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**ISRAEL'S DISENGAGEMENT FROM
GAZA AND SEVERAL
WEST BANK SETTLEMENTS**

STAFF TRIP REPORTS
TO THE
COMMITTEE ON FOREIGN RELATIONS
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LETTER OF TRANSMITTAL

Dear Colleague:

The Israeli withdrawal from Gaza and several West Bank settlements will shape the future of the peace process and the region for years to come. The committee recently sent two senior professional staff members, Ms. Kim Savit and Mr. Puneet Talwar, to the Middle East to assess U.S. assistance to Israel's disengagement from Gaza and several West Bank settlements.

We are pleased to share with you their trip reports, which highlight concerns about the critical issues that will face all parties on the "day after" disengagement. The reports also provide a number of recommendations that may be helpful as the Committee on Foreign Relations considers these issues. As both authors indicate, there is much at stake in getting the "day after" Gaza disengagement right.

We look forward to continuing to work with you on these issues and to any comments you might have on these reports.

Sincerely,

RICHARD G. LUGAR,
Chairman.

JOSEPH R. BIDEN, JR.,
Ranking Minority Member.

ISRAEL'S DISENGAGEMENT FROM GAZA AND SEVERAL WEST BANK SETTLEMENTS:

I. REPORT OF KIM SAVIT—SENIOR PROFESSIONAL STAFF MEMBER (MAJORITY STAFF)

Israel's disengagement from Gaza and several West Bank settlements proceeded over the past two weeks without the anticipated Israeli-Palestinian violent clashes or deadly attacks by extremist Israeli settlers. Successful completion of this historic withdrawal of Israeli troops and settlers from 21 Gaza and 4 West Bank settlements will shape the future of the Middle East region and the global war on terrorism. In meetings with U.S., Israeli, Palestinian and international community officials from July 24–31, 2005, I found that there was consensus on the short-term agenda to facilitate Israel's disengagement. Leadership provided by the U.S. under Lieutenant General William Ward as the U.S. Security Coordinator and Mr. James Wolfensohn for the Quartet has energized Israeli and Palestinian Authority coordination efforts. But, there are major differences and uncertainties over how to address critical issues that will face all parties on the "day after" disengagement. To sustain the positive momentum engendered from the disengagement effort thus far, the U.S. will need to intensify its support for efforts on the ground, in terms of both tangible material assistance and engagement with the two parties on issues that could derail progress.

KEY FINDINGS:

1. *U.S. leadership to support Gaza disengagement is critical, but must be followed-up by delivering tough messages to both sides and actions demonstrating the U.S. long-term commitment to the peace process.*

The Israelis, Palestinians and the international community are skeptical that the U.S. will continue to be engaged in resolving the Israeli-Palestinian conflict over the long-term. U.S. personnel and resources dedicated to the peace process appear as ad hoc, short-term and temporary measures. Despite the appointment of General Ward as Security Coordinator, there is no single U.S. voice for all aspects of engagement in the peace process and U.S. policy appears fragmented. This intensifies Palestinian fears of "Gaza first and Gaza last," and could undermine those in Israel who support the two state solution.

- Progress is being made on Wolfensohn's short-term shared agenda of six issues and steps are being taken at the Ministe-

rial and agency levels to move forward on each to ensure success of the withdrawal. These include detailed plans to resolve questions on border crossings and trade corridors; ensuring access between Gaza and the West Bank; addressing internal mobility and closures; opening of the airport/seaport; disposition of the greenhouses and related jobs and income; and dismantling settler houses and disposing of the rubble. There are problems in implementation, however, at the field level. Access and mobility issues, particularly in Gaza, reportedly slow or prevent provision of U.S. assistance to the Palestinians from U.S. aid providers.

- General Ward has minimal staff to facilitate reform of the Palestinian security forces (16 in all, including security personnel and detailees from other countries) and only a few have Arabic language skills. Given security concerns, General Ward and his staff also have limited access to, and mobility in, Gaza and the West Bank. U.S. Security Coordination personnel interaction with the Palestinian Authority security forces is occurring at the Ministerial level, but again, is minimal in the field. Without U.S. personnel presence in field activities, progress reported to have been made on consolidation and reorganization of Palestinian Authority security forces cannot be confirmed on the ground.
- Moreover, there appeared to be no specific mechanism for Israeli and Palestinian Authority security forces to interact or communicate at the ground level to ensure that acts by extremists and terrorists of either side can be differentiated from actions sanctioned by the Israeli Government or Palestinian Authority. Issues of control of the border crossings at points such as Rafah, for example, have been particularly contentious, exposing severe gaps in coordination among the parties and raising Israeli fears of increased weapons smuggling and terrorist infiltration.

There is a very real risk that unless there are concrete benefits that meet rising Palestinian expectations from Gaza disengagement in the short-term, and either an agreed, more formal negotiating framework or plan to move forward on the Road Map in the longer-term, a “third intifada” could be launched after Gaza disengagement to try to drive the Israelis out of the West Bank. The U.S. must work to forestall this. Israel must be persuaded to demonstrate in words and deeds that they will return to the Road Map and to the negotiating table in the near future. The Palestinians must be persuaded that the path of peace will produce dividends; that their economic future will be brighter; and that discussions of final status issues will only occur if there is continued calm.

