agreed to convene a similar summit the following year in Amman.

The Amman Summit, October 29–31, 1995

The Amman Summit convened with the participation of representatives from over sixty nations and more than a thousand regional and international businesses.[56] The overwhelming Israeli presence at Casablanca led to greater sensitivity at the Amman meeting, where Israel reduced the political representation of its delegation and placed more emphasis on private sector participation.[57] Moreover, the summit took place in a considerably more positive political environment, convening on the heels of the signing of "Oslo II," the Israeli-Palestinian agreement outlining interim steps for Palestinian self-rule and Israeli withdrawal from parts of the West Bank and Gaza.

However, general Arab discomfort with accepting Israel as a fully legitimate political and economic partner continued.[58] Formidable opposition, particularly from the private sector, emerged in the Arab world as Arab-Israeli economic and political ties strengthened. Many Arab parties argued that normalization was moving too quickly, and should await full resolution of the political conflicts between Israel and its neighbors, particularly the Palestinians. In Jordan, strong voices of opposition to normalization and the growth of business contacts—particularly among leftist and Islamist forces—posed a significant problem for the Jordanian government as it struggled to encourage private sector participation at the summit. Twelve of Jordan's professional associations, for example (with a total membership of 80,000) adopted anti-normalization resolutions even before the Israel-Jordan peace treaty,[59] and continued to discourage their members from engaging in the types of economic cooperation efforts taking place within the MENA context.

In order to minimize the political opposition to normalization and the perception of Israeli political domination, the Amman Summit organizers attempted to shift the focus from the political symbolism of Casablanca to a more narrow focus on business interests and economic development schemes.[60] The business emphasis would underscore the economic benefits of such summits for the Arab participants rather than showcase the increased political acceptance of Israel in the region. As a Jordanian overview of the Amman Summit explained, "While the Casablanca summit turned out be largely a political event . . . the Amman gathering will focus more on specific projects, investments, joint ventures, infrastructure proposals, financing arrangements, and other nuts and bolts of regional economic development."[61] Similarly, an Egyptian businessman observed the shift in focus from Casablanca to Amman, noting that "Casablanca gave political legitimacy to regional cooperation. . . . The Amman summit, meanwhile, is about promoting public-private partnership in the region. . . . Casablanca was more of a show for grandiose projects than a springboard for regional cooperation."[62]

The Jordanian sponsors of the summit therefore sought to balance the peace process demands of encouraging regional projects that included Israel with economic priorities for Arab states that had little to do with Israel or the peace process. In its briefing book for the summit, Jordan emphasized the theme of regional prosperity, explaining the primary objective of the MENA conference as the need to "examine the regional structures and policies needed to effectively develop the region's potential, with a view to integrating the region into the global economy."[63]

While Israel continued to stress the summit's peacemaking purpose,[64] Arab parties recognized the potential of these summits to attract international financial interest in their countries and the Arab world more generally. Jordan offered twenty-seven "priority proposals," estimated to total $3.5 billion, including regional initiatives from REDWG's agenda as well as national development plans that were targeted to both government and private sector financing.[65] Following the Israeli model at Casablanca, Jordan also distributed sophisticated background booklets on a variety of economic sectors in Jordan and the potential for economic development, capitalizing on the opportunity to showcase its economic reforms and political developments for the international investment community, something that would not have been possible without the convening of such a conference.[66]

Many of the speeches emphasized the need to focus on practical economic projects with increased private sector financing. As Prime Minister Rabin stated, "No one will come here because of our winning smiles; they all want to make money."[67] Rabin continued by stressing the need for Amman to produce "concrete" results that would improve the daily lives of the region's peoples, a theme repeated throughout the conference by Israelis and Arabs alike. The need to improve the economic plight of the Palestinian territories, both through bilateral agreements with Israel and through regional economic projects included in the multilateral agenda, received particular attention given its importance to overall political progress.[68]

Yet, despite the general desire to get down to business at Amman and further the regional economic agenda, politics inevitably intruded. This time, however, the central political conflicts emerged between Arab states. The most publicized dispute of the summit began with Egyptian Foreign Minister Moussa's address, when he accused other Arab states (i.e., Jordan) of "rushing" into peace and normalization with Israel.[69] King Hussein responded angrily to the accusation by asserting that if Jordan's actions constituted "rushing in," then Egypt was similarly guilty when it made peace with Israel seventeen years before.[70] Moussa also raised the nuclear issue in his address, reflecting Egypt's negative position toward regional cooperation absent significant Israeli concessions on the bilateral tracks and on the nuclear issue in particular. It is important to note that this Egyptian attitude emerged *before* the assassination of Yitzhak Rabin and before the election of the Likud government and Prime Minister Netanyahu in Israel.

This suggests that political impediments to regional cooperation—most strongly voiced from Egyptian quarters—were not specific to contentious regional security issues, but surfaced in even mutually beneficial areas such as economic development. However, while Egypt expressed concerns about "rushing" toward cooperation with Israel, its interest in the continuation of a regional economic forum outweighed its political reservations, since Egypt perceived the process as enhancing its regional position (it would host the following summit in Cairo) and contributing to larger globalization objectives. Behind the scenes, the Egyptians were actively engaged in facilitating economic institutions emerging from the process, particularly the development bank. Egypt fought with Jordan for the bank, insisting it be placed in Cairo, not Amman. The Egyptians also contended with Qatar to host the next MENA summit.[71] On a more visible level, Egypt sent a high-level delegation to the Amman Summit, including seven ministers and 150 representatives.

