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Article 1.

TIME

Kerry Promotes \$4 Billion Investment Plan to Boost the Palestinian Economy

[Karl Vick](#)

May 26, 2013 -- The Dead Sea, Jordan -- US Secretary of State John Kerry speaks during the opening session of the World Economic Forum on the Middle East and North Africa on May 26, 2013 at the King Hussein Convention Centre on the shores of the Dead Sea, 55 kilometres south of Amman. In search of the leverage to re-open the deadlocked Israel-Palestinian peace process, U.S. Secretary of State John Kerry arrived over the weekend at the lowest point on earth. The World Economic Forum, the Swiss-based organization that regularly gathers together political and business leaders, had convened a regional meeting at the Dead Sea – elevation, minus 1,401 feet – and among the titans of industry who flock to the prestigious WEF gatherings the American diplomat found enthusiastic allies in the effort to coax a resumption in negotiations that began more than two decades ago, and have been stalled for at least five years. “Now I know the credibility of anything called the peace process is at a very low ebb,” Kerry said on Sunday, at the close of the two-day forum. “Believe me, I understand that.” The point has come home to him in four trips to the Middle East in the last four months, shuttling between an Israeli Prime Minister, Benjamin Netanyahu, who has historically been less than eager to negotiate a final peace deal, and a Palestinian President, Mahmoud Abbas, who has for six years governed only the Palestinians who live in the West Bank; Gaza, the other Palestinian-run territory, came under the control of Hamas, the militant Islamist group, after winning a battle with Abbas’s Fatah faction in 2007. But if politicians remain in their corners, business leaders are stepping up – both to pressure elected leaders to re-engage in talks and to help invigorate a West Bank economy currently overwhelmingly dependent on foreign aid, perhaps in hopes of buying time for the political process.

A group of 300 Israeli and Palestinian business leaders announced a “Breaking the Impasse” public relations campaign intended to assure reluctant political leaders that a constituency exists for taking risks for peace. “We want to provide the politicians with the feeling that the biggest part of Israel is supporting negotiations,” said Yossi Vardi, an Israeli businessman who made a fortune in hi-tech. “The biggest risk is we begin to treat the conflict like a chronic disease, that it’s something that cannot be solved.” Vardi was joined on the podium by Munib al-Masri, a West Bank tycoon whose published net worth is \$1.6 billion. “From 1999 til now we

haven't moved," Masri said. "We want to move." Kerry added American business leaders to the mix. Without naming names or venturing into detail, the diplomat described the broad outlines of an economic project that he said has been taking shape over the last six weeks on the West Bank, "a groundbreaking plan for the Palestinian economy" that he called "bigger, bolder and more ambitious than anything since Oslo, 20 years ago." The reference was to the treaty named for the Norwegian capital where it was negotiated in secret between Israeli and Palestinian diplomats. The Oslo Accords were intended to lead within five years to an independent Palestinian state in the West Bank and Gaza. Instead, the Palestinian Authority that was intended to rule as a transitional body still administers most of the Palestinian parts of the West Bank, a Hamas government runs Gaza and Israeli troops continue to occupy the West Bank and control the perimeter of Gaza. Israel withdrew from Gaza in 2005. Kerry called the economic plan "more transformative than incremental, and different than anything we have tried before." Kerry said the hope is "to mobilize \$4 billion of investment" in the West Bank, in tourism, construction, light manufacturing, building materials and information technology, among other fields. "The preliminary results," he said, "are stunning." Without elaborating on the makeup of the expert "teams" he said were assembling the plans, Kerry said they estimate the GDP of the West Bank could be increased by 50% in three years, and unemployment cut by two-thirds. Tourism could triple, he said, and construction could add 100,000 jobs. "I am happy to say that Prime Minister Netanyahu and President Abbas support this initiative," Kerry said – an important point, in that Israel's military controls construction and building on most of the West Bank. Said Kerry: "There's just no doubt that investment in business and investment in peace can turn all this around."

How that will happen is not altogether clear. In past negotiations, Israelis and Palestinians remained a significant distance from agreement on fundamental issues, including the future of Israeli settlements in the West Bank and the claims of Palestinian refugees to return to Gaza, the West Bank and Israel. Kerry's speech strained to establish a causal link between economic development and political progress, but in the general bonhomie of a WEF gathering, the idea seemed to be that finding some point of agreement might lead to more.

“Standing here with you at the lowest point on earth, “ Kerry said, “I believe we can reach for the heights.”

Karl Vick has been TIME's Jerusalem bureau chief since 2010, covering Israel, the Palestine territories and nearby sovereignties. He worked 16 years at the Washington Post in Nairobi, Istanbul, Baghdad, Los Angeles and Rockville, MD.

Article 2.

Asharq Al- Awsat

Iran is striving to expand Middle East war zones

Abdul Rahman Al-Rashed

May 26, 2013 -- Is the Arab world going to witness new developments in the regional confrontation with Iran? ■ afraid so. The region is witnessing political and military escalations which have most recently included the shooting down of a surveillance aircraft over Bahraini airspace. According to the Syrian opposition, a similar aircraft was shot down in Al-Qusayr in Syria.

If this is true—if Iran has developed the audacity to direct aircraft to remote airspaces, effectively violating the norms of political engagement—it is a sign of dangerous developments. These developments also include Iran sending soldiers to Syria; the establishment of espionage units in Bahrain along with Kuwait and Saudi Arabia; and Yemen receiving ships carrying weapons.

These are indications of the increasing aggression of Iranian policy. It seems that such an escalation is taking place for one of two reasons. Either Iran is feeling conscious over its international blockade and regional decline—due to its nuclear activities and the developments of the Arab Spring—or because it senses there is a void to exploit as a result of the lack of American intervention. In keeping with this, President Obama’s policy is displaying US indifference towards the region; the United States has lost its appetite for wars and confrontations, especially in the Middle East.

The second explanation seems more probable. Iran is not afraid but, on the contrary, is realizing an opportunity to extend its influence—given the US's lack of regional interest, which has not been the case since World War II.

Iran does not believe that Obama will resort to military intervention, no matter how severe regional conflicts might become. Under the leadership of the Revolutionary Guard, Iran plans to make progress and take ground in Syria and Iraq, while simultaneously threatening the region's oil-producing countries, such as Bahrain.

