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As you know, the general title of the series is "Confronting International Terrorism and Breaking the Middle East Stalemate." It is quite a challenge to address both issues meaningfully. What I will do ultimately is focus specifically on the Palestinian/Israeli situation today, the conflict and whether there is hope of a peace process and of breaking the stalemate. And I will leave any further discussion of how that might link to the war on global terrorism and to US foreign policy in the more global sense, for later discussion. The way I'm going to structure the rest of my remarks is the following: I'm going to give some background on the reasons for the Intifada, the current uprising and how it came about. I intend to focus in particular on what the reality has been on the ground over the past seven or eight years since the P.L.O. (Palestine Liberation Organization) and Israel signed the Oslo accords. I will do this to give you a more precise sense of what those accords actually created, whether they actually provided a peace, whether they fundamentally resolved the conflict or not, and whether the policies, in this case of the state of Israel, contributed in a material way to the outbreak of violence and the Intifada.

I will hasten to note that I have published and spoken very critically of the management of the Intifada and the use of violence by the Palestinians and President Arafat's leadership of the Intifada. This is something that you can access, for instance, on the web site of the International Institute for Strategic Studies. I'm going to focus on Israel's contribution to the outcome, the violence and alerting you to the fact that I have a very critical position on the Palestinian contribution equally. I then want to discuss the way in which three main political actors have dealt with the crisis over the past year and a half: the Palestinian leadership under Arafat, the Israeli leadership under Ariel Sharon as Prime Minister and the US administration since the inauguration of George W. Bush as President. I will then speculate on the consequences of failing to break the cycle of violence and what that will lead us to within a year or two or three, where we

will find ourselves, and what that will then impose on outside powers such as the United States and others that will then have to intervene in a far more violent and far more complicated situation than we face today. So I will therefore wrap up with some remarks about what is ahead for US foreign policy on the Middle East, in particular on the Palestinian/Israeli conflict and the peace process.

So, turning first to the question of the background, what I want to bring into this debate in particular [is the topic of the Camp David summit of 2000], since I'm addressing a US audience which perhaps has heard a lot about the extreme generosity of Israeli offers at the peace table at the summit and subsequently under Prime Minister of Israel Ehud Barak. I wish to rectify the picture somewhat to bring out just how all parties in a way have made their own contributions to the disintegration and deterioration of the political dynamic which fundamentally was going step by step, sometimes erratically, sometimes lurching and limping, but nonetheless building up step by step, agreement by agreement, towards a final permanent peace treaty. I shall indicate how that dynamic shifted into one where every act has only fed conflict and made it even more difficult to find a common ground or middle ground. It's important to emphasize first that what was signed in 1993 on the White House lawn 13th of September between the P.L.O. and the government of Israel. The Oslo accords were not a peace treaty; in other words, they did not determine what the final peace was going to look like between the two sides. There was no agreement for instance at that point that there would be ultimately a Palestinian state and independence was not explicitly on the agenda. The Palestinians said this is what they were aiming for, this is where they were going to take this, but the government of Israel and the United States administration said this was all open for negotiation. The status of Israeli settlements built in the West Bank, Gaza and East Jerusalem and in areas occupied by Israel in June 1967 was also left open for later negotiation. The status of East Jerusalem in particular and Palestinian or Israeli claims to East Jerusalem was left for later negotiation. The final status of the territories, of water resources, of control over borders, of control over population registries, of land use--all these issues ultimately were left for later negotiation. So what was signed then was not a peace treaty. What

was signed was an agreement to end hostilities in effect, to stop conflict, to stop violent conflict in order to step up a framework within which the two sides could sit down peacefully and gradually work out through negotiation a final deal that would be acceptable to both sides and to the majority of the population on both sides. Palestinians didn't come away with sovereignty or independence and real autonomy, although Arafat and his leadership liked to portray what they had come away with to their own public as being sovereignty and real independence, because they couldn't tell their own public that what they had in fact was a subordination to Israeli control which with their own acquiescence they had signed on to. They wanted to put a positive spin on this and to assert that in fact they were already on the way to sovereignty. It's understandable perhaps but it tended to obscure the continuing extent of residual Israeli control over the key levers of daily life in the occupied territories. It obscured the fact that these territories were actually still, if not directly, in some respects indirectly occupied. Let me clarify that under the agreement signed by the P.L.O. and Israel, Israel retained overall control over security, which meant that although the Palestinians were entitled to set up a police force and to run internal security within Palestinian populations centers, Israel had an overriding security responsibility and prerogative to defend the overall territories to hold all borders to determine who was allowed in or out of the territories and even to go into Palestinian areas if the lives of Israelis were seen to be in danger. The Palestinians could not be legally registered as having been born or died in the occupied territories, as being entitled to secure documents of identity, passports and other forms of documentation that would allow them to travel in or out of the country since they have to go through Israeli controlled border points at all instances. Land use outside of municipalities, in other words, outside of acknowledged Palestinian municipal zones, like towns and cities, was held to be state land or land where the status had no yet been decided between the Palestinians and Israelis. We are talking about something approaching 94% of the territory of the West Bank for instance since the municipalities control directly about 6% of the territory. The same for water resources. Palestinian water resources inside the Gaza Strip and West Bank were to remain under a regime controlled and determined by Israel,