The U.S. must deliver strong, tough messages to both sides while recognizing the historic burdens each carries. The Israelis and Palestinians are each facing intense internal political conflicts with factions positioning themselves for the “day after” disengagement. Both Prime Minister Sharon and Palestinian Authority President Abbas have taken enormous political risks to move the disengagement forward. Over the past few months, however, when the U.S. has taken tough positions with each side, despite delays, it has

achieved results. Israel apparently has been more cooperative and flexible on disengagement issues such as removal of barriers and checkpoints. The Palestinian Authority reportedly has taken steps to arrest terrorists identified as perpetrators of violence. Continued direct, forceful U.S. engagement, reflected by more permanent mechanisms for coordination and implementation, will be critical to maintaining momentum on the “day after.” The continuing expansion of West Bank settlements, particularly E-1 and Maale Adumin, and the construction of the security fence or barrier must be at the top of the agenda with the Israelis. Stopping terrorism must remain at the top of the list with the Palestinians. We should be insistent in our message to both Israelis and Palestinians that they live up to their commitments.

2. There is an urgent need for the U.S. to develop a strategy and a policy for dealing with the growing popular support for Hamas.

For the Palestinian Authority to do well in the January 2006 municipal and parliamentary elections, it needs to be credited with delivering tangible benefits to the Palestinian people. Specifically, it needs to compete with Hamas’ social services network in terms of effectiveness, efficiency and transparency. Some aid providers complained that U.S. laws intended to prevent U.S. funding from going to Hamas, unintentionally leave critical areas vulnerable to Hamas influence and weaken moderate voices in the Palestinian Authority.

Currently, U.S. laws prohibit aid to Palestinians who are known to be, claim to be, or are suspected of being members of Hamas, a U.S. designated foreign terrorist organization. Aid is prohibited, specifically, from going to “groups or individuals who are or have been involved in terror.” These laws and our policies to implement them place the onus on U.S. aid providers to judge which Palestinian aid recipients are terrorists or suspected members of terrorist organizations and which are not. Fearing they might break the law, aid providers reported that few non governmental organizations (NGOs) will work with Palestinian recipients and contractors unless they agree to sign an anti-terrorism certification (ATC) as required by USAID. Many bona fide Palestinian grass roots organizations—particularly educational and humanitarian organizations—reportedly refuse to sign such certifications based on principles and/or politics. Thus, aid goes primarily where it is legally uncontroversial rather than where it may be most needed and effective. Even worse, in towns and villages in which Hamas controls the local municipal councils, U.S. aid providers stay away, ceding such areas to Hamas dominance without a fight, and thus indirectly bolstering Hamas’ legitimacy and credibility.

- In a roundtable held with Senate Foreign Relations Committee staff at the Consulate in Jerusalem, several of the six NGO representatives participating argued that the U.S. policy of isolating Hamas and similar groups is counterproductive. They argued that Hamas members or terrorists would be more likely to sign the anti-terrorism certificates to get U.S. aid than decent people from organizations that refused to sign on principle. The NGO representatives also argued that Hamas could not be eliminated, and U.S. policy should be either to co-opt

the organization or to force a split between its military and political arms. Palestinian Authority officials echoed many of these arguments.

Israeli officials expressed concern that Palestinian Authority President Abbas lacks the leadership abilities to organize Palestinian security forces against Hamas. The Israelis fear Hamas is seeking to replace the Palestinian Authority and is following a concerted strategy to do so. One aspect of that strategy is undertaking terrorist acts to demonstrate that Hamas, and not the Palestinian Authority, controls Gaza. One Israeli official stated Hamas wants to paralyze and destroy the Palestinian Authority so it can replace the current government and establish “*Hamasastan*” in Gaza.

3. Additional U.S. aid and flexibility in delivering it quickly and visibly are needed for both the Israelis and Palestinians:

- *U.S. Aid to Israel.* Israel has requested \$2.1 billion (\$.8 billion for security and \$1.3 billion for economic aid) to cover part of the estimated \$8 billion total cost of Israeli security forces redeployment and disengagement from Gaza and development of the Negev and Galilee (Israel estimates it will spend \$3 billion on security and redeployment of security forces and \$5 billion on economic reintegration and development). The administration and Congress will need to review this request carefully, particularly in light of new demands on U.S. resources with Hurricane Katrina. The initial Israeli request was timed and designed politically to help counter those within Israel who argue Israel gains nothing for its painful withdrawal from Gaza and West Bank settlements. Additional U.S. aid to Israel would facilitate the completion of the disengagement from Gaza and the four West Bank settlements and reflect our strong commitment to Israel’s security and future. The high level of aid requested, however, sets a precedent which may become an obstacle to future West Bank disengagement. Additionally, how providing additional economic aid to the Negev and Galilee is linked to the peace process needs to be clarified. The U.S. might consider how to construct any Israeli aid package to ensure it facilitates specific steps related to progress on the Road Map.
- *U.S. Aid to the Palestinians.* U.S. aid to the Palestinians, totaling an estimated \$350 million in FY 2005 Supplemental and FY 2006 funds requested, is focused on economic improvements and quality of life issues to build confidence that there will be a better future on the “day after” for the Palestinians. Yet, while one of the highest priorities on the “day after” disengagement will be to establish security and rule of law in the newly controlled Palestinian territory, currently there are no U.S. aid funds for equipping and training Palestinian Authority security forces to undertake this responsibility. General Ward indicated that it would take 3–5 years to facilitate the transition and restructuring of the Palestinian security forces, but he had no authority or funding flexibility to begin the process. The State Department recently has tapped an estimated \$3 million in community policing funds to help build Palestinian Author-

ity police capabilities, but this may be “too little too late.” The U.S. and other Quartet members urgently need to develop and implement a concrete plan to help reform the Palestinian Authority security forces. Such reform will be key to the Palestinian Authority’s ability to govern on the “day after” disengagement.

