

**THE EMPEROR HAS NO CLOTHES:
PALESTINIANS AND THE END OF THE PEACE PROCESS**

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THE EMPEROR HAS NO CLOTHES: PALESTINIANS AND THE END OF THE PEACE PROCESS

EXECUTIVE SUMMARY

Does anybody still believe in the Middle East Peace Process? Nineteen years after Oslo and thirteen years after a final settlement was supposed to be reached, prospects for a two-state solution are as dim as ever. The international community mechanically goes through the motions, with as little energy as conviction. The parties most directly concerned, the Israeli and Palestinian people, appear long ago to have lost hope. Substantive gaps are wide, and it has become a challenge to get the sides in the same room. The bad news is the U.S. presidential campaign, Arab Spring, Israel's focus on Iran and European financial woes portend a peacemaking hiatus. The good news is such a hiatus is badly needed. The expected diplomatic lull is a chance to reconsider basic pillars of the process – not to discard the two-state solution, for no other option can possibly attract mutual assent; nor to give up on negotiations, for no outcome will be imposed from outside. But to incorporate new issues and constituencies; rethink Palestinian strategy to alter the balance of power; and put in place a more effective international architecture.

For all the scepticism surrounding the ways of the past, breaking with them will not come easily. Few may still believe in the peace process, but many still see significant utility in it. Ongoing negotiations help Washington manage its relations with the Arab world and to compensate for close ties to Israel with ostensible efforts to meet Palestinian aspirations. Europeans have found a role, bankrolling the Palestinian Authority and, via the Quartet, earning a seat at one of the most prestigious diplomatic tables – a satisfaction they share with Russia and the UN Secretary-General. Peace talks are highly useful to Israel for deflecting international criticism and pressure.

Palestinians suffer most from the status quo, yet even they stand to lose if the comatose process finally were pronounced dead. The Palestinian Authority (PA) might collapse and with it the economic and political benefits it generates as well as the assistance it attracts. For the Palestinian elite, the peace process has meant relative comfort in the West Bank as well as constant, high-level diplomatic attention. Without negotiations, Fatah would lose

much of what has come to be seen as its *raison d'être* and would be even more exposed to Hamas's criticism.

But the reason most often cited for maintaining the existing peace process is the conviction that halting it risks creating a vacuum that would be filled with despair and chaos. The end result is that the peace process, for all its acknowledged shortcomings, over time has become a collective addiction that serves all manner of needs, reaching an agreement no longer being the main one. And so the illusion continues, for that largely is what it is.

More than any others, Palestinians have become aware of this trap, so have been the first to tinker with different approaches. But tinker is the appropriate term: their leadership, in its quest to reshuffle the deck, has flitted from one idea to another and pursued tracks simultaneously without fully thinking through the alternatives or committing to a single one. For a time, it seemed that President Mahmoud Abbas's September 2011 speech at the UN General Assembly – resolute and assertive – might presage a momentous shift in strategy. But after the Security Council buried Palestine's application for UN membership in committee, the logical follow-up – an effort to gain support for statehood at the General Assembly – was ignored. After admittance to one UN agency, the leadership froze further efforts. After refusing negotiations unless Israel froze settlements and without clear terms of reference, Abbas consented to talks. After threatening to dissolve the PA, central figures waved off the idea and declared the PA a strategic asset. After reaching a reconciliation agreement with Hamas, the two parties reverted to bickering.

One can fault the Palestinian leadership for lack of vision, yet there is good reason for its irresoluteness. Whatever it chooses to do would carry a potentially heavy price and at best uncertain gain. Negotiations are viewed by a majority of Palestinians as a fool's errand, so a decision to resume without fulfilment of Abbas's demands (settlement freeze and agreed terms of reference) could be costly for his movement's future. His hesitation is all the stronger now that he has persuaded himself that Prime Minister Netan-

yahu's positions are incompatible with a two-state solution. A decisive Palestinian move at the UN (whether at the General Assembly or in seeking agency membership) likely would prompt a cut-off in U.S. aid and suspension of tax clearance revenue transfers by Israel. A joint government with Hamas could trigger similar consequences without assurance that elections could be held or territorial unity between the West Bank and Gaza restored. Getting rid of the PA could backfire badly, leaving many public employees and their families penniless while also leading to painful Israeli counter-measures.

