

is not, in theory, new. The EBRD attaches political conditions on its activities (namely the existence of democratic and open market reforms), so that in principle there can be no objection to the use of political conditions on a Middle Eastern development bank. This fact, in turn, yields the other political advantage of a regional bank, namely that it would be possible to allow for the inclusion, at an appropriate time, of Israel into the bank's activities.

Nevertheless, the politics of such an institution are extremely delicate, and the problems are legion: it takes ages to set one up (*vide* the EBRD), it can only lend at commercial rates, which would be inappropriate for Iraq in the immediate aftermath of war and for the "have-not" Arabs in general, at whom this whole process is presumably aimed. The political bickering over where the bank should be headquartered and who should head it is, on past experience, likely to result in considerable delay and ill feeling. The GCC itself is talking in terms of a fund, or a fund of funds, which would ensure that existing ODA budgets are directed on the basis of very narrow political conditionality, but which would be free from the constraints imposed by the inclusion of OECD funding.

Some thought needs to be given to the rather pessimistic scenario that no international initiative of any kind will be organized in order to deal with the specific issue of Iraqi reconstruction. This could be the result of a number of developments. However unlikely it may seem in the first flush of a military victory, the post-war climate could yet turn against the US as a result of a deadlocked peace process and terrorist attacks in the area, which might in turn cause it to tilt away from the any interest in the Gulf area (*vide* its reaction to the attacks on its Marines in Beirut in 1983).

Another possibility would be a prolonged period of anarchy within Iraq, when outside aid would be dissipated by the existence of uprisings undertaken by Kurds or Shi'as. A third possibility is that Iraq survives as an impoverished pariah state under a brutal and uncompromising regime in Baghdad. In any case, the effect of such a failure would be broadly comparable with the situation in Vietnam after the war, and there will be a strong reason for a "middle power" initiative to fill the vacuum.