Thus, the Amman summit proved a relative success in moving the MENA process forward beyond political symbolism toward more practical Arab-Israeli economic cooperation. While this cooperation did not lead to enormous financial dealings between Israelis and Arabs (which few expected in any case), it did facilitate the establishment of the three multilateral institutions (the MENABANK, the RBC, and MEMTTA) and thus routinized Arab-Israeli economic cooperation. As a senior U.S. administration official explained, “What you hear [at Amman] is the business of doing business taking hold. . . . As a result of that success, it’s having an impact on the political dynamic itself.”[72] A number of deals were also cut or conceived at the Amman meeting.[73] And finally, the summit generated related cooperative forums among the core regional parties, such as ministerial level economic planning talks in The Hague.[74]

However, the seriousness of the summit’s outcomes also led to intense Arab opposition to normalization with Israel, reflecting domestic environments that limited the pace of many cooperative efforts. Thus, Amman’s outcome illustrated two simultaneous yet conflictual trends: the institutionalization of Arab-Israeli economic cooperation and increased opposition to these developments within vulnerable Arab regimes.[75] As one analysis put it, “The summit looks like a car with the driver pressing both the accelerator and the brakes at the same time.”[76]

The Cairo Conference, November 12–14, 1996

Between Amman and Cairo, Israeli Prime Minister Yitzhak Rabin was assassinated by an Israeli extremist, an unprecedented wave of terrorism struck Israeli cities during February and March of 1996, and early elections called for by Prime Minister Shimon Peres led to the Labor government’s defeat, bringing a right-wing coalition led by Likud’s Benjamin Netanyahu to power by May. Yet this political climate was coupled with growing economic incentives to convene MENA-type summits, illustrating the tension between competing pressures.

On the political side, Egypt (both at the government and private sector level) began to signal uneasiness about convening an Arab-Israeli economic conference in the midst of bilateral deadlock and uncertainty over Prime Minister Netanyahu's intentions on implementing the Oslo Accords. In late August 1996, President Mubarak suggested the conference would not take place if the new Israeli government did not uphold its commitments to the Palestinians,[77] creating a highly publicized debate in both Israel and the Arab world about the value of these conferences.[78] However, as one analysis correctly observed:

> Egypt will not lightly abandon the Cairo conference, an event which sits well with its new self-image as an increasingly dynamic, open and liberal economy, at least by Middle East standards. It has much to gain from hosting the meeting. . . . A high-profile event of this kind should be a magnet for foreign business people just as Egypt's rapid privatization programme is making it a darling of international investors.[79]

Indeed, within weeks, Mubarak announced that Egypt would host the summit as planned, although it attempted to lower the level of the meeting, calling it a conference rather than a summit as in Casablanca and Amman.[80]

Likewise, Palestinian and Jordanian private sector representatives were hesitant to attend the conference. The Palestinians argued that they had little incentive to engage in regional projects when their internal economic situation was in crisis, particularly given the difficulty in attracting foreign investment when borders were closed due to Israeli security concerns.[81] Jordanian business representatives viewed the conference as evolving into a political forum offering little to business interests and were also hesitant to show support for such a meeting while the Palestinian track was deteriorating.[82] Given the Jordanian private sector's resistance to the Amman Summit when the political climate was measurably better, its negative response to Cairo—even though over forty Jordanian businesses were ultimately represented—was not surprising.[83]

Yet, in conjunction with this rather polarized political climate was a growing regional consensus on the need to attract foreign investment by improving regional cooperation and to showcase domestic economic reforms in order to facilitate the region's integration into the global economy. On the eve of the conference, for example, President Mubarak addressed the Egyptian Parliament in a long, detailed speech outlining the demands and nature of globalization and the need for Egypt to adapt itself to this new economic environment.[84] The intense focus on presenting the MENA region to the outside international community (as opposed to emphasizing intraregional cooperation between Israel and Arab states as in the previous conferences) largely reflects efforts to balance political pressures to "postpone" an Arab-Israeli summit and international economic pressures that underlined the benefits of such a conference. This tension and shift in focus was demonstrated by the nature of the projects presented at Cairo and the tone of the conference itself.

Most of the regional projects presented at Cairo were recycled from the Amman Summit and were the products of the work carried out by the REDWG MC's subcommittees, particularly those focusing on regional infrastructure and transportation.[85] Many of the proposals were targeted to the international business community rather than to governments, and thus large projects like regional canals were dropped from the agenda. In contrast to the other core parties, Israel's project presentation focused only on cross-regional projects (reflecting its continued views of economic cooperation as a peacebuilding mechanism) while other regional presentations included both regional and national project proposals.[86] However, the decision by the Israeli Minister of National Infrastructure, Ariel Sharon, and the Agriculture Minister, Rafael Eitan, not to attend the Cairo conference raised some doubts about the new government's level of interest in promoting regional economic cooperation as compared to the previous government. As one analysis of the conference noted, "the high-level political encouragement that was clear during the period of the Labour administration in Israel is now conspicuous by its absence."[87]

The shift in focus from regional to national development reflected the altered political environment and the Egyptian desire to sanction Israeli actions without jeopardizing business interest in a conference that served Egyptian economic interests and enhanced its regional status. Egyptian Deputy Foreign Minister Raouf Saad (who was also the Egyptian contact point for the REDWG MC Secretariat) explained one of the central differences between Cairo and the previous two MENA summits:

> The concept of regional cooperation is changing and acquiring a larger dimension. Casablanca was a very special conference in that it was the first time an international conference encompassed Arabs and Israelis meeting in an Arab country. It was a signal that under peace,

> Israel was being accepted not only as a political entity, but also as an economic partner in the region. Here, peace would mean that parties are all equal, that there would be no exception, and no special treatment for any party and that the peace process is not a hostage to this or that party. In this respect, Israel does not necessarily have to be part of all regional cooperation plans, and the summit process does not hinge upon the political situation in Israel. . . . Regional cooperation is acquiring a wider definition, opening new horizons for inter-Arab cooperation.[88]

While Arab-Israeli economic cooperation was not completely rejected, the political tension in the region led the Egyptians to deemphasize this component of the summit process in favor of a broader economic development theme stressing domestic reform and inter-Arab cooperation. According to one American official present at Cairo, the Egyptian sponsors "played around" with the program to reflect these new priorities, frustrating the Americans and nearly leading Secretary Christopher to stay away from the conference.[89] Yet, given that the Cairo conference was proving to be the only game in town in terms of Arab-Israeli cooperation, the Americans decided the absence of the secretary would send the wrong message to the region and to international investors. This goal was made somewhat easier because of Egypt's primary interest in ensuring that the conference would prove to be a business success, a tacit concession that "Egypt cannot live off the Arab-Israel conflict any longer."[90] President Mubarak demonstrated his understanding of the altered international environment when he addressed the conference with a speech that focused almost entirely on the global economy, with only short references to the peace process in his introductory and concluding remarks.[91]