which meant that the Palestinians were buying their own water back from the Israeli national water carrier. The system as a whole was not necessarily abusive or corrupt but there was a fundamental problem. There was no autonomy because the system depended on two government powers, Palestinian and Israeli. It meant that a flourishing civil society that could challenge human rights abuses, that could demand democracy of its own leaders, couldn't emerge in the West Bank and Gaza because it was always undermined. The creation of wealth in the hands of individuals or entrepreneurs of the private sector of a free market economy could not develop because it was not a free market. Therefore the basis for the emergence of a democratic rule amongst the Palestinians, of the observation of human rights, and in general how politics are conducted, were also challenged because of the very agreement signed between the Palestinians and the Israelis.

So this is the picture of what was going on day after day in the occupied territories in terms of trade of access to the outside world, land or water, or who you could legally be as a person unless you were on the register that the Israelis still controlled. This explains a lot about why the Intifada broke out and evolved in ways that are violent and are, to my mind, self-defeating, dysfunctional, and counterproductive. Because ultimately what the Palestinians want is a peace deal with Israel that allows them to get sovereignty over their lives, over their territory. They want to get as much of their territory back as they can. They want refugees to be allowed back, if not to their original homes then at least to the new Palestinian state. They want sovereignty inside Jerusalem, over the areas of the Arab neighborhoods occupied on 1967 and so on and so forth. They want their own control over their borders. And yet how to persuade the Israeli counterpart and the public that it is safe to give these things to the Palestinians if the Palestinians are using violence against them? So in this sense I argue that although I can understand the resort to violence at an emotional, psychological and political level, I can also see how the political leadership of the Palestinians needed to be wiser and to see that by resorting to violence they were equally making more and more unlikely that they could get the deal from the Israelis that they needed in order to demonstrate to their own public, the Palestinian public,

that they have got a fair deal. The longer this has gone on the less likely it has been that they would get that fair deal.

Now we are in a situation, a year and half later, with fourteen-fifteen hundred lives lost, tens of thousands of injuries, including two and a half, three thousand permanently disabled people and massive traumatization, brutality and impoverishment. We are now talking about a society, a Palestinian society in particular, where something like 40-50% of the entire population is now living at or below the poverty line, where unemployment soars to 60-70% and maybe even 80% in places like Gaza or in the refugee camps. This is massive destruction and damage to the fabric of a society and to an economy, because even when the bullets stop flying, entrepreneurs and investors need to have the confidence that they can reopen shops, set up factories, inject capital there, and create jobs. Who's going to have the faith to do that until several years have passed when there has been no further violence and there is a viable peace on the horizon? Who is going to invest again? And if they don't, the unemployed will remain unemployed and more and more desperate and more and more angry, bitter and alienated. Sharon knows that less than that won't work and won't be signed and therefore he knows that the conflict will continue. Or he is going to have to confront his own Right Wing base and say: "There will be no more settlements, we are going to give up on 30% or 40% or 20% of the settlements and these are the new borders we will abide by."

Now where we are today we have three key political actors on the scene: the Palestinian leadership under Arafat, the Israeli leadership under Sharon, and the US administration under Bush. Each of those today pursues and has been pursuing for the past year what I term the default option. Each of these actors knows that there is an alternative political course to follow but each of these actors is reluctant to follow that alternative. Because the alternative involves a fundamental shift of course, it involves telling their public that the course they are on today is not good for them. It will not take them to any place that is better; it will take them to further misery. The alternative is peace, and peace is going to cost them the following and in return for that cost they can hope to get the following. For Arafat that means telling his people, what his people probably

understood already, that they will get most of the West Bank and Gaza and the areas that they will lose, which includes settlements that might be attached to Israel by agreement. They will get compensated by other parts of the Israeli territory that will be handed back in a land swap. The Palestinians will get eventually a 100% or the equivalent of 100% of their territory of the West Bank and Gaza and East Jerusalem, which incidentally are the proposals presented by former President Bill Clinton in December 2000.