Are such speculations the result of our own fears or are they based on sound facts? The fact that Iran is sending gunmen, active spy cells, and surveillance aircraft to Syria are all signs that it is attempting to wage new wars and reinforce its influence, without considering the diplomatic formulas of oil-producing countries. Iran's hostile approach, fueled by its nuclear program, has become more prominent given the failure of Western threats and economic sanctions. Russia's support is also worsening the situation.

We now face a growing monster that goes by the name of the Iranian regime. Its strength will increase, given that the Revolutionary Guard now influences vital sectors such as oil, public establishments, intelligence, and foreign affairs. This Iranian monster will push Arab countries into more tension and conflict, and may turn the entire region into a war-zone.

Abdul Rahman Al-Rashed is the general manager of Al-Arabiya television. He is also the former editor-in-chief of Asharq Al-Awsat, and the leading Arabic weekly magazine Al-Majalla.

Article 3.

Global Viewpoint

The irrelevance of Iran's presidential election

Mahmood Delkhasteh

5/24/2013 -- The main function of elections in democracies is to enable the exercise of the people's authority over the power of the state by establishing a government to implement policies which the public has voted for. Iran's government, however, is bound by a constitution which states that a "supreme leader" has ultimate power over all branches of state

and government. Elections of such a government, in effect, legitimize a regime which deprives people of their right to determine the state in which they live. In fact, what appears to be the "election" in Iran is only the shell of a political form; a remnant of the early years of the revolution and the first draft of the country's constitution in which the sole source of legitimacy for any government was to be the people's vote. But due to a power struggle between democratic and dictatorial interests, the constitution was rewritten to enshrine two competing sources of legitimacy: the people's vote and the Velayat-e Faqih (the rule of the jurist or supreme leader). At the time, the position of supreme leader was filled by the undisputed leadership of Ayatollah Rohollah Khomeini. Eventually, this constant tension between the two sources of legitimacy led Khomeini, at the end of his life, to tilt the balance of power further towards the supreme leader, thereby increasing his role in the constitution from a mainly observatory status to one of absolute power. The preservation of the regime became an ultimate and absolute duty, thus justifying virtually any act towards this end.

Soon after Khomeini's death, Akbar Hashemi Rafsanjani orchestrated the appointment of Seyd Ali Khamenei to the position of supreme leader, despite the fact that Khamenei lacked even the minimum religious qualifications to fill such a position. It later emerged that Rafsanjani had forged a letter from Khomeini, with the French newspaper Le Monde publishing the findings of the two international experts who had exposed this. Rafsanjani's calculation seems to have been based on a view that Khamenei, his friend of 30 years, would be too inept, too timid and too insecure in the position to do anything against Rafsanjani's will. In effect, he wanted to place Khamenei as a figurehead, like the queen of the United Kingdom, while he would retain all power as president. Initially, Rafsanjani's calculation seemed correct: During his presidency, Khamenei was largely invisible and never dared to interfere in the affairs of his government. However, although sycophants around Rafsanjani were trying to portray him as the "General of Reconstruction," eight years of devastating war with Iraq and inflation levels of more than 50 percent indicated a different reality. During this time, rising government corruption made him the wealthiest man in the country. And if this was not enough,

his policy of systematically assassinating his opponents eventually earned him the nickname of "Godfather."

In 1997, Rafsanjani, Khamenei and a number of other high-ranking officials were convicted of ordering the assassinations of Kurdish leaders in Germany in 1992. The verdict of the Mykonos Trial isolated the regime and made it deeply insecure about its future. This made it impossible for Rafsanjani to amend the constitution to run for a third term, and at the same time provided political reformists within the regime the opportunity to obtain permission from the supreme leader for a little-known candidate named Mohammad Khatami to run for presidency in 1997. The tsunami of protest votes against the supreme leader's favored candidate, Ali Akbar Nategh Nouri, brought out millions of people who had boycotted elections since the 1981 coup against the country's first elected president. The regime was caught off guard, and Khatami entered into office. This victory marginalized Rafsanjani on the political scene, and his role in other high offices, such as head of the Council of Experts, remained ceremonial. However, Khatami did not take this opportunity to push for greater structural reform. On the contrary, he remained submissive to the supreme leader and enabled Khamenei to begin using the absolute power which was granted to him in the constitution. With this, the initial and partial opening up of political space was closed again, and Khatami was transformed from someone once described as the "second Banisadr" or the "Gorbachev of Iran" into, in his own self-description, the "errand boy" of the supreme leader. After Khatami's presidency ended, Rafsanjani twice attempted to make a grand entrance back onto the political scene. Once was in 1997, when he ran for election as a member of parliament from Tehran, with the ambition of becoming head of the parliament. On this occasion, he was forced to retreat in the face of fierce opposition from reformists and accusations of vote rigging. His second attempt came in 2005, when he ran for president. This was again vehemently opposed by the embattled reformists, while behind the scenes Khamenei ensured that his own hardly-known candidate, Mahmoud Ahmadinejad, won the election. In the 2009 presidential election, the regime needed to demonstrate that it had popular support. It therefore let two reformist candidates, Mir Hussein Musavi and Mehdi Karubi, run as candidates. Large sections of the public interpreted this move as a political opening, but the initial mass euphoria ended in

shell shock when Ahmadinejad emerged victorious from the ballot box. However, this time the other candidates refused to accept the result of the election. Far more importantly, a change in the psyche of the people gave birth to the Green Movement, which brought millions onto the streets in defiance. This movement was curtailed through a massive, bloody crackdown. But it was also curtailed by the reformist elements of its own discourse, which severely limited the scope and demands of its leaders' actions. Since then, the regime has arrested hundreds of its opponents, including many reformists, and put Musavi and Karubi under house arrest. At the same time, Khamenei has decided that in any future presidents should be totally subservient to him -- unlike Ahmadinejad, who rebelled during his second term -- and that he must cleanse the regime of reformists and Ahmadinejad's "seditious" faction. All of this has been happening within the context of back-breaking economic sanctions, ongoing nuclear issues, political isolation and Khamenei's domestic and international isolation. Khamenei needed mass participation at the polling stations to strengthen his weakened position, but the reformists initially set conditions. They had already abandoned their demands to investigate the murder and torture of many Green Movement activists who had taken part in the street protests of 2009, thus consigning this to history. However, they still attempted to condition their participation on the freeing of their leaders from house arrest and the pardoning of political prisoners. But Khamenei needed reformists to participate in the election without condition, as agreeing to any would have damaged his strongman image and undone years of effort to get rid of reformism. The reformists eventually abandoned all of their demands and tried to bring Khatami back to run for president. He soon came under attack from the supreme leader's supporters and decided that he was not up to the task, stating also that it would be wrong to participate in the election while Musavi and Karubi remained under house arrest. Later, he also argued that the number of people voting in the election would be irrelevant, as the supreme leader would decide how many votes should be assigned to whom. Nevertheless, some of his main supporters openly stated that the only time the reformists would participate in the election would be when Khatami ran for office. Meanwhile, Rafsanjani was also contemplating running for the office. After a meeting with Khamenei, however, he said that the supreme leader