The trouble with all these domestic and international justifications for not rocking the boat is that they are less and less convincing and that perpetuating the status quo is not cost-free. A process that is turning in circles undermines the credibility of all its advocates. It cannot effectively shelter the U.S. from criticism or Israel from condemnation. Europe can fund a PA whose expiration date has passed only for so long. The Palestinian leadership is facing ever sharpening questioning of its approach. Most of all, the idea that to end the existing process would create a dangerous vacuum wildly exaggerates the process's remaining credibility and thus assumes it still serves as a substitute for a vacuum – when in reality it widely is considered vacuous itself.

Finding an alternative approach is no mean feat. Contrary to what some say, or hope, it is not a one-state solution – which is championed, in very different versions, by elements of both the Israeli and Palestinian political spectrums. A one-state reality already is in place, but as a solution it almost certainly would face insurmountable challenges – beginning with the fact that it is fiercely opposed by a vast majority of Jewish Israelis, who view it as antithetical to their basic aspiration. By the same token, even though alternatives to the current process should be pursued, a solution ultimately will be found only through negotiations.

What should be explored is a novel approach to a negotiated two-state solution that seeks to heighten incentives for reaching a deal and disincentives for sticking with the status quo, while offering a different type of third-party mediation. In this spirit, four traditionally neglected areas ought to be addressed:

New issues. At the core of the Oslo process was the notion that a peace agreement would need to deal with issues emanating from the 1967 War – the occupation of the West Bank and Gaza – as opposed to those that arose in 1948 from the establishment of Israel, the trauma of the accompanying war and the displacement of the vast majority of Palestinians. But if that logic was ever persuasive, it no longer is. On one side, the character of the State of Israel; recognition of Jewish history; regional security concerns extending beyond the Jordan River; and the connection with the entire Land of Israel have been pushed to

the fore. On the other, the issue of the right of return and the Nakba (the “catastrophe” that befell Palestinians in 1948); the place of the Arab minority in Israel; and, more broadly, the Palestinian connection to Historic Palestine have become more prominent. Within Jewish and Muslim communities alike, religion has become more prevalent in political discussions, and its influence on peacemaking looms larger than before.

As difficult as it is to imagine a solution that addresses these issues, it is harder still to imagine one that does not. If the two sides are to be induced to reach agreement, such matters almost certainly need to be tackled. Israelis and Palestinians, rather than refusing to deal with the others' core concerns, both might use them as a springboard to address their own.

New constituencies. The process for most of the past two decades has been led by a relatively narrow array of actors. But the interests of those who have been excluded resonate deeply with their respective mainstreams. In Israel, this includes the Right, both religious and national, as well as settlers. Among Palestinians, it includes Islamists, Palestinian citizens of Israel and the diaspora. That needs to be rectified. A proposed deal that is attractive to new constituencies would minimise opposition and could attract support from unexpected quarters.

New Palestinian strategy. The Palestinian leadership has tested various waters but is apprehensive about taking the plunge. That approach appears less sustainable by the day, eroding the leadership's credibility and international patience. Rather than ad-hoc, shifting tactical moves, the entire Palestinian national movement needs to think seriously through its various options – including reconciliation, internationalisation, popular resistance and fate of the PA – and decide whether it is prepared to pay the costs for pursuing them fully. If the answer is “no”, then it would be better to stop the loose talk that has been surrounding them of late.

New international architecture. Palestinian recourse to the UN is a symptom, at base, of international failure to lead and provide effective mediation. The body responsible for doing so, the Quartet, has delivered precious little since its 2002 inception; by creating an international forum whose survival depends on perpetuation of the process and whose mode of operation entails silencing individual voices in favour of a mushy, lowest-common-denominator consensus, it arguably has done more harm than good. Whether the body should be entirely disbanded or restructured – and if so, how – is a question with which the international community needs to grapple. Whatever the form, it ought to address the profound changes taking place in the Middle East, the opportunities they present and the risks they pose.