Several Israeli officials argued that we should not supply arms and ammunition to the Palestinians to enhance their security forces as they have sufficient arms to equip their estimated 58,000 security force personnel. The issue, they argued, is not how much lethal military equipment is available to these Palestinian Authority security forces, but the political will to use these arms to dismantle the terrorist capabilities. While sympathetic to Israeli security fears, one expert indicated that the equipment issue is of concern as the Palestinian Authority reportedly was paying \$3 per bullet on the black market for ammunition. Given that Palestinian Authority security forces are critical to success of the disengagement and long-term stability, U.S. aid policies should seek to help Israel find a balanced trade-off between its fears of arming the terrorists and shoring up legitimate Palestinian Authority security capabilities. Consideration also should be given to how to condition any U.S. aid to the Palestinian Authority on its efforts to consolidate and reform its security forces and achieve progress on the Road Map.

- *Bureaucratic Delays.* Current FY 2005 Economic Support Funds (ESF) for USAID Palestinian assistance programs have been slowed by bureaucratic processes. These funds were not cleared for release by the Deputy Secretary of State’s office at the time of the visit and such delays could complicate any return to the Road Map further. USAID also is running into another potential road block as once funds are released at the end of the fiscal year, September 30, 2005, all funds must be obligated within a few weeks or they may have to be returned as unobligated balances, leaving a funding gap until almost January 2006. Such bureaucratic delays may be devastating to U.S. interests. As one official stated: “Whatever is not done before the Palestinian elections in January 2006 will be too late.”
4. *Greater focus is needed on public diplomacy to demonstrate the magnitude of U.S. aid (and thus commitment) to the Palestinians; and to reflect the benefits of such aid provided under the Palestinian Authority.*

While the Palestinian Authority’s commitment to non-violence has been of enormous benefit to the Palestinian people, there is very little appreciation of this on the streets of Gaza and the West Bank. The Palestinian Authority continues to be viewed as corrupt, despite a range of current efforts to clean up and get rid of Arafat’s old guard cronyism. Successes are not made public and much more needs to be done to help the Palestinian Authority get its message of reform to the people. During one meeting, the Palestinian Authority Minister of Social Welfare requested that the U.S. provide the Palestinian Authority with an “events coordinator” to help get

the Palestinian Authority message out. The Consulate took this request for consideration.

RECOMMENDATIONS:

A. Next Steps:

The U.S. must find new ways to prove its long term commitment to the Road Map and to the peace process. One possibility would be to establish a more permanent organizational support structure for Mr. Wolfensohn and General Ward, not only increasing the number of personnel, but finding the “right” personnel to staff these missions. Military staffing from the U.S. European Command (EUCOM) with 90 day rotations has been at the expense of existing EUCOM missions. Moreover, while military civil affairs personnel are very capable, the needs to be met in assisting the Palestinian Authority often go beyond their military training.

- The new State Department office of the Coordinator for Reconstruction and Stabilization (CRS) with its interagency capabilities might be a useful source of the “right” personnel and experts to support post-conflict transition in Gaza and the West Bank and to integrate the U.S. aid process. CRS could be designated to support General Ward and the Quartet under Mr. Wolfensohn to develop a USG strategy and plan to return both parties to the Road Map, including benchmarks, timetables, and actions that the USG would undertake to advance the process. Tapping into the CRS now also may avoid continuity problems for assisting the Palestinian Authority after the disengagement.
- Another possibility would be to facilitate an exchange of letters or hold a bilateral or multi-lateral summit meeting among the parties to build confidence that there is consensus on a process for returning to the Road Map on the “day after” disengagement.

B. Law and Policy on Hamas:

The U.S. needs to reassess our laws and policies intended to prevent terrorism, promote political development and rule of law and to strengthen reformers (both inside and outside of the Palestinian Authority) to ensure they are doing exactly that. In the near term, the administration might consider if providing U.S. assistance to local and municipal Palestinian governing institutions, regardless of the political coloration of any democratically elected officials heading them at the time, would serve U.S. long-term interests. This approach might take some of the onus of judging who can receive aid off of the U.S. aid providers and while not endorsing Hamas’ terror activities, it, would recognize realities in Palestinian politics and steer those politics towards moderation.

- *Elections Issue.* Israeli Prime Minister Sharon recently indicated that Hamas members should not be allowed to participate in Palestinian elections and Israel would withhold cooperation facilitating the elections process if Hamas candidates are allowed to take part. Others too have stated that the Palestinian Authority should prevent Hamas or other terrorist

group members from running for elective office as under the Oslo accords, if “such candidates, parties or coalitions (1) commit or advocate racism, or (2) pursue the implementation of their aims by unlawful non-democratic means.” This may meet U.S. and Israeli counter terrorism concerns, but would be viewed as interference in a democratic process which could weaken the Palestinian Authority among the Palestinian people. The Palestinian Authority might help resolve this issue by establishing clear benchmarks or conditions for any candidate’s eligibility to participate in Palestinian elections, including renunciation of violence.

