

# Supporting the Palestinian Authority:

## Will the Oil-Rich Arabs Pay Up?

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Feb 28, 2005

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### Brief Analysis

On March 1, British prime minister Tony Blair will host a conference in London dedicated to garnering support for the Palestinian Authority (PA). The summit is intended to help the new Palestinian leadership strengthen PA institutions, with a special focus on facilitating economic development, encouraging donor pledges, and identifying investment opportunities. Israel will not be participating, but Saudi Arabia and several other oil-rich Arab countries will attend. These countries reaped unexpectedly high government revenues in 2004 due to increased oil prices—excluding Iraq, the Arab members of the Organization of the Petroleum Exporting Countries (OPEC) saw \$45 billion in additional revenue compared to 2003. How much of this windfall is offered to bolster the Israeli-Palestinian peace process will be seen, at least in Washington, as a key indicator of the willingness of the Arab world to secure a settlement.

### Unfulfilled Arab Pledges

The historical Arab perspective on financial aid to the Palestinians is that the West created the problem (through the establishment of the state of Israel and the creation of the Palestinian refugee situation), so the West should pay for it. Hence, the budget of the UN Relief and Works Agency, which has looked after Palestinian refugees since 1950, is financed mainly by Western governments—at \$127 million in 2004, the United States is the largest national contributor. The Arab world does promise to help out directly during times of particular difficulty; in general, however, fulfillment of commitments is often poor. According to the PA, Arab states pledged \$999 million in aid for 2004, of which \$572 million was pledged by Arab members of OPEC (other than Iraq). Only \$107 million of this aid was actually delivered, however, of which \$105 million came from OPEC members. That leaves \$892 million still owed by Arab states, including \$467 million from OPEC members (other than Iraq). The largest amounts pledged but not delivered were from Libya (\$148 million), Kuwait (\$140 million), Iraq (\$132 million pledged while Saddam Hussein was still in power), Egypt (\$105 million), and Algeria (\$86 million).

According to PA data, of the \$107 million actually received in 2004, \$92 million came from Saudi Arabia. While that constitutes the entire amount pledged by the Saudis, it pales in comparison with the more than \$20 billion in additional income that Riyadh received last year because of high oil prices, as compared with 2003 revenues. Last

week the Saudi oil minister predicted prices in the range of \$40–50 per barrel this year, suggesting a similar windfall for 2005. To put these figures in perspective, the kingdom's 2004 aid to the PA works out to \$252,000 per day—not much more than the \$150,000 that King Fahd's entourage reportedly spent on floral arrangements when the ailing Saudi monarch vacationed in southern Spain in 2002. U.S. officials report that efforts to persuade the Saudis to be more generous are met with the argument that Washington should first persuade other Arab states to fulfill their missing back payments.

#### Pushing for Increased Aid

In recent months, the notion that Arab oil producers should make a more significant financial contribution to Middle East peace has steadily gathered pace. Earlier this month, Congressman Tom Lantos, the senior Democrat on the House International Relations Committee, stated that he would condition U.S. aid to the Palestinians on oil-rich Arab states making good on their promised contributions. His remarks, at a hearing on Middle East peace prospects, drew swift endorsement from the lead witness, former secretary of state Henry Kissinger, who stated, "I think it is reasonable that the surrounding Arab states that have resources should at least match U.S. support." Similarly, former U.S. Middle East peace negotiator Dennis Ross wrote in the January–February edition of *Foreign Affairs*, "There is no reason why the Persian Gulf states could not provide a billion-dollar Palestinian development fund."

The few public comments emanating thus far from Arab states suggest that such proposals are considered, at best, premature dreams. For example, a recent visit to Jerusalem by a prominent businessman from Dubai has been condemned in local newspapers. Muhammad al-Abbar, a rich property developer and director of Dubai's department of economic development, had offered to purchase homes and agricultural buildings in Israeli settlements in the Gaza Strip, scheduled to be evacuated according to the Israeli disengagement plan. His offer won him a brief meeting with Prime Minister Ariel Sharon, but he was condemned for "lead[ing] a foreign policy of his own" in an editorial in the official daily in Abu Dhabi, the senior emirate of the United Arab Emirates (UAE). The UAE pledged \$43 million to the PA in 2004—compared to its 2004 oil revenue of \$30 billion. The emirates' actual aid delivery was zero.

#### Implications for Peace

A key test of the London conference will be the extent to which the British government really wants to work with Washington in advancing the peace process. With Prime Minister Blair expected to hold general elections on May 5, he may be more focused on statesmanlike appearances than substantive policy advances.

During a two-day high-level meeting last week in London, Saudi officials gave little public indication of any willingness to provide extra funding, and British officials did not show any desire to pressure the kingdom. In his opening remarks at the meeting, Saudi foreign minister Prince Saud al-Faisal described the Israeli-Palestinian conflict as "the product of a long chain of broken promises that arbitrarily divided our region and people." He rejected the perception that Saudi "income is wasted by over-indulgence and profligacy" and claimed that "on a per capita basis, Saudi Arabia is the leading foreign aid donor among the community of nations." For his part, British foreign secretary Jack Straw stated that "both our countries are determined to support the cause of peace between Israelis and Palestinians." There was nothing to match the clear, albeit implied, criticism of the Saudis by President George W. Bush in his major foreign policy speech in Brussels earlier in the week, where he stated, "Arab states must end incitement in their own media, cut off public and private funding for terrorism, stop their support for extremist education, and establish normal relations with Israel."

Regarding normalization, the official policy of the Arab states, as declared at the end of the 2002 Beirut summit, is that they can open relations with Israel only after it has withdrawn to the pre-June 1967 lines and acceded to the return of Palestinian refugees. Despite this formal stance, Egypt, Jordan, Qatar, Oman, Morocco, and Mauritania have established peace agreements or diplomatic relations of one degree or another with Israel. Other Arab states—

e.g., Kuwait, Dubai, Bahrain, and Tunisia—probably consider that diplomatic realities, most notably relations with Washington, trump Arab unity. For the time being, however, any large and assured Arab financial contribution to securing viable Palestinian economic development appears elusive.

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