Indeed, the general interest both among government and business representatives in capitalizing on the conference to further national economic reforms and attract private sector investment in domestic and regional infrastructure led to some surprising positive developments despite the tense political climate. Over ninety countries were represented at Cairo, including more than two thousand business people. A lunch hosted by Israeli Finance Minister Dan Meridor and Industry and Trade Minister Natan Sharansky on the second day of the conference drew an unexpected number of Arab business representatives, including those from Tunisia, Saudi Arabia, Oman, and Egypt. Some sideline political meetings even took place between Israeli

Foreign Minister David Levy and his Qatari counterpart, Hamed Bin Jassem, who invited Israel to attend the next MENA summit in Doha.[92]

Not surprisingly, the outcome of the conference reflected the ambiguity of interest between furthering economic cooperation and investment in the region and reluctance to move too quickly absent bilateral progress. Such ambiguity was expressed by Egyptian Prime Minister Kamal Ganzouri in the closing session, where on the one hand he asked, “How can you ask Egypt and the Arab states to go ahead with regional cooperation in this situation now?” and on the other suggested “There may be problems now but we still look forward to cooperation to put ourselves on the world map.”[93] While Israeli business representatives (whom the Egyptians perceived as a potential peace lobby) initially expressed optimism over their reception at the Cairo conference), Egypt continued policies that restricted the development of business contacts with Israelis as it sought to “cut Israel down to size.”[94] The proposed gas deal between Egypt and Israel was put aside in favor of an Egyptian-Turkish gas agreement (estimated to cost from $2 to $4 billion) primarily because of the slow pace of Israeli-Egyptian negotiations on the deal,[95] but the failure of this highly publicized project only contributed to the perception that regional cooperation with Israel faced serious setbacks. Foreign Minister Moussa made the new emphasis clear at the conference’s closing, arguing that “Arab-Arab cooperation is the backbone. That doesn’t exclude cooperation with others under the right conditions but we don’t want any one country to be the center.”[96] No one had any doubt as to the country to which he was referring.

While the final Cairo Declaration [see appendix G] differed little from the previous summit declarations and pledged to continue the establishment of the three regional institutions decided on at Amman, the veneer of continued Arab-Israeli regional economic cooperation was tarnished by the tone and emphasis of the conference.[97] Still, Arab-Israeli economic cooperation had not been completely removed from the regional agenda. Even the convening of the conference during such a politically sensitive time suggested that the economic cooperation process that began in REDWG and Casablanca was more durable than most expected. This durability was reflected by the decision of the parties to continue the process and convene the next summit in the Gulf region in the fall of 1997.[98] Although no large-scale summit convened in 1998 or 1999, Arab and Israeli business representatives continued to attend smaller meetings seeking to encourage private sector investment in the region.[99]

Nascent Arab-Israeli Multilateral Institutions

The work of REDWG's subcommittees and the MENA summits led to the formation of three nascent Arab-Israeli institutions. The following review of the negotiations to establish these institutions reveals their varied success and the forces that both facilitated and impeded their development, which I explore in greater detail later in the chapter.

The Regional Business Council (RBC)

The RBC was originally discussed and conceptualized within the REDWG's MC trade committee, but was operationalized within the MENA summit context.[100] Out of the three institutions created by the MENA process, the RBC faced the greatest setbacks, and proved to be the institution most vulnerable to negative peace process developments. Because the RBC depended on the active participation of regional private sector representatives, Israeli closures of the Palestinian territories posed particular problems for the group in that Palestinian business representatives found it difficult to attend meetings and were much less willing to discuss cooperative trade relations in such an environment.

The RBC's origins date to the 1994 Casablanca Summit, when the parties agreed on the need for a mechanism to build links between private sector entrepreneurs to encourage intraregional trade and investment. To this end, the Casablanca Declaration encouraged "the establishment of a private sector Regional Chamber of Commerce and Business Council to facilitate intra-regional trade relations."[101] Meanwhile, the region's trade ministers initiated a related process that became known as the "Taba Trade Leaders Group," a series of ministerial level meetings among the core parties—led by the United States—to foster economic cooperation and investment.[102] Following discussions in April and July of 1995,[103] Egypt, Israel, Jordan, and the Palestinian Authority signed an agreement to establish the RBC at the Amman Summit on October 29, 1995, and urged REDWG's trade committee to work with the private sector to operationalize the institution over the next six months.

An RBC steering committee was established to finalize the draft RBC charter and bylaws. The committee's first meeting took place in Amman on March 3–4, 1996, during which time the parties reviewed a draft of the RBC charter and its work agenda. The core parties also agreed to each contribute

$25,000 towards the costs of establishing the RBC and the United States offered to provide an adviser to help establish the institution and finalize the charter.[104] However, since the steering committee was unable to agree to reconvene after the March 1996 meeting, substantive progress could not be made on approving the charter, deciding the RBC's venue (which was de facto in Amman), and dissolving the committee in order to turn its work over to the new institution. The next steering committee meeting was originally scheduled to take place in Israel in either late May (after the REDWG plenary) or June 1996. However, the Israeli election contributed yet another impediment to getting this meeting off the ground, with political sensitivities significantly increased.

For example, the Israelis insisted on keeping the meeting's venue in Tel Aviv, but the Palestinians responded negatively, arguing it was difficult for them to attend a meeting in Israel for both practical and political reasons. Another attempt to arrange a meeting in July 1996 was also scuttled and reflected the altered political mood. At this time, the Swiss had launched an initiative on the rights of the child (under the REDWG umbrella), and the Palestinians wanted to host a reception related to this initiative in East Jerusalem. But Israel refused to attend such a reception, and the event was canceled. In response, the Palestinians announced they would not attend the scheduled RBC meeting in Tel Aviv. Again, the RBC meeting was postponed. By May 1997, no less than nine meetings had been scheduled and "postponed."[105]

Still, despite the apparent failure of the RBC, some limited progress was made in other related forums and on an ad hoc basis, as business contacts in the region became commonplace even without a formal institution. On a practical level, the United States encouraged training of regional parties (particularly the Palestinians) to improve their marketing skills, helping to develop Palestinian competitiveness and lay the groundwork for future cooperation. Similarly, the Swiss Government promoted regional trade through the Swiss Trade Initiative Middle East North Africa (STIMENA). STIMENA conducted studies on trade agreements within the region, including bilateral agreements among the core parties and agreements with third parties, in order to identify areas of inconsistency and make recommendations for trade harmonization.[106] While the facilitation of intraregional trade is an uphill battle, because of both economic asymmetries and political sensitivities, these more limited training and research exercises could contribute to increased regional cooperation at a later stage.