- By advocating for strong, transparent democratic Palestinian elections, the U.S. would be consistent with its broader policies to promote democracy, freedom and reform in the Middle East. Support for transparent, democratic elections by the Palestinian Authority also could help it take the high ground and raise its credibility in the Palestinian street. Moreover, as the majority of Palestinians do not support Hamas’ militancy and want an end to the continued violence, a transparent, democratic legislative election could actually tie any elected members of Hamas’ hands, requiring them, as part of joining the political process, to meet the demands for non-violence of their Palestinian constituents.
- *Long-Term Policy.* It is also worth exploring for the longer term, whether some of the successes of the Northern Ireland peace process, including nurturing a political wing on the way toward an unequivocal renunciation of violence, hold lessons for the Palestinian case. While controversial, debate on this issue is clearly needed to develop a coherent, consistent strategy and policy for dealing with Hamas and other terrorist organizations.

C. Additional U.S. Assistance:

The administration should seek additional U.S. assistance resources for the Israelis and Palestinians with sufficient flexibility to meet urgent needs on both sides. High priority should be placed on aid to reform the Palestinian Authority security forces as such aid holds potential long term stability benefits for both Israelis and Palestinians. The administration might consider using Peacekeeping Operations Funds (PKO) to support aid to Palestinian security forces on an emergency basis; or seek approval for NATO to provide urgently needed equipment and training to facilitate the Palestinian Authority security forces transformation and consolidation. NATO may be an acceptable third party for both Israelis and Palestinians and could act as a military equivalent of the Quartet.

D. Coordination with Other Donors:

Finally, the U.S. should continue to encourage other donors to provide greater support to the Israelis and Palestinians and should ensure U.S. assistance resources are coordinated with aid committed by members of the G-8 and other nations to prevent duplication. Any international aid coordination mechanism should en-

compass economic and technical aid as well as security-related assistance.

These recommendations are not exhaustive, but may be useful for Committee members to explore in the coming months. There is much at stake in getting the “day after” Gaza disengagement right.

II. REPORT OF PUNEET TALWAR—SENIOR PROFESSIONAL STAFF MEMBER (MINORITY STAFF)

DISENGAGEMENT AND BEYOND

This report summarizes key findings and recommendations from a recent trip (July 5–12) to Israel and the Palestinian areas. It also reflects subsequent developments in order to provide an account of the current situation as of early September.

Introduction

There are two main pillars of a successful peace process. First, Israel must have confidence that the Palestinian Authority is a reliable partner that is capable of exercising control, especially on security-related matters. Second, Palestinians must have improved economic prospects and believe that they will soon have a viable state.

Israel’s disengagement from the Gaza Strip and Northern West Bank is a politically courageous decision on the part of Prime Minister Sharon and can play a critical role in building both of these pillars. However, significant gaps in expectations separating the two sides require continuous active international involvement to ensure that disengagement does not become a lost opportunity to breathe new life into the peace process.

This report focuses on five key issues that will determine the success of disengagement and the future of the peace process: (1) The gaps in perspective and expectations between Israelis and Palestinians; (2) The progress that has been made on the coordination of disengagement; (3) The obstacles and difficulties in improving security in Palestinian areas; (4) The impact of settlement activity and the construction of the security barrier; (5) The potential of Israeli and Palestinian political developments to slow progress on the peace process. The final section will make specific recommendations on a way forward after disengagement.

A Gap in Palestinian and Israeli Perspectives

Prime Minister Sharon and President Abbas have an overwhelming common interest in a successful disengagement. Sharon must demonstrate that disengagement has enhanced, not harmed, Israel’s security. Abbas must demonstrate to Palestinians that disengagement is accompanied by an improvement in daily life and a credible path to a final-status solution. Neither Sharon nor Abbas can succeed in achieving his objective without the other succeeding as well. While this logic would appear to be self-evident and compelling, it has not necessarily been reflected in actions on the ground.

- *Israeli Perspective.* The Israeli political and military establishment has been focused on the requirements for a peaceful evacuation of the settlements in Gaza and the Northern West Bank. Prime Minister Sharon has been highly critical of the Palestinian Authority's efforts on security, describing Abbas and Interior Minister Youssef as well intentioned, but indecisive. As long as Israel is dissatisfied with Palestinian security performance, it will not begin implementation of the Road Map. While Israel has not yet made clear its intentions after disengagement, a key Sharon advisor said that the Prime Minister believes Israel must have time to "heal the wounds."
- *Palestinian Perspective.* As the date for disengagement nears, Palestinians have a keen interest in ensuring that Gaza is not cut off from the outside world. They also are seeking assurances that "Gaza first" does not become "Gaza last," but is instead a path to renewed negotiations for a final-status solution. However, close advisors to President Abbas believe that Prime Minister Sharon does not want a viable Palestinian partner and is deliberately trying to weaken Abbas. Their fear is that disengagement and the construction of the West Bank barrier suggest that Israel is interested in a long-term interim arrangement and further unilateral steps, not a negotiated final agreement.
- *An Acrimonious Meeting.* These differing perspectives and the overall lack of trust were on display during a June 21 meeting between Prime Minister Sharon and President Abbas. While the meeting did produce some tangible results, it did not build a foundation conducive to future interaction. Israeli officials described Palestinians as being unresponsive on security-related matters, while Palestinian officials felt that they were being lectured. Unfortunately, the short-term effect appears to have been a deepening of suspicions on both sides.