had a very different reading of the situation than his own and that he did not trust him, adding that nothing could be done without Khamenei's consent. Everyone thus assumed that Rafsanjani would stand down, but at the last minute he rushed to the registry office to put down his name. Later, his supporters spread word that he had received a phone call from the supreme leader, but Khamenei's office denies this claim. Furthermore, the following day, Khamenei himself stated that candidates should not make promises which are beyond their authority to fulfill, implying that he continues to hold the real power and that he was discontent with Rafsanjani's nomination.

Soon after the nomination, however, a surge of reformist groups and personalities such as Khatami rushed to Rafsanjani's support, calling him the "savior of the nation" and disregarding the fact that the reformists had initially constructed their identity through opposing the person and policies which Rafsanjani glorified in his letter of nomination. Still, the rejection of Rafsanjani by the Council of Guardian proved their miscalculation. How do we explain the reformists' rush of support for Rafsanjani?

In their haste to support the person who was the main architect of the ongoing disaster in Iran, the reformists have disregarded Rafsanjani's entire history: his role in the continuation of a war which could have ended victoriously after nine months but continued for another seven years before ending in defeat, with more than \$1 million people killed or injured and \$1 trillion of damage; the astronomical corruption which made Rafsanjani one of the richest men in the country and brought the Revolutionary Guards into the economy; his role in removing Khomeini's democratically oriented successor, Ayatollah Montazeri; or his amending of the constitution to transfer the mainly observatory role of vali-faqih (supreme leader) to an absolute power with no accountability; and the execution of thousands of prisoners and systematic assassination of hundreds of opponents both inside and outside the country, which led to the Mykonos Trial in Germany and his (and Khamenei's) conviction in 1997. This is not to mention the Tower Commission Report written at the order of Ronald Reagan as the result of Iran-Contra, in which it was revealed that Rafsanjani had asked Reagan's government to support Iraq in its war with Iran in order to prevent radicals in Iran from getting the upper hand.

The abandonment of their conditions for participating in the election, along with their support for a person such as Rafsanjani who still takes pride in his past, tells us that the prime goal of the reformists in political activity is power. For them, preserving the regime through which they get their identity and financial well-being is the ultimate goal, or, as Khomeini put it, the "ultimate duty" (ojebe vaajebaat). Judging from their actions, their main goal for reform is not, and never was, to change Iranians' political status from duty-bound minors to full citizens, or to establish a democratic regime worthy of such citizens, but rather to reform it enough to make it sustainable while taking the edge off of simmering discontent. Here we can see why the Green Movement, which preceded the Arab Spring, failed to achieve its goals. It failed because it did not break away from reformist discourse, and allowed itself to be controlled by reformist leaders and intellectuals who used people in their political game. They succeeded in doing this mainly because they were able to convince their supporters to make few demands and have low expectations. They equated the demands for democracy and human rights that could not be accommodated by the structurally unreformable regime as radical, and accused those striving for freedom, independence and human rights as idealists who are detached from reality. Within this discourse, reform became equated with nonviolent and rational action and revolution with irrational, violent acts. In this way, they succeeded in controlling political activity through twin mechanisms of fear and hope -- the fear of structural change, and hope in the reformability of the unreformable. Young people became full of fear of venturing out and full of a vain hope in the power of asking for and expecting little. Humiliation became a major ingredient in the discourse of reform, as only a humiliated person who is convinced by a language of "realism" and "pragmatism" and who has disowned "idealism" would be able to support a political system which treats her/him as a minor, and in which the vote of one single person can veto the votes of an entire nation. We can therefore be certain that the reformists will resort to using any fallacy or deception in order to make people believe that they are trapped between a rock and a hard place, thereby preventing their supporters from leaving their camp to participate in the spectacle of the so-called election. After all, they are followers of Khomeini, who once openly stated that "it is possible that in the past I have said something, and today I say something

else, and tomorrow I say something different. It does not make any sense to remain loyal to my word if I have said something before." The long journey of Iranian people towards freedom and independence will only end when they bid farewell to the reformists who have every interest in preserving this regime which survives by moving the country from one crisis to another. Boycotting the election would be a first step.

Mahmood Delkhasteh is a columnist and political activist based in England. He is working on a book based on his doctoral dissertation, "Islamic Discourses of Power and Freedom in the Iranian Revolution, 1979-81."

Article 4.

[Al-Hayat](#)

A Latter Reading of Hezbollah's Wars

Hazem Saghieh

26 39 2013 -- Some of Hezbollah's critics posit that the Nasrallah party has shifted its priorities from fighting Israel in the south, to confronting the Syrian people in the north, as it has become very clear in the past few days in light of the battles taking place in the Syrian town of Qusayr.

But this estimate, regardless of the good intentions of its proponents, is wrong and misleading. Indeed, Hezbollah, when it fought Israel, was defending the alliance led by the Syrian and Iranian regimes. This was only a secret to those that did not want to see it, and did not want to see Hezbollah's services for that imperial and expansionist configuration in the Levant.