The Middle East-Mediterranean Travel and Tourism Association (MEMTTA)

The least controversial of the regional institutions was MEMTTA. Because of its importance for regional economic development and growth, tourism offers visible and immediate rewards to regional parties. Moreover, while MEMTTA addressed intraregional tourism cooperation, its central focus was on increasing the region's share of the global tourism market, and this provided a more outward-oriented institution than the RBC.[107]

Most of the substantive planning for MEMTTA took place within REDWG's tourism committee shepherded by Japan, but was promoted through the MENA economic summits. The Casablanca Declaration called for the establishment of "a regional Tourist Board to facilitate tourism and promote the Middle East and North Africa as a unique and attractive tourist destination."[108] Over the next year, REDWG's tourism committee developed the MEMTTA charter in preparation for the Amman summit. The United States also participated in these meetings, and provided technical assistance to create the association by funding a facilitator, who also established its Americas division. On September 29, 1995, representatives from Cyprus, Egypt, Jordan, Israel, Morocco, the Palestinian Authority, Tunisia, and Turkey initialed a charter to establish MEMTTA, formally signing the charter at the Amman Summit.[109]

The charter established a board of governors comprised of public sector officials to serve as the overall policy body of the association, as well as an executive council of private sector representatives who were responsible for the daily operations of MEMTTA. The parties agreed to place MEMTTA's headquarters in Tunisia. Despite the government participation in MEMTTA, the institution was designed to be run primarily by the private sector. For example, the Americas division included a core group of companies (airlines, hotel chains, cruise lines, tourist offices and operators) all focused on increasing tourism interest in the MENA region. According to the head of MEMTTA's marketing committee, the association needed "to create an image of the Middle East-Mediterranean region that does not now exist in the minds of travelers in order to be able to market the tourism potential hiding under our common umbrella."[110]

Meetings of the interim board of governors and executive council were held in Bethlehem in January 1996 and in Alexandria in February

1996. These meetings further defined the structure of the institution and worked on creating extraregional divisions. In the wake of the Israeli elections, further MEMTTA meetings were postponed to September 1996, when the executive council met in Tunis. However, because of the outbreak of violence following the Jerusalem tunnel incident, the board of governors was not able to conduct a regular session, and instead held an informal meeting in a hotel lobby where they made a strong statement condemning the Israeli action. While the political tensions slowed the board of governors' work, the executive council of private sector representatives continued to meet, with their next sessions taking place on the sidelines of the Cairo economic conference on November 13, 1996, and in Orlando, Florida, in October 1997. MEMTTA's Americas division also met at least five times between the Cairo and Doha economic summits, and its European division met in London in November 1997.

However, because of the political setbacks on the Palestinian track, Egypt refrained from ratifying the MEMTTA charter. MEMTTA could not be formally established until all four core parties approved the charter, and thus, the public sector dimension of MEMTTA was suspended. Without an approved charter, the association could not raise funds from membership dues and could not recruit an executive director, a position that was initially supposed to be filled by March 1997. Still, even without a formal charter, MEMTTA members continued efforts in the marketing and training areas. For example, in the last week of January 1997, the tourism ministries of Israel, Jordan, and the Palestinian Authority cooperated to produce a highly publicized advertisement (appearing in major U.S. and Canadian newspapers) promoting tourism to their subregion. MEMTTA members also worked on a data base and homepage on the Internet to enhance their marketing outreach and participated in a working-level tourism training project in Cairo.[111]

The Middle East Development Bank (MENABANK)[112]

The negotiations leading to the formation of the MENABANK reveal not only greater regional initiative as multilateral economic cooperation developed, but also the clear political purpose behind its establishment. Despite these political foundations, the bank evolved into another regional tool to promote international business interest in the region, which is why it was able to endure numerous setbacks in the bilateral process. Unlike the RBC, the failings of the MENABANK had more to do with American funding, at least initially, than with regional impediments.

While proposals for a new Middle East development bank were discussed in academic and policy circles even before the 1991 Gulf War,[113] it was only after the Persian Gulf conflict that high-level U.S. officials began to focus on economic development schemes to rebuild the region. In his testimony to the Senate Foreign Relations Committee in February 1991, Secretary of State Baker proposed the creation of a Middle East development bank. However, Baker did not receive approval for the proposal from the Treasury Department, leaving the bank as a "classic case of planting a very good and farsighted idea before it was ready."[114]

Baker was not the only early advocate for a Middle East bank. Crown Prince Hassan of Jordan proposed the creation of a regional development fund as part of cooperation efforts in a CSCE-type structure that would include "non-Arab states."[115] Shimon Peres was perhaps the most vocal and enthusiastic supporter of a regional bank as part of his vision of an integrated "New Middle East" modeled on European cooperation efforts. Speaking to those who were skeptical of such a proposal, Peres argued:

> There is no doubt that it would be possible to get assistance from existing sources, such as the World Bank, the European Investment Bank, and private banks. I believe, however, it is preferable to concentrate all investment money for Middle Eastern development in a bank set up exclusively for that purpose. . . . From a sociopsychological standpoint, the bank will encourage people living in the Middle East to see the regional framework as an entity in its own right. Every child knows the concept of a bank; Israelis often say "Better banks than tanks."[116]

The bank proposal carried a primarily political rather than economic purpose, although some economists suggested various economic rationales for a new Middle East development fund, particularly the need for wider membership and for a financial intermediary between international capital markets and regional investment opportunities.[117] But to become a reality, the idea needed a regional process that could provide its foundations. The REDWG MC's finance subcommittee and the MENA summits served this function.

However, the bank idea faced formidable opposition early on, including from key officials in the Clinton administration. A month before the Casablanca Summit, senior Treasury Department officials expressed skepticism toward the initiative.[118] A senior Clinton administration official said at the time, "It is the unified view of the U.S. government that we do not think the establishment of a Middle East regional bank would be right. . . . We have had mixed experiences with such banks in Europe and Asia, and our Treasury officials feel very strongly on this issue of a banking mechanism."[119] In addition to U.S. reservations, European Union members made no secret of their opposition to a formal development bank for the Middle East. Even in Israel—the principal bank proponent—voices from the Finance Ministry expressed concern about funding such a bank.[120]

Despite the work of the MC's finance committee advocating the creation of the bank, the resistance of the major European powers and the U.S. Department of Treasury posed a major roadblock to the initiative. When a senior Israeli official presented plans for a bank to senior State and Treasury Department officials in Washington in September 1994, the officials informed him that while the U.S. opposed the initiative, if Israel came back with a united position among the core regional parties favoring the bank, the U.S. would "give them their bank."[121] When the core players expressed a shared desire for the bank (albeit for different reasons),[122] the U.S. recognized, for political reasons, that it must support the initiative. Such unprecedented regional coordination was, in the view of senior State Department officials, exactly the type of interaction for which they had hoped when launching the Madrid process and matched their central beliefs about how to organize the region. They could not reject regional cooperation on economic grounds given the political significance of the initiative.