Progress on Coordination

The Quartet Special Envoy, James D. Wolfensohn, has deftly used the convergence of both side's core interests in making progress toward agreements that they could not have otherwise achieved on their own.

- *The Importance of Coordination.* Successful coordination of disengagement is important for two reasons. First, maximizing security for Israelis as they evacuate settlements can help to rebuild trust between Israelis and Palestinians which is essential to future negotiations. Second, it can improve the quality of life for Palestinians and bolster the position of President Abbas and the Palestinian Authority relative to Hamas.
- *"Ownership" of Disengagement.* Nearly 75% of Palestinians believe Israel's withdrawal from Gaza is a victory for violence. To prevent this logic from taking hold in the West Bank, President Abbas must have "ownership" of disengagement. Hamas gains if disengagement is perceived as more of a unilateral move, while Abbas gets credit if diplomacy succeeds in delivering results.

- *Wolfensohn's Role.* This is why the role of Wolfensohn is so critical. Thus far, the Special Envoy has made progress on a six-part work program: (1) Border Crossings and Trade Corridors; (2) A connection between the West Bank and Gaza; (3) Easing movement in the West Bank; (4) Air and Sea Ports; (5) The disposition of houses in the settlements; and (6) Greenhouses in the settlements.

Of these six issues, two—greenhouses and the removal of rubble from demolished structures—have been resolved. In the case of the greenhouses, Wolfensohn creatively mobilized resources from the private sector to avert their dismantlement, thereby saving thousands of Palestinian jobs. Palestinians and Israelis also have reached an agreement to dispose of the large quantities of rubble from demolished settlements.

The other four areas relate to the movement of goods and people within the Palestinian territories and unimpeded access to the outside world. Progress on these is essential to improving Palestinian economic prospects. On border crossings and trade corridors, technological improvements and new terminals under construction should satisfy Israeli security concerns while permitting significant reductions in costly delays which often prevent Palestinian goods from reaching markets. Both sides have agreed on the goal of this exercise: speedy and efficient transit of goods from door to door.

The two sides also have made progress in creating a reliable linkage between the West Bank and Gaza, with Israel agreeing to convoys between the two territories as an interim measure while discussions continue on more permanent arrangements. In addition, the UN is working with the parties to identify major bottlenecks in the West Bank which could be removed to improve the flow of goods and boost economic activity. Moreover, Israel has agreed to the construction of a Palestinian seaport which will take two to three years, and it has given the go-ahead for planning to reopen the airport in Gaza.

While progress is being made, some are concerned that if the outstanding issues are not resolved they effectively could become “Sheba Farms” in Gaza that are a focal point for disputes, thus preventing the focus from shifting to next steps in the peace process.

- *The Rafah Border Crossing.* One issue deserving special mention is the Rafah crossing point between Egypt and Gaza. The two sides have been discussing an arrangement which would have a third-party—possibly an EU member state—be involved to provide expertise in customs and border-regime management. It appears, however, that Israel is wary that a technical mission focused on border management would not hinder arms smuggling, and has instead proposed that a border crossing at the meeting point of Gaza, Egypt, and Israel be used so that Israel can continue to regulate access to and from Gaza. The United States should focus on supporting an agreement which meets both sides' objectives—security for Israel and ease of movement for Palestinians. This would not only be a huge leap forward for the Gaza economy, but it also could serve as a model for arrangements at the airport and seaport.

Obstacles to Establishing Security

Although there is a recognition on both sides of the central importance of security, Israel and the PA have strongly differing views on the performance of Palestinian security services and the nature of support they require. Without a sustained effort to improve coordination and close the gaps between the two sides, the security sector could impede further steps in the peace process. General William Ward has made significant strides in assisting Palestinians rebuild their security forces, but the challenges are daunting and time is short.

- *Israeli Perceptions.* Israel maintains that Abbas and Interior Minister Youssef are doing little to fight terror. They argue that Hamas is taking advantage of the “quiet” to rearm and gain strength. They say that Abbas, during his meeting with Sharon, refused to move against Palestinian Islamic Jihad—even when presented with specific evidence of its intent to carry out operations—arguing that he was too weak to do so. They dismiss such claims and believe that the PA can disarm terrorist groups—“we don’t care how he does it, as long as he does it.”
- *Palestinian Efforts.* Interior Minister Nasser Youssef has taken steps to consolidate the many competing branches of Palestinian security forces. This has included the establishment of joint operations centers to facilitate coordination among the previously disparate services. He has developed a 5,000 person force to secure settlement areas in Gaza after disengagement. In addition to these specific steps, Youssef and others emphasize the significance of the cease-fire, which they maintain effectively ended the second intifada.
- *A Shortage of Arms?* Youssef says that his top requirements are arms and ammunition and is deeply frustrated at Israel’s refusal to permit their acquisition. He claims that his weapons and ammunition supplies are so low that if Israel does not permit deliveries, he will soon turn to the black market for smuggled weapons. General William Ward has endorsed Youssef’s judgment that the Palestinian security services are in need of additional arms and ammunition. Secretary Rice pressed the issue on her recent visit, but Israel has not changed its position. It should be noted that several knowledgeable Palestinians—inside and outside the government—do not believe that a shortage of arms and ammunition are the chief obstacles to better performance by Palestinian security services. Instead, they believe the main impediment is the hesitancy of Palestinian leaders to act decisively against corrupt and renegade elements within Fatah and the PA.
- *A Desire for Closer Coordination.* Youssef also indicated a keen interest in improving the level of coordination between Israeli and Palestinian security services at the field level. This message was conveyed to Israeli officials. The absence of closer coordination may be one of the legacies of the intifada, which left an enormous gulf in trust between Israeli and Palestinian security services.