Without this interpretation, it would be impossible to understand Hezbollah's move in the 1980s to liquidate other factions that wanted to fight Israel, but without deferring fully to the strategic dictates of Syria and Iran. At the time, Hezbollah undertook the task of bringing together the means and the ends, in a way that the former would not get ahead of the latter, and that the latter would not find itself helpless and powerless. In 2000, with the Israeli unilateral withdrawal, Hezbollah was not comfortable with the liberation, and went on to fabricate, along with the Syrian tutelage regime, the issue of the Shebaa farms as a sufficient

justification for the resumption of the conflict and maintaining the country in the midst of deadly wars. Needless to say, the main reason for this stance was nothing more than the fear that the Israeli withdrawal may pave the way for demanding the withdrawal of the Syrian army from Lebanon. Calls for this were indeed made in the Qornet Shahwan Gathering, and with the subsequent events leading up to Hariri's split with the Syrian regime. True, it was Hezbollah that undertook the task of liberation and paid the price for it. This, however, as it turned out with the liberation in 2000, was not governed by any national Lebanese goal, especially as the concept of unilateral withdrawal as proposed by Ehud Barak had not been on the table before that. When Barak advanced his proposal, this was an undesirable surprise made more impactful by the completion of the withdrawal on the ground. We recall those experiences today in light of the fierce battles in Qusayr, which powerfully demonstrate that the "main contradiction" in Hezbollah's worldview has to do with the integrity and survival of the Syrian regime, and of course the Iranian regime, and not with the conflict with Israel. Ultimately, this conflict is nothing more than the necessary condition for the operation of that regime against its people and the peoples of the region, and the functioning of its ideological and media machine by extension. If this estimate is correct, then taking part in the battles in Qusayr is only a technical development in a context that already stood before. To be sure, Hezbollah, before and after Qusayr, is fighting the wars of the Syrian regime and securing the foundations of its operation. In this sense, the view that bought into the claims about the priority of the conflict with Israel is abysmal and false. Indeed, that conflict was never a priority for any party at any stage. Furthermore, Hezbollah would not have been able to publicize this claim, and have broad segments, both Lebanese and Arab, believe it, were it not for the fact that the Syrian home front was disabled and postponed, and that the Syrian regime was comfortable with this situation. But when things changed because of the Syrian revolution, Hezbollah was forced to fight its real battles, without cover up or embellishment this time.

Africa's Economic Boom

Shantayanan Devarajan and Wolfgang Fengler

[May/June 2013](#) -- Talk to experts, academics, or businesspeople about the economies of sub-Saharan Africa and you are likely to hear one of two narratives. The first is optimistic: Africa's moment is just around the corner, or has already arrived. Reasons for hope abound. Despite the global economic crisis, the region's GDP has grown rapidly, averaging almost five percent a year since 2000, and is expected to rise even faster in the years ahead. Many countries, not just the resource-rich ones, have participated in the boom: indeed, 20 states in sub-Saharan Africa that do not produce oil managed average GDP growth rates of four percent or higher between 1998 and 2008. Meanwhile, the region has begun attracting serious amounts of private capital; at \$50 billion a year, such flows now exceed foreign aid.

At the same time, poverty is declining. Since 1996, the average poverty rate in sub-Saharan African countries has fallen by about one percentage point a year, and between 2005 and 2008, the portion of Africans in the region living on less than \$1.25 a day fell for the first time, from 52 percent to 48 percent. If the region's stable countries continue growing at the average rates they have enjoyed for the last decade, most of them will reach a per capita gross national income of \$1,000 by 2025, which the World Bank classifies as "middle income." The region has also made great strides in education and health care. Between 2000 and 2008, secondary school enrollment increased by nearly 50 percent, and over the past decade, life expectancy has increased by about ten percent.

The second narrative is more pessimistic. It casts doubt on the durability of Africa's growth and notes the depressing persistence of its economic troubles. Like the first view, this one is also justified by compelling evidence. For one thing, Africa's recent growth has largely followed rising commodity prices, and commodities make up the overwhelming share of its exports -- never a stable prospect. Indeed, the pessimists argue that Africa is simply riding a commodities wave that is bound to crest and fall and that the region has not yet made the kind of fundamental economic changes that would protect it when the downturn arrives. The manufacturing sector in sub-Saharan Africa, for example, currently

accounts for the same small share of overall GDP that it did in the 1970s. What's more, despite the overall decline in poverty, some rapidly growing countries, such as Burkina Faso, Mozambique, and Tanzania, have barely managed to reduce their poverty rates. And although most of Africa's civil wars have ended, political instability remains widespread: in the past year alone, Guinea-Bissau and Mali suffered coups [REDACTED], renewed violence rocked the eastern Democratic Republic of the Congo, and fighting flared on the border between South Sudan and Sudan. At present, about a third of sub-Saharan African countries are in the throes of violent conflict. More mundane problems also take a heavy toll. Much of Africa suffers from rampant corruption, and most of its infrastructure is in poor condition. Many governments struggle to provide basic services: teachers in Tanzania's public primary schools are absent 23 percent of the time, and government-employed doctors in Senegal spend an average of only 39 minutes a day seeing patients. Such deficiencies will become only more pronounced as Africa's population booms.

And then there's the fact that African countries, especially those that are rich in resources, often fall prey to what the economist Daron Acemoglu and the political scientist James Robinson have termed "extractive institutions": policies and practices that are designed to capture the wealth and resources of a society for the benefit of a small but politically powerful elite. One result is staggering inequality, the effects of which are often masked by positive growth statistics.

What should one make of all the contradictory evidence? At first glance, these two narratives seem irreconcilable. It turns out, however, that both are right, or at least reflect aspects of a more complex reality, which neither fully captures. The skeptics focus so much on the region's commodity exports that they fail to grasp the extent to which its recent growth is a result of economic reforms (many of which were necessitated by the misguided policies of the past). The optimists, meanwhile, underestimate the degree to which the region's remaining problems -- such as sclerotic institutions, low levels of education, and substandard health care -- reflect government failures that will be very difficult to overcome because they are deeply rooted in political conflict.

However, even if both narratives are reductive, the optimists' view of Africa's future is ultimately closer to the mark and more likely to be borne

out by developments in the coming decades. Africa will continue to face daunting obstacles on its ongoing path to prosperity, especially when it comes to improving its human capital: the education, skills, and health of its population. But the success of recent reforms and the increased openness of its societies, fueled in part by new information and communications technologies, give Africa a good chance of enjoying sustained growth and poverty reduction in the decades to come.

BOUNCING BACK

After several lost decades, during which debt, disease, famine, and war held back Africa's development, things began to improve in the late 1990s. So far, the gains have proved durable. Despite the global financial crisis of 2008 and its lingering effects, the economies of sub-Saharan Africa grew at an average of 4.7 percent a year between 2000 and 2011. This robust performance has resulted in the first overall decline in the region's poverty rate since the 1970s, from 58 percent in 1999 to 47.5 percent in 2008.