President Clinton boosted the prospects of the bank when he expressed his support on route to the Arava Israel-Jordan peace treaty signing in October 1994.[123] In an address to the Jordanian Parliament, President Clinton publicly endorsed the bank. This endorsement paved the way for a provision in the final Casablanca Declaration calling "for a group of experts to examine the different options for funding mechanisms including the creation of a Middle East and North Africa Development Bank.."[124] In his address at Casablanca, U.S. Treasury Under Secretary Lawrence Summers voiced unequivocal American support for the bank proposal, arguing for the importance of building new regional institutions: "Europe has benefited, and benefited quickly, from its own regional development institution [EBRD]. . . .

Why not the Middle East? . . . Development banks can be to the new world order what security organizations were to the old—a banding together of nations with shared vision and a commitment to address their greatest challenges."[125]

While the Americans by this point strongly favored the bank, the Europeans continued to oppose the initiative and preferred existing funding mechanisms for development projects (such as the World Bank or the European Investment Fund).[126] Yet the Europeans harbored political doubts that went beyond the economics of the bank. The Europeans felt the Americans had usurped their only role in the peace process by taking the initiative out of REDWG in order to create a parallel and, in their view, competitive economic process based on new regional institutions dominated by the Americans. The Europeans complained that the United States could not continue to control the political agenda of the region while insisting the Europeans foot the bill. At Casablanca, German and French officials (speaking for the EU) objected to the bank, arguing it would amount "to American control over European money."[127]

Between the announcement of a possible bank at Casablanca and the call to establish the bank at the Amman Summit in October 1995, the EU member-states, the United States, and the core regional players established a special task force to consider alternative funding mechanisms for the region, which met on a nearly monthly basis. Despite these contentious negotiations and continued European resistance, the parties formally agreed to establish the bank at the Amman Summit and finalized its charter in the following months.

At a November 1995 meeting in Cairo, the task force allocated 75.25 percent of the bank's capital, leaving the remaining capital unallocated for other regional (Syria and Lebanon in particular) and extraregional (the Europeans) parties to join at a future date. The United States, as one would expect, received the bulk of the shares (21 percent), while each of the core parties received an equal 4 percent share [see table 5.2]. The bank charter was circulated among prospective members for approval at the end of April 1996 through a "no objection" procedure. A multinational transition team began work in Cairo to lay the groundwork for operationalizing the bank, and within the year was provided office space in Cairo by the Egyptian government. On August 28, 1996, the United States and Russia deposited the bank charter at the United Nations Headquarters for signatures and ratification among the prospective members.

TABLE 5.2 Middle East Development Bank Share Allocation

Nonregional Members		Regional Members	
Austria	1%	Algeria	2%
Canada	2.5%	Egypt	4%
Cyprus	0.25%	Israel	4%
Greece	2%	Jordan	4%
Italy	5%	Morocco	2%
Japan	9.5%	P.A.	4%
Korea	1.25%	Tunisia	2%
Malta	0.25%		
Netherlands	3.5%		
Russia	6%		
Turkey	1%		
U.S.	21%		

Total Capital Subscription 75.25%*
Total Capital $5 billion of which only $1.25 billion is paid-in
*The remainder of the capital was reserved for countries expected to join the bank (e.g., Western European states and China).
Source: Agreement Establishing the Bank for Economic Cooperation and Development in the Middle East and North Africa, schedule A, article 1, subscription.

While not all members signed and ratified the charter, in part because the United States had not contributed its portion of the funds needed to start the bank's operations, the transition team continued its work throughout 1997–98, drafting the bank's by-laws, addressing treasury-related issues, finalizing its organizational structure and personnel policy, and completing a headquarters agreement with the Egyptian government. The team also developed a pipeline of projects for consideration once the bank began operations.[128]

However, the setbacks in the bilateral peace process slowed the pace and enthusiasm of regional support for the bank, with only a handful of parties signing the bank charter by May 1997: the United States, Russia, Jordan, the Netherlands, Italy, and Cyprus. The Israelis refused to sign the charter until the Egyptians also agreed to sign. Some reports also suggested that Prime Minister Netanyahu was not as enthusiastic about the bank as his predecessor,[129] but high-level Israeli officials denied this, pointing out that Netanyahu lobbied for the bank in a meeting with members of a congressional subcommittee during a visit to Washington.[130] Although the core parties still supported the bank publicly (such as at the Cairo economic summit),[131] their participation was increasingly linked to the bilateral peace process.

While negative peace process developments certainly damaged the positive cooperation among the core parties in the bank negotiation process, the most serious impediment to getting the bank off the ground was the inability of the U.S. administration to receive congressional funding for the initiative even though the funding requests were quite modest (a $52.5 million annual commitment over five years).[132] In the 1997 budget, Congress authorized funding but did not include the funds in its appropriation. Congress also failed to fund the bank in fiscal years 1998 and 1999. While initially the congressional reluctance to fund the bank stemmed from fiscal concerns and general suspicion of multilateral development banks, increasingly Congress became concerned about the regional commitment to support such an institution given the deteriorating condition of the peace process after Israel's 1996 election. But without funding from the United States—the bank's primary shareholder—the bank's prospects were bleak regardless of peace process developments.