- *Law and Order in Palestinian Areas.* Closely related to the issue of security for Israel is law and order in Palestinian areas. Palestinians, including cabinet ministers, are highly critical of the security services for their unwillingness or inability to confront common criminals and thugs. The law and order problem is another legacy of the intifada which empowered local leaders at the same time that Palestinian security services were rendered ineffective. Those who acquired weapons and a measure of local power are loath to surrender them now. Palestinians say that these local thugs—many of whom are members of Fatah-related organizations and some of whom serve in the security forces—have connections to powerful players in the PA and Palestinian Legislative Council.
- *A Need for Decisive Action.* The standing of the PA is suffering because of the perception among Palestinians that it is not doing all that it can to restore law and order. Many Palestinians believe that President Abbas has to take dramatic steps to impose his authority. Suggestions heard include replacing the Police Chief and Attorney General, declaring a State of Emergency (Abbas did so in response to armed clashes between Hamas and the PA in mid-July), and the formation of a slimmed-down national security cabinet to serve through the period of disengagement.
- *The Importance of the Ward Mission.* General William Ward has been playing a crucial role in rebuilding the Palestinian security services and enhancing the chain of command to the Interior Minister. The European Union is also serving an important function through its efforts to develop Palestinian police capability. Ward has developed a detailed analysis of requirements for international assistance to the security forces in four sectors: (1) Communications, command, and control; (2) Mobility and transport; (3) Logistics and medical; (4) Force protection. Recently, supplies have begun to arrive from international donors in response to Ward's list of requirements, and Israel has been forthcoming in facilitating their delivery.

While Ward has made significant progress, he also has faced serious challenges in his mission. Until very recently, he lacked the funds to direct immediate assistance to priority areas within the four sectors; personalities in the PA have the loyalty of various branches of the security services which impairs a unified chain of command; and his mandate does not formally include a coordination role between the two sides even though his position has inevitably required him to increasingly act in such a capacity.

The Impact of Settlements and the Security Barrier

Continuing Israeli settlement activity in the West Bank and the construction of the security barrier is leading some Palestinians and Israelis to believe that disengagement will foreclose the option of a two-state solution at some point in the near future.

- *Settlements and Security.* According to knowledgeable Palestinians, there is a direct correlation between Abbas's ability to improve security and construction and expansion of the settle-

ments. One respected pollster suggests that a settlement freeze would strengthen Abbas's ability to maintain strong public support for disarming terrorist and militants groups.

- *Status and Plans for Israeli Settlements.* The U.S. Consulate in Jerusalem has reported continuing construction in at least 40 West Bank settlements. Israeli Housing Minister Herzog says that all construction has been halted in 50 unauthorized outposts in the West Bank. Plans are to authorize construction in two settlements—Maale Adumim and Betar Ilit. Recently, Israel announced plans to build an additional 117 housing units in the Ariel settlement which lies deep inside the West Bank.

The planned E-1 settlement could affect the prospects for a two-state solution by essentially dividing the West Bank in two. Israel says no decision has been made on E-1, which is undergoing zoning at present. One Israeli official envisages an eventual compromise with the Palestinians in which part of E-1 will be built, but with enough land returned to permit a contiguous Palestinian state.

- *The Implications of the Security Barrier.* The route of the security barrier will have significant implications for future peace talks. The greater the percentage of West Bank territory incorporated on the Western side, the more difficult it becomes to create a viable and contiguous Palestinian state. According to the Israeli Defense Ministry, the route of the security barrier will cut into somewhere between 6.4% and 10% of the West Bank. The two undetermined portions of the route involve the “Ariel finger” in the north-central West Bank and the “Jerusalem bubble,” which would incorporate Maale Adumim.
- *Israeli Perspectives on the Barrier.* Israel argues that the barrier is purely a security measure and can be moved based on a final peace agreement. It notes the drop in the number of suicide bombings as proof that the barrier has served its intended purpose of reducing terrorism. The Israeli Defense Ministry maintains that once the barrier is complete in 2006, Israeli soldiers will be able to redeploy in large numbers to the “seam zone” along the barrier. This, they argue, will greatly improve the freedom of movement for Palestinians within the West Bank. In addition, roughly 34 to 38 crossing points are expected to be built along the barrier to facilitate the flow of people and goods. It should be noted that Israel has modified the route of the barrier in response to Israeli Supreme Court decisions which require that the route minimize hardships on Palestinians.
- *Palestinian Perspectives on the Barrier.* Palestinians say that the route of the barrier is causing significant disruptions in their daily lives, especially in the greater Jerusalem area. The barrier—a system of fences, roads, and other obstacles for most of its length, but in the form of a wall in Jerusalem and other built-up areas—slices into the expanded municipal boundaries of East Jerusalem, leaving some 55,000 Palestinian residents of Jerusalem cut off from the rest of the city (Israel says that topography, not demography, determined the route of the bar-

rier and that it plans to build new facilities such as schools and post offices to serve residents “outside” the barrier). Palestinians say that the barrier disrupts long-standing ties between East Jerusalem and nearby cities. Politically, it leads many Palestinians to believe that Israel is trying to foreclose the establishment of a capital in East Jerusalem as part of a final-status agreement.