These positive trends have been widespread, with every part of the region benefiting. And the change in fortunes has not been limited to certain kinds of economies: oil exporters such as Angola and Nigeria have boomed, but so, too, have oil importers such as Ethiopia and Rwanda. Not all states have benefited equally, of course; fragile states such as Burundi and the Central African Republic, which are still struggling to recover from violent conflicts, have experienced only modest growth.

Africa's rebound has had many causes, including an increase in external assistance (partly from debt relief), a buoyant global economy until 2008, and high commodity prices. But the most significant has been an improvement in macroeconomic policies across all of sub-Saharan Africa, which has inspired confidence in investors and consumers. According to the World Bank's most recent annual "Country Policy and Institutional Assessment," the region's overall macroeconomic performance is now on par with that of developing countries in other regions. With stronger macroeconomic policies, African countries have taken advantage of the commodities boom that peaked before the global economic crisis and avoided a collapse when commodity prices plummeted. For example, in early 2008, when the international price of oil rose above \$100 a barrel, some oil exporters in the region, such as Angola, Gabon, and Nigeria, planned their budgets as if oil prices were only \$65 a barrel. When the

price ultimately did fall to that level, in the fall of 2008, those countries were not caught off-guard and had a cushion to fall back on.

During the crisis, most countries continued with prudent economic policies; some even accelerated their reforms. Partly as a result of such efforts, African economies kept expanding throughout the global recession, and sub-Saharan Africa has maintained an average annual growth rate of nearly five percent since then, despite continued volatility in the global economy.

THE POLITICS OF GROWTH

In large part, the vast improvement in macroeconomic policy that began in the late 1990s can be traced to two factors. First, with the end of the Cold War, politics in Africa became freer, more vibrant, and more open to previously marginalized groups. As support from the United States or the Soviet Union diminished, autocratic regimes began to lose their monopolistic grips on power. Calls for multiparty democracy spread, and countries throughout the region held competitive elections. Such openings were limited, to be sure, but they provided a voice to many segments of African societies that had previously been marginalized, such as poor farmers in rural areas. Since the mid-1990s, those groups have benefited as politics has become more competitive, media have become freer, and communications technology has rapidly spread, especially since 2000. In several countries, including Ghana, Nigeria, Tanzania, and Uganda, these political changes brought to power more competent leaders, willing to place technocrats trained in modern economics in senior positions in the government, replacing the politically connected but less well-trained bureaucrats who often held similar posts in previous regimes.

Political liberalization also had a less direct but still profound effect on macroeconomic policy. In the past, many authoritarian African regimes kept their exchange rates artificially high, benefiting the small groups of urban elites on whom the regimes relied by making it easier for them to buy food and imported luxury goods. This policy amounted to a transfer of wealth from the rural poor to the urban rich, since the high exchange rates made it harder for farmers to export their crops. With the introduction of competitive elections, governments realized that they needed the support of the rural poor, who constitute a majority in most African countries, and so they allowed their countries' exchange rates to become more competitive.

As a result, agricultural productivity and output rose as farmers received higher prices for their produce.

The second important factor that contributed to the improvement of African macroeconomic policy in the 1990s also involved the democratization of policymaking -- spurred, in this case, by external intervention. When African countries were desperate for international aid in the 1980s, donors made their financial support contingent on the adoption of reform programs that African governments designed with input from the World Bank and the International Monetary Fund. But beginning in 1999, potential donors began to require African governments seeking debt relief to also consult with their own citizens -- civil-society groups, businesses, community organizations -- as they crafted policies to help the poor. This new process increased the chances that local citizens would buy into the policies. In the early 1990s, when international donors proposed changes to Zambia's system for pricing maize, the agriculture ministry rejected the changes, and they were never put in place, leading to periodic food shortages. A decade later, the government proposed similar reforms, but only after conducting consultations with a wide variety of Zambians whom the changes would affect. As a result, the public generally accepted the ideas; the reforms were implemented, and shortages were minimized. Economic reforms, however, are not the only cause of Africa's growth surge. Three other factors have started to play a major role: demographic changes, urbanization, and technological advances. Since 1960, the dawn of the postcolonial era, the population of sub-Saharan Africa has grown rapidly, from fewer than 250 million people to around 900 million today. But around 2000, fertility rates began to decline, and so did child mortality rates. Consequently, working-age adults have come to constitute the fastest-growing segment of the region's societies. This shift has created a potential demographic dividend, since economies improve when there is a healthy ratio of working-age adults to dependents.

No country or region, meanwhile, has ever reached what the World Bank considers high-income status with low levels of urbanization. African populations have traditionally been mostly rural, but the cities of sub-Saharan Africa are growing at astonishing rates. The trend is such that by 2033, most of the region's inhabitants will live in cities -- as most of the world's population already does. Firms have exploited this increased urban

consumer base to enjoy economies of scale, benefiting themselves and consumers, who now have access to low-cost goods.

Perhaps the most visible sign of Africa's economic reemergence is the so-called mobile revolution. Cell phones have become ubiquitous, even in the poorest places. The change can be traced back to the reforms of the late 1990s, when several countries began opening up their telecommunications sectors. At the same time, technological breakthroughs have made low-cost cell phones affordable to a large number of Africans. In many African countries, the calling rates are among the lowest in the world. The explosion in mobile technology has spurred innovations such as M-Pesa, the mobile-money system widely embraced in Kenya and Tanzania, which allows users to make purchases and send cash transfers using their cell phones. In many countries, the spread of mobile devices has also allowed the information and communications sectors to become important parts of the economy; in Kenya, these industries are growing at an average of 20 percent each year, and in 2010, they accounted for five percent of the country's GDP.

Optimists have seized on all these trends to make the case that this African economic boom will prove sustainable. Much of the progress has resulted from political changes. But the remaining obstacles to a more lasting transformation of African economies will also depend on politics. And those problems might prove far more difficult to overcome.