On the Israeli side today under Sharon we have an Israeli Prime Minister who throughout his history has been ideologically and politically committed to settling the entirety of the West Bank in particular and of East Jerusalem. He has been a fundamental figure in the entire settlement drive and therefore this is a Prime Minister who today understands and knows very well that there will not be a deal that the Palestinians can possibly accept and that also allows him to continue his settlements or even to retain most of the present settlements and to retain East Jerusalem and to acknowledge no Palestinian sovereignty over even the Arab neighborhoods of East Jerusalem and that allows no refugee return and no Palestinian full and free control over external borders. He envisages a Palestinian state and you can go to the Web site for The Foundation for Middle East Peace [[www.fmep.org](http://www.fmep.org)] if you like to find the maps and formal proposals and speeches and references he has made and other Israelis have made that show that he envisages a Palestinian state on 42-43% of the West Bank in separate pockets, connected by overpasses and bridges and underpasses which incidentally was Barak's initial offer at the Camp David talks in July 2000. This would have no direct physical access to Jordan and Egypt, no access not monitored by Israel to the outside world, no direct control over the main water aquifers, no sovereign rights in Jerusalem, no rights of refugee return. This is the state he offers. The US administration learnt the lesson, and I think the wrong lesson in this case, from the failure of the Clinton administration to deliver peace. They thought that the Clinton administration had over invested, had eroded presidential influence and prestige by getting too involved in the peace process and therefore had ended up with nothing. The position of the Bush administration was to pull right back and do nothing. The Bush administration

too has been falling for its own default option, which is to reduce its involvement by sending General Zinni and Ambassador Burns as a political envoy who has not been back to the region for months, to send them to work on what the US administration thinks is the easier nut to crack. In view of a situation of violence, hatred, and loss of hope in which to deal with the important issues of what the final permanent peace might look like, the Administration sees that it's very difficult or impossible to get the two sides to talk to each other about these issues. They are too far apart, there is too much sorrow and blood shed at the moment and therefore they feel that the only thing that can be discussed at the moment is to talk about security issues, cease fire, stopping the violence, exchanging information, arresting people, pulling back tanks.

Let me now speculate on where we might end up in a year or two or three if there is not some dramatic, radical shift in the current political situation. We face a situation in which the middle ground is neutralized. A majority of people on both sides according to the polls still believe and prefer a negotiated solution, understand what the concessions will have to be and are willing to give the concessions as long as they are not going to be shot at or besieged or invaded. This is hopeful. It means once the violence stops in might be easier and quicker than we think to restore a basic tolerance and belief of coexistence on both sides. However, in the meantime, because neither side has the leadership that offers that vision and that will fight for it and stand up to its own militants in the settler community or on the Palestinian side among Hamas or in the Fata base, what is left are the people with the guns on both sides and what is left are people who don't have an answer. Once you have shot them all what happens the next day? Once you have invaded all Palestinian autonomous areas or you've carted Arafat off to exile or you have imprisoned 50 thousand people in prison camps who you consider the backbone of the Palestinian Authority and of resistance to Israel, what then? What do you have for the day after?

On the Israeli side, there is a growing body of opinion among Israelis who say "expel them all." Opinion polls now show something like 40% of Jewish Israelis who favor expelling the whole lot of them, all Palestinians and not just the Palestinians from the occupied territories of West Bank-Gaza, but even the

18% of Israeli citizens who are actually non-Jewish, who are Palestinian by origin, who are Arab, Muslim and Christian. Opinion is now building up in Israel which says: "take away their civil rights, take away their democratic rights; they don't belong here, this is a Jewish State, they are a fifth column; we should either suspend their rights or not allow them to have the same rights of access to the democratic system to Parliament, to representation, to immunity and even to expulsion." These too are trends that are emerging in a violent, traumatized, brutalized and polarized environment. I'm describing something that reminds me of the early 1930's in Europe or more recently of what it must have felt or sounded like in Yugoslavia in 1989 onwards. As ethno-religious nationalism emerged, nationalist demagogues on both sides whipped up this sort of feeling that said it's them or us. We can't exist if they exist and we have to push them out.

However, I believe majorities on both sides are actually willing to entertain the opposite view. Many of the people who talk today about expelling the Palestinians will also say that if there is a signed peace that the Palestinians will honor, then they live with them. There is this huge schizophrenia here, on both sides and the same people among Palestinians who will applaud a suicide bomber will also say they want an end to this. So we are faced with a possibility of a Balkans II. I think that this is a genuine and real possibility. If Israeli strangulation of the Palestinian economy and civilian population and the dismantling of the Palestinian authority continue, we will face a humanitarian catastrophe.