Explaining REDWG: Progress Amidst Setbacks

What explanatory forces can best capture the complex evolution of REDWG from an externally imposed political forum focused on building cooperation within the region to a relatively durable regional framework (with its many parallel processes and institutions) looking outside the region? What does this evolution tell us about the types of Arab-Israeli multilateral economic frameworks that are most likely to succeed, even in the midst of political turmoil? The following analysis argues that the development of regional multilateral economic cooperation had more to do with developing a consensus concerning the region's place in a global economy than with external powers imposing a structure on the region or with a functional approach to regional economic development. The cooperation process itself and the nature of interactions among participants in the working group better explain the continued development of REDWG despite the obstacles standing in the way of regional cooperation in this issue area. Of the facilitative mechanisms identified in chapter 1, the redefinition of economic problems and the intensified interactions between Arab and Israeli elites were most in evidence and enhanced the working group's ability to move from the political to the technical realm. Impeding factors such as the bilateral peace process and domestic opposition to normalization across the Arab world tended to decrease in importance relative to these facilitators.

The question for ACRS was why, despite progress, did it face insurmountable problems and ultimately fail? The question here is the opposite: Why, despite problems, did the process prove a relative success? My explanation again suggests the need to look at how regional players viewed the process. A review first of the problems facing the working group reveals that they were not insurmountable because the regional players, even in the midst of bilateral setbacks, viewed it as enhancing, not undermining, their economic and political interests. The following section explains why this was the case by outlining the forces that facilitated the working group's ability greatly (though never completely) to depoliticize this issue area and reach common understandings about its value.

Impediments to Economic Cooperation

The empirical record reveals a number of major impediments facing REDWG and its related economic activity, impediments which stemmed from both outside the region and from domestic forces within the Arab world. For example, the U.S.-European competition for influence in this issue area and weak extraregional commitment to the establishment of new regional institutions like the MENABANK slowed cooperative efforts, as did the problem of the lack of extraregional funding for working group projects. Moreover, as activity in the working group became more public through the MENA summits, domestic resistance in Arab states emerged because normalization before the resolution of the Israeli-Palestinian conflict was still considered taboo among the public at large. Sensitive to such sentiment, the Arab private sector was reluctant to attend such conferences during tense periods in the bilateral tracks. The anti-cooperation forces within the Arab world only strengthened as political developments worsened after the May 1996 Israeli elections. This anti-cooperation position was clearly demonstrated in the debates in the Arab press over whether Egypt should proceed with the Cairo MENA conference in the wake of the Israeli-Palestinian clashes in September 1996 and the general lack of progress in moving the Oslo process forward.[133] Many editorials in the Arab papers opposed convening the conference, arguing that such cooperation could not continue without progress on the Palestinian track.[134]

However, such obstacles did not prove fatal to the group's activities (e.g., the Cairo conference went ahead as planned) and were less critical to the development of REDWG than the role regional perceptions of the process played in shaping the nature of the working group. For example, even if extraregional management and funding for REDWG and commitment to regional cooperation and institutions could have been maintained, this influence would not have been sufficient to sustain the process in the absence of regional acceptance or if regional parties believed the process was undermining their national interests (including identity-based interests). As demonstrated by the ACRS case in chapter 4, Egypt was willing to withstand American pressure and sacrifice the process once it perceived that cooperation was undermining critical interests, including its perception of its role in the region. In the REDWG case, while friction existed between Egypt and Jordan—as evidenced at the Amman economic summit—Egypt did not feel its regional role being undermined by the process, a perception enhanced by the housing of new institutions like the MENABANK in Cairo, not Amman.

Moreover, none of the multilateral working groups was so critical from a material standpoint that regional parties could not afford to reject participation in them if they perceived them as working against their interests, regardless of extraregional designs or influence. For example, despite continued American efforts to jump-start the RBC, regional resistance impeded its progress. Thus, given the important but working-level involvement of the Americans and the relative lack of interest in the multilaterals at high levels of government after the Madrid and Moscow conferences, regional parties could have stopped the economic cooperation process early on and certainly in the wake of the political difficulties following the Netanyahu election. But this is not what happened. The process faced severe difficulties and produced ambiguous results, but it did not break down. What factors within the cooperative process facilitated the relative success of this working group?

Shared Support for Regional Economic Cooperation, with Limits

Understanding the dynamics within the economic cooperation process helps us understand why REDWG developed as it did and even endured some serious setbacks in the bilateral track. To a greater extent than ACRS, the group succeeded in turning politically charged conceptions of economics in the region (such as concerns about Israeli political and economic dominance) into a more technical problem where cooperation with Israel was viewed as beneficial for attracting foreign investment into the region. Thus, unlike the security case, the actors in this instance reached common understandings about the value of regional cooperation in this issue area. To understand why, we must evaluate the factors facilitating this transformation, including the redefinition of economic problems with a private sector focus, the growing acceptance of the "imperatives" of globalization, the development of new partners and policy options to institutionalize these common views, and the increased interaction among regional elites leading to like-minded understandings of regional economic issues.

Before doing so, however, I should clarify my use of the globalization concept to avoid confusions about the purpose of this argument. To focus on regional perceptions of globalization pressures is not to pass judgment on whether these perceptions are accurate or serve the national interests of developing regional states. That debate is beyond the scope of this study. What concerns me here is not whether the particular perception of globalization and free market economic ideology is right or wrong from an economic growth standpoint, but rather the fact that this perception became so widespread, and the way this perception influenced the prospects for multilateral regional cooperation among Arabs and Israelis.

Redefining Problems About Economic Development

A review of the successes and failures of multilateral economic cooperation in the Arab-Israeli peace process demonstrates the relative resilience of those aspects of the process that sought to deemphasize conflict and present a more stable picture to the outside world. By contrast, efforts to promote intraregional trade and financial transactions appeared less durable and more susceptible to shocks in the bilateral peace process. This differential progress points to a key explanatory factor of the economic component of the multilaterals, namely growing perceptions about how regional cooperation furthers globalization objectives.

The Middle Eastern and North African economies have been in a dismal state since the mid-1980s. Not only did oil revenues decrease,[135] but the 1991 Gulf War also destroyed the pattern of labor flows and the resulting remittances that sustained many of the non-oil-producing states in the region.[136] The boom years of the 1970s—largely driven by inflated oil revenue and public investment—had created the facade of prosperity, but this facade crumbled in the face of external shocks and the drying up of public sector funds that had driven development until the mid-1980s. To make matters worse, foreign direct investment has been extremely low in the Middle East at a time when such investment is considered critical to economic growth.[137] Given that large public sector investment is no longer an affordable option for most Middle Eastern economies (a point well underscored by the failure of REDWG's larger projects to secure public sector investment), regional leaders began to take the liberalization alternative more seriously (at least rhetorically), despite ideological resistance and domestic risks.