MORE MONEY, MORE PROBLEMS

Africa faces a number of deep development challenges -- in economic growth, poverty reduction, human development, and governance -- that at the very least call into question the durability of the gains made during the last 15 years, and could even undermine them. Despite Africa's recent growth, there are few signs of what economists refer to as structural transformation: the shift from low-productivity agriculture to higher-productivity manufacturing and services. Sub-Saharan Africa's manufacturing sector remains dormant, and some countries, such as South Africa, have even experienced deindustrialization. And while there has been an increase in trade among the region's countries, their connections to the world economy remain weak and concentrated in just a few sectors, especially commodities and natural resources. These development

challenges are the result of government failures, which helps explain their persistence amid rapid growth -- but also points to possible solutions. Perhaps none of these problems is more troubling than the seeming inability of African countries, including the fastest-growing economies, to convert growth into progress in fighting poverty. Despite years of significant oil revenues, the governments of Angola, Gabon, and Nigeria have not used their newfound wealth to significantly improve the welfare of their poor citizens. More troubling is the fact that during the past five years, some non-oil-producing countries, such as Burkina Faso, Mozambique, and Tanzania, have managed to reduce their poverty rates by only three or four percentage points, despite enjoying annual economic growth rates of around seven percent. That growth was very clearly driven by economic reforms, not the commodities boom. The persistence of poverty in those three countries is now providing rhetorical ammunition to the political elites who benefited from the misguided policies of the past, resisted reforms, and now want to reverse the changes. It also confirms the worst suspicions of critics of economic liberalization, who can point to these poverty numbers to argue that pro-trade reforms have simply made the rich richer and the poor poorer.

A more careful look at these countries, however, shows that the problem is not too much reform but too little. Specifically, the reforms have generated growth in only some sectors, especially services, with industries such as retail and wholesale trade, telecommunications, and public administration benefiting the most. But those industries provide relatively few jobs for low-skilled workers, and the reforms did not address the sectors in which the poor actually work. For example, in Mozambique, growth has come from large investment projects in mining that were made possible by changes in the country's foreign investment regulations. Such projects have increased aluminum exports and boosted GDP but created only 2,000 direct jobs. Most of Mozambique's labor force, meanwhile, is employed by small farms or household enterprises -- parts of the economy in which productivity is growing very slowly.

In cases where there have been reforms in industries that employ the poor, corruption has sometimes prevented the benefits from accruing to the intended recipients. Tanzania, for example, has spent heavily to support its agriculture industry, especially on fertilizer subsidies. In 2009, to better

target and streamline the subsidies, the government introduced a market-like system of vouchers: farmers could use government-issued vouchers to purchase fertilizers, and sellers would be reimbursed by the government. Unfortunately, local elected officials ended up gaining control of about 60 percent of the vouchers, making it difficult for poor farmers to access the government support.

IF YOU BUILD IT, WILL THEY COME?

Even in countries that have achieved both rapid growth and poverty reduction, such as Ethiopia, Ghana, and Rwanda, there has been remarkably little structural transformation. The share of GDP represented by manufacturing, for example, is scarcely higher than it was before these countries started enjoying serious growth. There are many reasons why competitive manufacturing has not taken off in Africa, but most of them revolve around the high costs of production. Even though per capita incomes in Africa are among the lowest in the world, wages are relatively high and unit labor costs are even higher.

A major explanation for these high costs is the poor state of infrastructure. All across sub-Saharan Africa, anyone trying to do business is constantly stymied by power cuts, impassable roads, and leaky water pipes. Behind each of these infrastructure problems is a government failure that, although harmful to the economy, reflects a political equilibrium that will be difficult to undo simply by building new infrastructure.

Road transportation offers a good illustration of this problem. Exporters in the region face some of the highest transport prices in the world, especially when trying to ship goods from landlocked countries to a port. But a 2009 study published by the World Bank showed that vehicle operating costs along the four main transport corridors in sub-Saharan Africa are no higher than those in France. The difference between prices and vehicle operating costs is explained by the massive profit margins enjoyed by trucking companies in sub-Saharan Africa, some of which are close to 100 percent. The companies are able to charge a hefty premium thanks to regulations in most African countries that prohibit would-be competitors from entering the trucking industry. These regulations were introduced 40 years ago, when African governments, reflecting economic thinking at the time, viewed trucking as a natural monopoly because a single company could more easily ensure that trucks rode at full capacity. Not surprisingly, the

outdated rules are now difficult to revoke because decades of high profits have provided the trucking industry with plenty of funds to pay for lobbying to maintain the status quo. This problem is especially acute in places where the trucking business is controlled by politically connected families.

The region's water and electricity deficits also stem from political problems. Governments typically set prices for water and electricity that are below cost, with the intention of protecting the poor. As a result, the water and electrical utilities require government subsidies to operate. This relationship allows politicians to find ways to influence how the utilities are run and who receives their services. Officials often give priority treatment to neighborhoods they favor, which are not necessarily where the poor live. Furthermore, the subsidies rarely cover costs, so the utilities neglect maintenance, leading to leaky pipes and power outages. The rich opt out of the shoddy system altogether and use their own water tanks and electricity generators. The poor in underserved areas must rely on candles for lighting and buy water from private vendors, which costs multiple times the metered rates. One result of this political distortion is that since 2000, the percentage of households with access to water has declined in almost every urban area of Africa.

In addition to these deficiencies in infrastructure, a host of other factors serve to drive up the cost of doing business in the region, including the fact that African countries have some of the most complex and least transparent business regulations in the world. Like the distortions that shape transportation and infrastructure, these regulations did not come about by accident, nor is their persistence due to a lack of government capacity: they exist in order to serve specific political interests. If these interests are sufficiently powerful, they can block attempts at reform.

But simply improving the business climate will not lead to structural transformation. The reason is that business regulations mainly affect those who work in the private wage-employment sector, a group that accounts for less than ten percent of the region's labor force. Most Africans work for small farms or household enterprises, in what is often called the informal sector. This is unlikely to change in the medium term: in Uganda, for instance, even under the most optimistic assumptions, over 70 percent of the labor force will still be in the informal sector by 2020.

For that reason, structural transformation will depend not only on creating more wage and salary jobs but also on increasing the productivity of the informal sector. Improving infrastructure and reforming regulations will help to some extent. But more important are measures that can improve the skills of workers in the informal sector, in which those with barely any education are disproportionately concentrated. By increasing the skills of such workers, African governments can increase the productivity of small farms and household enterprises -- and the incomes of the people who work there.

RAISING HUMAN CAPITAL

Without a doubt, it will prove difficult to improve the skills of Africa's labor force enough to propel structural transformation. The fact is that despite some catch-up over the last decade, the countries of sub-Saharan Africa still have the lowest levels of human capital in the world. In one sense, that is not surprising: after all, at the time they won independence, most of these countries had very few people with higher education. Africa also has been buffeted by an onslaught of public health crises, including the world's worst manifestation of the HIV/AIDS pandemic.