The inescapable truth, almost two decades into the peace process, is that all actors are now engaged in a game of make-believe: that a resumption of talks in the current context can lead to success; that an agreement can be reached within a short timeframe; that the Quartet is an effective mediator; that the Palestinian leadership is serious about reconciliation, or the UN, or popular resistance, or disbanding the PA. This is not to say that the process itself has run its course. Continued meetings and even partial agreements – invariably welcomed as breakthroughs – are possible precisely because so many have an interest in its perpetuation. But it will not bring about a durable and lasting peace. The first step in breaking what has become an injurious addiction to a futile process is to recognise that it is so – to acknowledge, at long last, that the emperor has no clothes.

**Ramallah/Gaza City/Cairo/Jerusalem/
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THE EMPEROR HAS NO CLOTHES: PALESTINIANS AND THE END OF THE PEACE PROCESS

I. INTRODUCTION

Since Crisis Group's Middle East Program was established in 2002, it has strongly advocated a two-state solution based on the Oslo Accords. It has engaged with Israelis and Palestinians of all political stripes, their regional partners and international actors to advance this agenda. Ten years on, however, it has become evident that this particular peace process – the way negotiations have been conducted; the role of the third-party mediator; the agenda of talks – is a good deal less viable than many believed.

Over the course of the past decade, Crisis Group advanced two key policy recommendations to move Israelis and Palestinians toward peace and an end to the occupation. First, it advocated a shift away from a gradualist approach – which characterised the peace talks of the 1990s and later the 2002 Roadmap – toward a comprehensive one.¹ This would have been an important adjustment, because the incremental, step-by-step agenda multiplied along the way the obstacles it was designed to overcome; by fleshing out the contours of a final agreement in advance and leap-frogging the myriad steps, Crisis Group argued, the U.S. and its Quartet partners would have had a far better chance of achieving their ultimate objective. Presenting detailed blueprints for a permanent Israeli-Palestinian agreement – and for Israel-Syria and Israel-Lebanon peace treaties as well – and pressing strenuously for their acceptance would not have been an external imposition but rather a means of generating international momentum and domestic pressure for a solution.

The second shift Crisis Group called for was to encourage Hamas's integration into the Palestinian political system, arguing that a divided national movement could not achieve its goals and would reduce Israel's incentives to reach a deal.² It urged the two main Palestinian movements to form a single government and the international community to judge that government on its actions, not its words.³ Instead, the Islamist organisation was marginalised. Both Fatah and the international community reacted, knee-jerk like, to its victory in the 2006 legislative elections – the former by refusing to come to terms with its loss of hegemony over the political system; the latter by posing terms for dealing with Hamas that were non-starters for the movement.⁴ For its part, the Islamist movement overplayed its hand, grossly misjudging its power and influence.

In a sense, both recommendations remain pertinent. It is hard to imagine the Israeli-Palestinian conflict being resolved piecemeal, and it is difficult to imagine it being resolved as long as Palestinians are as politically and geographically divided as they are today. But, on their own, the recommendations are insufficient. In particular, much has changed since Crisis Group first introduced its proposal for a comprehensive, endgame approach: U.S. regional authority and credibility are deeply eroded; Palestinians less united; both sides more sceptical of peace and weary of stale proposals; and the region increasingly leaderless, chaotic, fragmented and in flux. What potentially might have worked before is much less likely to work now.

More fundamentally, lessons need to be drawn from the repeated failures of the peace process irrespective of the

¹ Crisis Group Middle East Report N°1, *A Time to Lead: The International Community and the Israeli-Palestinian Conflict*, 10 April 2002; Crisis Group Middle East Report N°2, *Middle East Endgame I: Getting To A Comprehensive Arab-Israeli Peace Settlement*, 16 July 2002; Crisis Group Middle East Report N°3, *Endgame II: How A Comprehensive Israeli-Palestinian Peace Settlement Would Look*, 16 July 2002; Crisis Group Middle East Report N°4, *Endgame III: Israel, Syria and Lebanon – How Comprehensive Peace Settlements Would Look*, 16 July 2002; Crisis Group Middle East Report N°14, *A Middle East Roadmap To Where?*, 2 May 2003.