In the Palestinian autonomous areas today, at a population of about 3.5 million and a labor force of about 700,000, approximately 140,000 men and women are employed either by the central government of the Palestinian Authority in the police and civil service, education and health or by local governments and municipalities. If the Palestinian authority disappears and there is no further vehicle through which international assistance can be extended, then 140,000 people, their families, extended families and other dependents will suddenly lose their source of income. They are already on the poverty line with their meager salaries, but it's the one source of liquidity in the

local economy. Thus though Gaza and Ramalah are under siege, they survive today because there is still the money coming in to pay the public salaries and people, therefore pay their rent, pay for petrol, pay for local goods and services and food. It's the only money that is going into the local economy and if that goes next we are talking about no income. Under siege conditions the private sector has next to no income and when the public payroll disappears we are talking about a lot of armed men, a lot of whom come from refugee backgrounds or lower income groups who have been marginalized all their lives since they have become refugees in 1948. Seven or eight years of the peace process left them marginalized and alienated. They saw a peace process coming that left them without rights, who are angry but who have access to guns, whether they got the guns from the Palestinian Authority or bought them from Israeli black-market figures. If they also don't have the one restraining factor of Arafat and the Palestinian Authority still paying them their salaries, they are going to hold people up and look for other ways of making a living. They are going to get more and more frustrated, more and more extreme.

If we want to avoid this, can anything be done? I don't think the US can deliver peace in this situation which will guarantee that the two sides will not fight for themselves. It maybe that the current situation simply does not give an exit and we are going to suffer another year or two or three. However, every so often a major political event can happen which offers an opportunity for the two sides if they so wish to find an exit and persuade their own domestic public that now they can get out of this. When the Mitchell report was published in April-May 2001, which offered a way out, a cease-fire took effect, followed by a total freeze on all Israeli settlement activity, followed by a resumption of negotiations between the two sides about permanent peace treaty. This was an opportunity that unfortunately both Arafat and Sharon missed. September 11 offered an opportunity and Arafat started to respond to that by saying to his own people and the militants: "We cannot afford to be on the wrong side on this, we have got to change our course and change our tactics." He started to push and talk in those terms. It wasn't easy and it wasn't complete. Because it wasn't complete, Sharon was able to authorize excessive and disproportionate military responses that then

got predictable Palestinian responses, and we were back at square one. When President Bush proposed Palestinian statehood sharing Jerusalem with two capitals, there too he offered an alternative. But again this was made impossible on the ground. We now have an opportunity of the Arab peace proposal, which says full withdrawal of Israelis from occupied territories. I think for once the US has an opportunity where it now at this moment is the only actor that can deliver a change. It's going to look very much like what President Clinton offered in December 2000. The US needs to say that this is the framework. Every act and policy one pursues in the meantime that goes against this framework carries a penalty. President George Bush Sr. in 1990-91 said he would continue supporting Israel and would give them aid to absorb immigrants from the Soviet Union-- 10 billion dollars of housing loan guarantees--but would deduct from those guarantees a dollar amount equal to what the US estimates as the cost for the Israeli expansion on building new settlements in the occupied territories. So there was a penalty provision. Unfortunately President Clinton came along three years later and when the P.L.O. and Israel signed their deal he said that he would wave this penalty to reward Israel. Israeli as well as the Palestinians both need to have a penalty to know that if they pursue violence or settlement, there has to be a price, there has to be a penalty.

This is something the US can do. I don't think it can create peace now but it can tell us what we should be looking at in the medium term and that no matter what Sharon or Arafat does in the meantime, it is not going to change what the final deal is going to look like and it mustn't because if it does we are going to be in Balkans II. We are going to be in a situation down the line when there are tens of thousands of Palestinians in a retaliatory raid of some horrible incident inside Israel and the Palestinians in turn being expelled en mass from their refugee camps. Jordan, Lebanon, Syria, and Egypt are not going to let them across the border, so they are just going to be displaced, traumatized in their own land and there will come a point when the US suddenly thinks that it has got to do something about it, but it is going to be five or ten times more difficult and more costly two years down the line to do it. Now at least the US can establish what the red lines are, what the parameters are and how things are going to be in two or

three or five years when the two sides are ready to sign. Otherwise we are going to follow the Balkan process of going from one arrangement to another, in a patchwork fashion. But it is not going to be Dayton. If it doesn't get met with more forceful intervention then it's just going to get nastier and messier. The people of Israel and the people of Palestine deserve better than that.