The region's lack of sufficiently educated, skilled, healthy workers is even more distressing because for decades, donors and African taxpayers alike have spent considerable resources on health and education; yet they have little to show for it. Even in places where governments and foreign donors have improved access to schools and health clinics, there has been limited improvement in quality. Postapartheid South Africa, for instance, has increased its public spending on schools to redress the inequitable allocations of the past. Enrollment rates have risen dramatically, but learning outcomes have hardly changed, and only two in five young adults complete secondary school.

At least three factors explain this phenomenon. First, resources allocated to addressing the problems of poor people do not always reach their intended recipients. A landmark 2001 World Bank study on public spending showed that in Uganda, only 13 percent of the nonwage resources allocated to public primary education actually found their way to schools. Similarly, a 2009 study on health spending in Chad showed that less than one percent of nonwage spending ever arrived at primary clinics. Second, even when resources do reach schools or clinics, there are often no teachers or doctors

there to use them. A recent report by the African Economic Research Consortium found that health workers in Senegal and Tanzania were absent 20 percent and 21 percent of the time, respectively. Finally, even when providers are present, the quality of their services is exceedingly poor. According to a 2009 World Bank review of public expenditures, teachers in Uganda spend less than 20 percent of class time teaching. Teachers in Tanzania spend slightly more time on instruction, but only 11 percent of them have what education experts consider to be the minimum level of language skills required for the job. The situation in the health sector is worse: in Tanzania, the average total amount of time doctors spend seeing patients is only 29 minutes per day.

These failures to deliver services are not simply the result of unprofessional conduct; underlying them is the fact that basic public services have been stolen by or diverted to political elites. The leakage of public funds intended for education and health care is the most straightforward example. Since these are expenditures for things other than salaries, officials are easily able to alter the amount of funding that is actually distributed. As the economists Ritva Reinikka and Jakob Svensson showed in a 2004 study, the amount of funding an African school receives likely depends on the principal's ties to a government bureaucrat or a local politician. The poor performance of service providers is similarly bound up in this form of patronage. Many teachers, for example, also serve as political operatives: relatively well-educated people who run election campaigns for local politicians and are then rewarded with teaching jobs, positions for which they are not necessarily qualified and that they do not always take very seriously.

The way political forces can thwart the delivery of services was illustrated in a recent study published by the Center for Global Development. The study analyzed the results of an experiment in Kenya that aimed to reduce teacher absenteeism by replacing salaried teachers with contract workers. In some cases, the plan was administered by a nongovernmental organization; in others, the government handled the hiring. Student learning outcomes improved when the plan was implemented by nongovernmental organizations but did not in the government-run cases. The study's authors concluded that the difference stemmed from the ability of teachers' unions to lobby the government to weaken the plan in various

ways: for example, by delegating oversight to district officials who were not ultimately accountable to the government. The nongovernmental organizations did not succumb to the same pressure. The larger lesson is that efforts to solve problems such as teacher absenteeism with technical solutions, such as introducing contract teachers or electronic monitoring, will not succeed if the political system is not aligned with the ultimate goal.

REASONS FOR OPTIMISM

It can be hard to stay optimistic about Africa's future when one considers the political pathologies that stand in the way of improving its human capital. But it is crucial to recall that the recent growth in sub-Saharan African economies resulted from fixing distorted macroeconomic policies that seemed irredeemable only 15 years ago. Triggered by reactions to the debt crises of the 1980s, the collapse of the Soviet Union, and the political liberalization of the 1990s, a regional consensus formed in favor of prudent macroeconomic policies. Those policies delivered growth, which created political support for further reforms, even during the global economic crisis of recent years.

The region now finds itself at another inflection point. Luckily, today, the combination of democratization, demographic change, rapid urbanization, and increasing levels of education has substantially altered policymaking processes, mostly for the better. There is now more political space to voice alternative views and challenge government policies. Even those who are opposed to reforms are less likely to resist if they feel they have been consulted. Moreover, thanks to better economic policies, foreign donors are less compelled to impose reforms from the outside, which creates even more space for homegrown reform efforts.

The almost complete connectedness of the region through cell phones will also aid reforms and structural transformation. Cell phones, by helping spread information of all kinds more quickly, enable poor people to learn about such issues as the regressive nature of government subsidies and the anti-poor bias of infrastructure spending. They also allow people to find out what their peers are thinking, greatly lowering the costs of mobilizing collective action. The spread of communications technology has also made it easier for politicians to discover what citizens are thinking -- whether

they want to or not -- meaning that the voices of people living in marginalized areas will be heard more clearly in national capitals. Whether one sees Africa's glass as half-full or half-empty depends on one's belief in the possibility of political change. The obstacles to durable growth in the region are primarily political. That hardly means that they will be easy to solve, as even a cursory glance at the troubled record of governance in postindependence Africa makes clear. But it does mean that they are not intractable. Sub-Saharan Africa's recent history of political change and reform leading to growth justifies a positive outlook. Believing in a more prosperous African future requires a healthy dose of optimism, but not a leap of faith.

Shantayanan Devarajan is Chief Economist of the World Bank's Africa Region. Wolfgang Fengler is the World Bank's Lead Economist for Eritrea, Kenya, and Rwanda.

Article 6.

Foreign Policy

Why Camp David Changed Nothing

Christian Caryl

May 24, 2013 -- John Kerry is back in the Middle East this weekend. While there, he'll be [confronting](#) the lingering civil war in Syria as well as an Arab-Israeli peace process that once again seems to have lost its steam. As the secretary of state tries to leverage American power to infuse new life into the talks between Israel and the Palestinians, he may have occasion to consider one of the moments in recent history when an American president managed to intervene in Mideast politics to powerful effect -- and still failed to find a lasting solution to the problems that bedevil the region.

In 1977, Egyptian President Anwar al-Sadat visited Israel, where he paid a historic visit to the Knesset -- the first by a reigning Arab leader -- and [told](#)

Israeli parliamentarians of his country's will for peace and the need to satisfy demands for Palestinian self-determination. The following year, U.S. President Jimmy Carter persuaded Sadat and Israeli Prime Minister Menachem Begin to meet at the presidential retreat in Maryland in order to thrash out a framework for peace between their two countries. In March 1979, Begin and Sadat finally came together at the White House to sign the Egypt-Israel Peace Treaty, which ended 30 years of hostilities and allowed for mutual diplomatic recognition. The [Camp David Accords](#) have been [described](#) as "one of the great diplomatic achievements of recent American history." Maybe, but it's not nearly one of the most important events of that most important year.