² Crisis Group Middle East Report N°21, *Dealing with Hamas*, 26 January 2004.

³ The basic tenants of this position were first laid out in Crisis Group Middle East Report N°68, *After Gaza*, 2 August 2007. See also Crisis Group Middle East Report N°73, *Ruling Palestine I: Gaza Under Hamas*, 13 March 2008, and Crisis Group Middle East Briefing N°25, *Palestine Divided*, 17 December 2008.

⁴ The Quartet principles, also sometimes referred to as “conditions”, are commitment to non-violence, recognition of Israel and acceptance of previous agreements and obligations. www.consilium.europa.eu/ueDocs/cms_Data/docs/pressdata/en/declarations/88201.pdf.

identity of Israel's prime minister, the Palestinian leader or the occupant of the White House. Lessons need to be drawn from Washington's enduring unwillingness to endorse the endgame approach. And lessons need to be drawn from the two parties' inability to conduct serious, sustained bilateral final status talks. All of these realities suggest deeper problems with the structure of negotiations, the balance of power between protagonists, the type of mediation on hand and the nature of the proposed agreement, as well as the parties' incentives/disincentives for reaching a deal. Simply seeking to narrow the gaps within the existing framework is almost certain to, at best, perpetuate the status quo – at worst, trigger a new round of violence.

Without forsaking either the endgame approach or the necessity of integrating Hamas, Crisis Group argues in this report for more far-reaching changes – steps that could pave the way for a more successful effort.

II. FALSE START

The vast majority of Palestinians long ago wrote off a peace process that has endured, in fits and starts, for two decades. Of late, it has seemed at times that the Palestinian leadership in Ramallah no longer was too far behind. Uncharacteristically, it has been reluctant to enter talks with Israel, insisting that two demands – a settlement freeze and Israel's acceptance of the 1967 lines as the basis for negotiations – be met. Likewise, it has toyed with the notion of internationalising the conflict against both Israel's and the U.S.'s wishes, seeking global support for recognition of Palestinian statehood. For those who hoped for a clean break with the past, President Abbas's UN General Assembly September 2011 speech appeared a turning point and beginning of a new phase. Since then, however, a familiar sense of drift has returned – a signal of Palestinian indecision, fear of the unknown, or both.

A. ABBAS'S SHINING MOMENT

Abbas's announcement that he would go to the Security Council and apply for full UN membership initially was greeted by many Palestinians with a measure of disbelief, despite the consistency with which he insisted he would not be deterred. A member of the Palestinian delegation in New York confessed that until the day of the application was submitted, he suspected that Abbas might back away.⁵ His fortitude in resisting the pressure to do so led many observers – both Palestinian and foreign – to wonder at the time if they were seeing the emergence of a new man.⁶

The pressure came from virtually all directions. The week before his speech, Abbas had a contentious exchange with U.S. envoys who told him that President Barack Obama considered the UN bid a personal affront.⁷ Quartet envoy Tony Blair⁸ and EU Foreign Policy chief Catherine Ash-

⁵ Crisis Group interview, Ramallah, 26 September 2011.

⁶ Crisis Group interviews, Ramallah, Paris, Washington DC, September and October 2011.

⁷ The tactic purportedly backfired and hardened Abbas's resolve, leading him to insert explicit confirmation of his decision into a speech in Ramallah the week before his address to the General Assembly. Crisis Group interview, Abbas adviser, Ramallah, September 2011.

⁸ Blair, apparently acting without the body's consensus, reportedly told Abbas that if he gave up on applying for membership, he could start direct negotiations with Prime Minister Benjamin Netanyahu based on Israel's pre-1967 borders – provided he first declared his recognition of Israel as a Jewish state. This is said to have prompted Abbas to ask Blair if the proposal had been written by a Netanyahu aide. See "Abbas to Blair: If we fail to achieve a state, we will not allow the PA to continue in name only", *Al-Quds*, 24 September 2011. An Abbas adviser

ton⁹ also presented compromises aiming at deflecting the initiative. Finally, in New York itself, both French President Nicolas Sarkozy¹⁰ and Obama made direct appeals to a man who already had made up his mind.¹¹

quipped: “Ashton works for Blair, Blair for [the U.S.’s Dennis] Ross, and Ross for [Netanyahu’s negotiator Yitzhak] Molcho”. Crisis Group interview, Ramallah, 28 September 2011.