The Impact of Palestinian and Israeli Politics

Internal Palestinian and Israeli political dynamics could impede the prospects for peace negotiations after disengagement. There is unlikely to be overwhelming pressure generated from within the Israeli body politic for bold steps on the peace process. Political jockeying and internecine battles among Palestinian factions could also preoccupy Palestinian leaders. An absence of progress would exacerbate frustration among ordinary Palestinians. Both Israeli and Palestinian leaders and key players in the international community must be prepared to take risks to push the process forward.

Israeli Political Dynamics

- Israeli politics are in a state of flux. Prime Minister Sharon took a courageous decision to pursue disengagement against the wishes of many within Likud, which historically embraced the concept of “Greater Israel.” Few in Israel have a sense of what the political landscape will look like the day after disengagement. While Israel is due to have elections no later than the Fall of 2006, many believe that Sharon will call early elections.
- One scenario involves an idea gaining ground in Israel for a re-orientation of the political map and the creation of a centrist coalition drawn from Labor, Shinui, and a section of Likud. Such a coalition would have a majority in favor of moving ahead with the peace process.
- Another scenario would have Sharon moving to the Right in order to win a Likud primary against challenger Benjamin Netanyahu, who recently resigned from the cabinet. This could create a situation where further peace moves may be suspended at the very moment that Abbas would want them most in advance of Palestinian legislative elections.
- While there is a consensus emerging in Israel on territorial issues, there is not yet a similar consensus on whether there is a reliable Palestinian partner. Some believe that that Israel should define its borders without a negotiated solution with the Palestinians. Others believe that Israel has a political interest in seeing Abbas succeed, because failure would likely lead to more terrorism and chaos.

Palestinian Political Dynamics

- The post-Arafat transition in Palestinian politics is still underway, and the result is a somewhat chaotic political picture. The political battles being waged are more than simply a question of “who’s up and who’s down”—their outcome will have a direct bearing on the future of peacemaking efforts.

- Palestinians have been disappointed by the lack of performance in key areas of governance by the PA. The main complaints are corruption, a weak economy, a lack of diplomatic progress, and the absence of law and order. The main beneficiary of the public's displeasure has been Hamas. Advisors to Abbas acknowledge these popular perceptions, but blame Israeli actions, jockeying among rival personalities, and the difficult task of reforming broken institutions as being responsible for preventing the PA from performing as well as it could.
- Another feature of Palestinian politics is the deepening rift between the "old guard" and "young guard" within Fatah. This rift was exacerbated by the generally poor showing by Fatah in local and municipal elections earlier this year. The "young guard" blamed the poor results on the decision to place discredited figures from the "old guard" on the ballot. A recent Fatah meeting in Amman apparently further hardened positions in the two camps.
- The "young guard," who take their cue from the jailed Marwan Barghouti, may run on a separate list in legislative council elections set for January 25, 2006 if they are not given a greater role. This could split the Fatah vote and have a dramatic impact on the outcome. Under a compromise formula, 50% of the seats in legislative elections will be district-based, while the other 50% will be allocated through proportional representation. If elections were held today, polls show Hamas—if it is permitted to participate—would win 33–40% of the vote, with Fatah receiving roughly 45–50%. Should the Fatah vote split, then Hamas could conceivably emerge with a majority in the Legislative Council, winning 50 out of 66 district-based seats alone. While this scenario is unlikely, an outright Hamas victory would raise significant questions about the future of the peace process.

Recommendations for a Way Forward

It is vitally important to develop a coherent plan for international involvement after disengagement so that the peace process does not stagnate. Standing back from the process would be irresponsible and could set the stage for a deteriorating situation and a costly new round of violence.

- *Five Key Steps.* Once disengagement is complete, the Quartet and other key parties should concentrate their efforts on five areas: (1) Demonstrating clearly that "Gaza first" will not be "Gaza last" by enunciating broad parameters and/or principles for the way ahead; (2) Outlining next steps including a return to the Road Map, revising it with new dates for each of the phases, and establishing a mechanism to monitor compliance; (3) Endorsing the medium-term plan being developed in cooperation with Quartet Special Envoy Wolfensohn and solidifying pledges for it; (4) Extending Wolfensohn's mandate to continue to assist the parties; (5) Creating a follow-on to the Ward mission to continue to rebuild Palestinian security forces and coordinate between the two sides.

The Quartet could consider endorsing these five steps through an international summit or through a scheduled meeting on the sidelines of the UN General Assembly. It can calibrate them according to political realities on the ground in the coming months.

- *Arab Involvement.* It will be important to ensure the sustained involvement of key Arab states in the peace process after disengagement. Wolfensohn is likely to succeed in gaining new financial commitments for the medium-term plan from the oil-rich Arab states as a follow-on to the successful G-8 meeting in Gleneagles. Convincing them to invest political capital as well will be challenging, but it is critical to the success of the peace process.