The rapid growth of the global economy over the past two decades—with unprecedented levels of world trade, information flows (thanks to the electronic revolution), services trade, and foreign direct investment—changed the way elites viewed their ability to foster growth and development. Popularly called globalization, it suggested to elites that for states to compete for a share of global capital flows, they must open up domestic markets to foreign investment.[138] Many economists noted the failure of the Middle East to join the global economy, arguing that with the world economy "moving with the speed of a bullet train," countries can no longer get on or off the train: "If you are not at the station, the chances are the world economy is simply going to pass you by. . . . The Middle East has not even gotten to the station."[139] Middle Eastern leaders became increasingly sensitive to such critiques and began shifting rhetoric and policies, albeit slowly and erratically.

The question for Middle East leaders has been how to compete with other states for international investment. One option is domestic structural economic reform (promoted by the International Monetary Fund) with each state chasing investment alone on the basis of its own economic portfolio.

Structural reform may prove a necessary element of each state's effort to attract foreign investment. At the same time, however, Middle East elites increasingly believed that a stable political climate, fostered by the perception that the Arab-Israeli conflict was moving toward a resolution, would contribute to each state's efforts to improve its economic standing. The REDWG process fostered such beliefs and created a process by which such cooperation could occur. Thus, interpretations of globalization suggested that cooperative relations could change the regional profile from one of terminal conflict to one of relative stability, and subsequently attract foreign investment. While Middle East elites increasingly perceived an interest in attracting foreign investment, they concomitantly began to converge on the idea that the region as a whole could help each state individually in global capital markets.

Developments since the Gulf War strongly suggest regional movement toward common understandings of globalization pressures. From Madrid to Oslo, the economic dimensions of the peace process were given higher priority by both the external parties and regional participants than in previous peacemaking efforts. The key peace process parties—Egypt, Israel, Jordan, and the Palestinians—best demonstrate the perceived pressures of globalization. For example, Israeli Prime Minister Benjamin Netanyahu, Palestinian leader Yasir Arafat and Egyptian President Hosni Mubarak put peace process differences aside to attend the World Economic Forum's annual Davos meeting in 1997. It is not that these leaders were unequivocal proponents and implementers of free-market policies, but they believed in the power—and money—behind these forces (the companies represented at the 1997 Davos meeting conduct an estimated $4.5 trillion a year in business).[140]

In January 1996, for instance, President Mubarak appointed a new prime minister, Kamal el-Ganzouri (an economist educated in the United States), to address the pressing problems of economic growth, poverty, and unemployment in Egypt. One analysis noted Ganzouri's reputed conversion from "central planning to free market policies," mirroring "Egypt's own progress down this path. . . . El-Ganzouri has made plain his commitment to encouraging investment. . . . He lamented that Egypt is getting only about $400 million a year in foreign direct investment, considerably less than other countries in a similar phase of development."[141] President Mubarak has himself spoken about the changing nature of the global economy, and the new pressures it creates for regional development. At the Cairo economic summit, he argued:

> In the course of human history, there comes a time when at a fork in the road we have to make a choice. . . . We can choose to let our past be the guide and our future the victim. . . . We can also stare back and choose to mold our destiny. . . . In Madrid, in 1994 in Casablanca, in 1995 in Amman, in 1996 in Cairo, we took a stand and we dared look beyond the horizon. . . . Today our countries are part of the global structure. There are no longer island economies, isolated blocs, and a closed system. The principles of globalization govern the order of our planet. All economic and financial decisions are made on a planetary scale. Direct investments are global. Capital flows react to global variables. Production and distribution respond to global trends. This is the charter of the 21st Century. It is a charter that knows no exception and dares few deviations; one that evolves day by day based on principles of free trade, free market, and the free flow of capital and investments worldwide. . . . Globalization has imposed on all those countries that must belong to the world economy an order of strict rules and conduct, rules by which economies address each other. . . . This process has started in the Middle East. It needs to be sustained. . . . Today, more than ever before, we can look for a core of countries in this region that share their values, their vision, their policies, and are willing to share their future. With time, this core will expand, attract others, and gradually become the power source for the well-being of the peoples of the region.[142]

Importantly, this core of countries subscribing to globalization includes Israel and underscores the extent to which regional challenges and goals fall beyond the Arab-Israeli fault line. Though divided in the past, the two major Israeli parties—Labor and Likud—both converted to a similar, free-market economic ideology.[143] And while Palestinian economic policies are uncertain given their political situation and their domestic economic crisis, the Palestinians also recognized the need for increased private foreign investment to improve their infrastructure and increase employment.

Jordan also demonstrated the shifting regional priority from state-centric economic polices to growing liberalization in attempts to join the global economy. Amman capitalized on its sponsorship of the 1995 MENA summit to showcase its reforming economy and gain international interest in investing in the country. The opening of a McDonald's in Amman was viewed by some Jordanians as an event "with historic significance, whether we like it or not. . . . It represents the official beginning of the new era of nationhood and development in which economic forces and values may prove to be more important than political and cultural ones. . . . For Jordan to seek, welcome and promote this sort of investment is to indicate the future direction of our place in the world, and also of our understanding of that world."[144] While the jury is still out on how far globalization will reach and change national and regional priorities, particularly given the strong domestic resistance to such forces across the Middle East, a core group of players began to display common understandings of globalization pressures.

The multilateral economic cooperation processes since Madrid and particularly Oslo have served to reinforce these common understandings of global economic trends, even for a region like the Middle East. Regional parties increasingly learned that state-financed projects were less likely to materialize and were far more limited than those proposals that could attract private sector investment. The emergence of the MENA summits with their focus on attracting investment from the international business community reflected these new understandings, as did the nascent institutions which emerged from the process.