My book about 1979, the year in which Begin and Sadat signed that treaty, just came out. (For the record, the title is [Strange Rebels: 1979 and the Birth of the 21st Century](#).) In it, I tell the stories of five big events that roiled politics that year: Margaret Thatcher's election as British prime minister; the Iranian Revolution; Pope John Paul II's fateful pilgrimage to his Polish homeland; the Soviet invasion of Afghanistan; and the start of economic reform in China. But I didn't include the Egypt-Israel peace treaty. Now why would I do a thing like that?

It's a good question. The answer has two parts. First, when I set out to write my book, I quite consciously decided that I wasn't going to write a history of the year. There were a number of other important events over those 12 months that I opted to leave out. Nicaraguans staged a Marxist revolution that [overthrew](#) the long-ruling Somoza family, shaking up the politics of Latin America. The president of South Korea, Park Chung-Hee, was [assassinated](#) by his chief bodyguard, ending an 18-year stint in power that transformed his country. The former Pakistani Prime Minister Zulfikar Ali Bhutto was [executed](#) by his successor, Muhammad Zia-ul-Haq. It was, in short, a pretty eventful moment in twentieth-century history.

All three of the moments I describe above were important; each had a profound effect on the situation in its respective region. But I don't think that any of them had the same profound impact on world history as the five stories that I chose to concentrate on. That's because my five stories -- Afghanistan, Britain, China, Iran, and Poland, -- didn't just change the world. They also [changed](#) something far more fundamental: the very terms in which we think about global politics and economics.

My book tells how events in these five countries ushered in the beginning of the end of communism and also signaled the arrival of the twin forces of free-market ideology and politicized religion as defining forces on the world stage. The year 1979 was also a watershed in the history of ideas. Before that year, terms such as "political Islam" and "privatization," "jihad" and "deregulation" barely figured in global discourse. After 1979, it was almost impossible to imagine the world without them. They still define the world in which we live today.

Which brings me to my second point: Was Camp David really such a game-changer? Did it redefine the very vocabulary with which we describe the world of international affairs?

Those who defend its importance might well argue that it did. In their terminology, Camp David signaled the end of the "[rejectionist front](#)," the first crack in the unified bloc of Arab countries that had, until then, denied Israel's very right to exist. Sadat's willingness to accept Israel as a negotiating partner and to recognize it diplomatically marked the first occasion since Israel's founding in 1948 that any Arab state was willing to do so. It's certainly true that the Egypt-Israel Peace Treaty served as the foundation for subsequent negotiations between Israel and its neighbors. Israel itself certainly [benefited](#) hugely from the treaty. With the threat posed by Cairo's huge military machine removed from the scene, the Israelis were able to [shift](#) vast resources from defense to the civilian economy, laying the foundation for the remarkable prosperity of the past few decades. Not having to worry about the Egyptians also made it easier for the Israelis to divide and rule the rest of their Arab foes. It's highly unlikely that the Israelis would have been able to invade Lebanon in 1982 if the Egyptian army had still been poised on their southern flank. The "cold peace" between Israel and the Egyptians has held throughout. All that said, I simply don't see that Camp David altered anything fundamental about the terms of dispute in the Middle East. Arab-Israeli tensions have been reduced but hardly eliminated. Today, 34 years later, the majority of Egyptians still disapprove of the peace agreement; 89 percent of Egyptians [say](#) that they have a "very unfavorable" view of their neighbors to the north. (Nonetheless, the new Muslim Brotherhood-dominated government has vowed to maintain the peace treaty, presumably because of the billions of dollars in U.S. aid that Cairo receives every year

as a reward for sticking to the 1979 agreement.) Opinion surveys throughout the Muslim world (and not just among the Arabs) [show](#) consistently that resentment of the Israelis remains persistent and deep. Nor has the treaty entirely kept the peace. Israel has fought a whole series of small wars with hostile elements in its neighborhood since 1979.

We can argue over why this is the case. Many Israelis would contend that the other peoples in the region hate them essentially for being who they are: Jews who had the temerity to build a non-Muslim homeland in the Middle East. And many would say that there won't be real peace until the Islamic world can break through its own lingering legacy of religious intolerance and anti-Semitism. (They note that Sadat was pilloried as a traitor by the other Arab countries, who immediately expelled Egypt from the Arab League as punishment for making concessions to Israel.)

Many Arabs, of course, would point to Israel's treatment of the Palestinians -- contending, among other things, that the Israelis have yet to extend meaningful self-determination to the Palestinian people. (The original Camp David framework included discussions on affording some sort of autonomy to the Palestinians, but the talks never really amounted to anything -- though some elements of that process were later picked up again in the 1993 Oslo Accords.) Post-Camp David, the Israelis showed their good faith toward Egypt by fully dismantling the settlements they had built in the occupied Sinai after the 1967 Six-Day War. Settlement activity on the West Bank and in East Jerusalem, by contrast, has continued to this day with nary a pause. (Today there are some 534,000 Israelis [living](#) in the occupied territories.)

Sadat himself, of course, was assassinated in 1981 by Islamists who condemned him for signing the peace treaty. That sort of religiously fueled terror was still something relatively new at the time. In the 1960s and 1970s, Arab terrorist groups tended to consist of secular ultranationalists and revolutionary Marxists; by the 1980s, their ranks were dominated by the new religious extremists. But that shift had more to do with larger forces at work in the Muslim world, and less to do with Camp David itself -- though the fact that Egypt's betrayal was orchestrated by the secular nationalist Sadat (a professed admirer of Turkish modernizer Mustafa Kemal Atatürk) certainly aggravated matters.

So yes, the Camp David process was important but ambivalent. Though the accords delivered peace between Israel and its most powerful foe, they left the more fundamental issues of Middle East discord unaddressed. Nor did they fundamentally change the way we think about Israel, Egypt, or the Middle East. Camp David reduced tensions and the threat of all-out war, but the underlying problems in the region continue to fester. From today's perspective, the Egypt-Israeli Peace Treaty looks less like a turning point than an important way station on a journey that has yet to end.

Christian Caryl, the editor of Democracy Lab, is a senior fellow at the [Legatum Institute](#) and a contributing editor at Foreign Policy. He is also the author of a new book, [Strange Rebels: 1979 and the Birth of the 21st Century](#), to be published in May.