Israel has sought genuine signs of normalization from the Arab world as a demonstration that the Arabs accept its existence. The Saudis and others, while offering full normalization after a peace agreement, have resisted taking steps beforehand because they are unwilling to expose themselves to that level of political risk. The United States should press them to take such steps now, especially after a successful disengagement. The recent meeting between Pakistani and Israeli foreign ministers is evidence that there may be greater willingness on the part of Islamic countries to engage with Israel.

- *No Excuses/Insist on Security.* Even as assistance is provided to the PA to rebuild effective security forces, the international community must demand that the Palestinians act decisively to thwart terror and to restore law and order. The PA will not be viewed as a reliable partner by Israel if it is not seen as making a full effort on security. The PA's credibility in the eyes of its own people is also at stake. The PA must be seen as capable of exercising control and enforcing law and order, if it is to maintain the support of the Palestinian public. President Abbas must show a willingness to take the same sort of risk as Prime Minister Sharon, who proceeded with disengagement despite fierce internal opposition.
- *Settlements.* There is no moral equivalence between terrorism and the expansion of settlements. However, given the detrimental impact that settlement activity has on the peace process, it is important to continue to urge the Israeli government to halt that activity. Israel has committed to the United States to dismantle unauthorized outposts in the West Bank. While Israel's hesitation to fulfill this commitment was understandable during the difficult period surrounding the disengagement from Gaza, that impediment has been removed. Furthermore, by meeting its road map obligation to freeze settlement expansion, Israel could significantly improve the standing of President Abbas to simultaneously meet his road map obligations.
- *Ensuring Flexibility on the Barrier.* The barrier has improved Israelis' security by preventing suicide bombings. Nonetheless, it is important to continue to urge the Israeli government to minimize the intrusion of the barrier into the West Bank. The barrier provokes deep suspicions among Palestinians that Israel has no interest in a negotiated solution and wants to de-

fine its borders unilaterally. Construction in particularly sensitive areas such as Jerusalem and Ariel should not undermine prospects for a two-state solution.

- *NATO Involvement.* The member states of NATO should seriously consider endorsing two new missions to support the peace process. The first would be to offer an outside monitoring presence at the Rafah crossing point or another location pursuant to an agreement between Israelis and Palestinians. This could complement the technical management of the crossing by an EU member state. A NATO commitment could satisfy Israeli security concerns.

The second mission would be to take over the work of General Ward, who is due to rotate out of his current assignment after disengagement. It is vitally important to ensure continued international involvement in the development of capable Palestinian security forces.

These missions would not be risk free, and NATO member states would have to seriously consider the possibility that their forces could become a target for terrorists. Moreover, NATO could only take on this role if both Israelis and Palestinians are supportive. Traditionally, Israel has been reluctant to transfer responsibility for security functions to third parties. Nonetheless, if NATO were to get the go-ahead for one or both of these missions, it would send a powerful signal of support for the peace process.

- *Assisting Israel.* Israel has taken a considerable risk with disengagement. It should receive the continued backing of the United States so that this step is seen as benefiting Israel's security. The United States should respond favorably to Israel's request for assistance to partially offset the costs of redeployment from Gaza and to develop the Galilee and Negev regions as it refocuses its priorities away from settlements in the West Bank to areas within Israel proper.
- *Assisting and Reforming the Palestinian Authority.* The international community, including the United States, must make substantial financial commitments to the Palestinian Authority. Funds which are directed through NGOs, as important as they are, do not have the same impact in boosting the standing of President Abbas. At Gleneagles, G8 leaders endorsed up to \$3 billion in assistance per year over three years for the Palestinians. Three Palestinian ministries are developing a medium-term plan in cooperation with the Quartet's Special Envoy to give confidence to all donors that aid provided to the PA will be used for its intended purpose.

In addition to financial contributions, it is important to urge the PA to proceed with far-reaching institutional reforms, especially in areas that promote the rule of law. Senior members of the PA who are in favor of deep reforms appreciate the role of international scrutiny and skillfully use it as leverage to effect change.

- *Resources for General Ward.* It is critical for General Ward to have immediate access to approximately \$10 million which he can direct quickly to four sectors: (1) Communications, com-

mand, and control; (2) Mobility and transport; (3) Logistics and medical; (4) Force protection. It is unfortunate that he was not given control of such resources early in his tenure. Additional funds should be made available to the Ward mission and its successor as needs are identified.

Conclusion

This is a pivotal moment in the peace process. There has been progress in certain areas in recent months, but many of the gains are fragile. Continuing disputes between the two sides, electoral issues in Israel, and internecine battles among Palestinians could pose significant challenges in the months ahead.

The entire process could unravel without international involvement. That involvement may or may not include all of the elements outlined above, but the core guiding principle is to identify the areas that are showing promise and to build from them in a resolute manner.

Strategically, the stakes could not be higher. They extend well beyond the geographic confines of the Israeli-Palestinian conflict. The peace process represents the best opportunity for progress in the Middle East region. Iraq will not be stabilized for a considerable period of time. Democratization will be drawn-out and uneven. Iran and the West appear headed for a protracted crisis over Tehran's nuclear program. However, the basic elements for progress between Israelis and Palestinians are in place and can be brought together with persistence and determination. Not only is the peace process the best path to ensure Israel's security and to achieve statehood for Palestinians, it also will have a positive spillover effect on the other vexing challenges in the region.