These cooperative forums allowed regional players to consider new policy options and partners that would have been unthinkable in the past, such as regional multilateral institutions which included Israel as an integral player. Who would have imagined that Israel would be lobbying the United States for a regional bank alongside Egypt, Jordan, and the Palestinian Authority? Indeed, the cooperation process fostered the notion that Israel was among the region's "core" parties, a term that was consistently used to organize multilateral economic activity. The regional parties were able to reach common understandings about the utility of regional multilateral cooperation in furthering globalization objectives because the process allowed Israel to become a "normal" actor in the region and legitimate partner in regional coalitions. The increased interaction among Israeli and Arab elites as REDWG engaged in numerous intersessional activities also enhanced the success of the cooperative process, as did the development of smaller cooperative forums and institutions among the core parties (such as the REDWG monitoring committee). Moreover, the MENA summits served as regional icebreakers and began to create links between the Israeli and Arab business communities that were not previously possible.[145]

Yet, even if key regional parties increasingly shared a common understanding of global economic trends, how did this consensus view affect the prospects for regional economic cooperation? After all, if the economic basis for such cooperation is limited and faces significant political obstacles, why should common beliefs about globalization influence the prospects for intra-regional economic cooperation processes involving Israel? Globalization trends encouraged greater regional cooperation (within political limits) not because regional parties believed they could become an integrated regional bloc that could compete globally (the European model), but rather because they believed that greater regional cooperation (or the appearance of cooperation) attracted foreign investors. REDWG and its related activities reinforced such views by encouraging Arab-Israeli cooperation as a means to attract greater international private sector interest in the region.

Regional cooperation through forums like REDWG and the MENA summits evolved in ways that contributed to transforming the Middle East from one of Arab-Israeli polarization to one where Israel operated as an equal regional member with similar economic goals, and where outside investors could feel comfortable doing business. While foreign investors might demonstrate some tolerance for political risks and uncertainty if money can be made, they have much less tolerance for investing in regions plagued by violent, ideological conflict with time-consuming regional travel and bureaucratic tangles. Regional leaders understood the benefits of enhanced regional cooperation in elevating their prospects for competing in the global economy, which explains why events like the Cairo economic conference proceeded even in the midst of regional political crises. Regional parties—particularly Egypt and Jordan—also held political interests in housing new regional institutions which emerged from this process, and often competed with one another for these institutions. These political interests reinforced the globalization incentives and enhanced the prospects for continued cooperation. Yet while the forces of globalization provided strong incentives for greater regional cooperation, these incentives still faced significant political limitations, allowing for variation among different multilateral economic projects and institutions.

The Limits of Economic Cooperation: Explaining Variation

The previous section helps explain why the idea of a "New Middle East" distracts from the possibility that regional parties might engage in multilateral economic cooperation far short of integration. In fact, cooperation survived and expanded *in spite* of such rhetoric, which only strengthened anti-cooperation forces. Rather, because of changed understandings within the region about the effects and pressures of globalization, and a belief that regional cooperation could boost the prospects of the region's integration into the global economy, multilateral economic processes continued in the face of severe bilateral setbacks. However, the record also reveals that some of the nascent institutions emerging from REDWG and the MENA summits proved more vulnerable to negative bilateral developments than others. Why?

Some of the variation among the multilateral economic institutions had little to do with forces within the region. For example, the MENABANK's primary difficulties arose from resistance from outside the region, first by the Europeans and then by a U.S. Congress reluctant to support any multilateral development if it required an increased foreign aid budget. But the principal explanation for the variation among the three central multilateral institutions is the extent to which these institutions reflected regional perceptions of how regional cooperation served globalization objectives. Consequently, those institutions that were created primarily to enhance intraregional trade and cooperation (which rested on weak political and economic foundations), such as the RBC, were less likely to materialize than those that were established with an external focus to increase international interest in the region, such as MEMTTA or the MENABANK.

The purpose of multilateral development banks, for example, is often informational rather than financial (particularly in the case of the MENABANK with its small capital base and numerous alternative financing options)—improving knowledge about regional performance and opportunities for foreign investors.[146] Thus, while the United States supported and promoted the bank for political objectives (mainly, to integrate Israel into the regional fold), the regional parties—particularly the Arab members—valued the bank as a means to improve the regional profile for investment purposes, which explains why they continued to support the bank. Similarly, while MEMTTA included in its objectives greater intraregional trade and cooperation, its central goal was to increase international tourism to the region overall (through its different extraregional divisions). This goal explains why just a week after the contentious Hebron agreement was signed in January 1997, Israelis, Palestinians, and Jordanians collaborated in a public relations effort that placed full-page ads in major American newspapers to promote tourism.[147] To be sure, the complete collapse of all peace process activity precluded the continuation and development of even these outward-oriented regional institutions. But absent greater regional willingness to promote intraregional cooperation solely for political purposes, those regional institutions and political processes that focused on integrating the region with the world rather than the region itself stood the better chance to survive.

Summary

Arab-Israeli multilateral economic cooperation was relatively successful because the regional parties were able to move beyond the politicized aspects of the process and reach common understandings about the value of cooperation in this issue area. They were able to do so because increased interactions within multilateral settings led to the consideration of new policy options and partners, including new Arab-Israeli institutions, and to shared conceptions (i.e., problem identification) about the role of regional cooperation in a globalized economy. The growing consensus among Arabs and Israelis on the connection between regional cooperation and globalization provided incentives for the parties to continue cooperative processes, albeit within limits as the bilateral track faltered. While regional parties rejected a new "Middle Eastern" identity, multilateral economic cooperation continued because of emerging consensual views among a large number of regional parties about the changing nature of the global economy and the role of regional cooperation within the altered international economic context. Regional cooperation was favored not because the parties desired a "New Middle East," but rather because they viewed such cooperation as enhancing the prospects for the region's integration into the global economy and private sector investment. Several key parties also perceived these cooperative processes as a means to gain greater regional status by sponsoring and housing the new regional institutions that emerged from them.

As political support for peace process-inspired projects diminished with the worsening of Israeli-Palestinian relations after 1996, those cooperative efforts that served globalization goals with outward-oriented agendas proved more resilient to bilateral setbacks. Those initiatives which focused almost exclusively on intraregional projects were more vulnerable to political friction in the bilateral track. That said, this case suggests that even if a positive peace process climate prevails, successful multilateral economic cooperation will ultimately hinge on the extent to which the regional parties see such a process as serving their economic and political interests. If, for example, regional parties change their views about the nature of globalization (i.e., if they no longer value the region's integration into the global economy) and subsequently see less value in regional economic cooperation, or if they perceive such cooperation as undermining regional political roles (i.e., regional identity), such cooperation will be difficult to sustain even with significant extraregional support and substantial bilateral peace progress. Thus, despite past successes, regional multilateral economic cooperation faces significant obstacles from within the region, though cooperative processes like REDWG have made such obstacles more surmountable than they have been in the past.