⁹ Ashton pressed Abbas to drop his plans in favour of an upgrade at the General Assembly to the status of non-member state – albeit in a manner that would constrain Palestinian access to the International Criminal Court (ICC), thereby assuaging a paramount Israeli and U.S. fear. Crisis Group interviews, members of Palestinian delegation to New York, Ramallah/New York, September 2011.

¹⁰ Sarkozy offered that in exchange for Abbas forgoing his application, starting direct negotiations with Netanyahu and committing to not resort to the ICC, some 25 of 27 EU member states (and 150-160 states overall) would vote for a General Assembly resolution upgrading Palestine’s status at the UN. The French made clear that the offer would stand – though possibly with fewer votes from EU member states – even after Abbas had submitted a full membership application to the Security Council. Abbas said he would consider the proposal. Crisis Group interview, member of Abbas’s delegation to New York, 26 September 2011. In fact, and for various reasons, the majority of the Palestinian leadership preferred the option of upgrading Palestine’s status in the General Assembly to the Council bid. As explained in Crisis Group Middle East Report N°112, *Curb Your Enthusiasm: Israel and Palestine after the UN*, 12 September 2011, the option of seeking non-member observer-state status had several advantages, notably that it was not subject to a veto at the Council. It also offered many (not all) the same benefits as full membership. A European official involved in negotiating the language of a compromise General Assembly resolution reported: “The Palestinian mission had a solid strategy heading into September. They wanted to use the Security Council threat to get something at the General Assembly. They would have agreed to go to direct negotiations on the basis of a status upgrade via [an Assembly resolution] and not to pull the trigger at the Security Council. They could have sold that at home as having gotten statehood so they would have had the cover they needed. Then in three or so months, when negotiations broke down, they would have had some cards in their pocket to use. This would have been a win-win for us and for the Palestinians. I was making the argument to my government that we would have been getting something tangible for voting “yes” on the [resolution]. If the Palestinians had given a commitment to go back to the table in exchange for our vote, we could have said that we had succeeded where the U.S. had failed. It would have been proof that if you engage and work with the Palestinians, you could get something that you couldn’t have gotten otherwise”. Crisis Group interview, New York, September 2011.

¹¹ The U.S., by that point resigned to Ramallah’s move, offered an appeal more out of obligation than conviction. The meeting came only hours after the U.S. president’s own address to the UN, which disappointed a Palestinian leadership whose expectations scarcely could have been lower. Obama devoted far more

Around the West Bank and even Gaza, Abbas’s determination to stay the course – and the elegant way in which he did so – surprised and delighted. The West Bank gatherings to watch the live broadcast of his speech in New York were euphoric.¹² This had less to do with expectations that the move would lead to independence than with the thrill of witnessing a distant leader transformed, however briefly, into a voice speaking forcefully on behalf of all his people. An Abbas adviser commented that the speech “was the best day of [Abbas’s] life. It was like Pavarotti at the peak of his career”.¹³ A Palestinian official described it as “something like magic”,¹⁴ an assessment that was shared – if with some reserve – by audiences that, in many cases, were surprised by the emotion that overtook them and the rush of empathy for a leader not known for his charisma.

The defiant tone Abbas struck; the rhetorical beauty of the speech, particularly in the original Arabic; the way the president spoke of himself, in the first person, as a refugee; his rare invocation of his more famous and colourful predecessor, Yasser Arafat, whom he dubbed “our leader”; and quotations from the most beloved of Palestinian poets, Mahmoud Darwish, impressed the crowds. So did the prolonged and enthusiastic applause in the General Assembly hall, particularly at the invocation of Yasser Arafat’s name, which a Palestinian intellectual called an “international apology for the way the world had treated him”.¹⁵ In the West Bank and East Jerusalem, the speech

attention than previously to the challenges Israel faces, without giving parallel weight to Palestinian suffering: “Israel, a small country of less than eight million people, looks out at a world where leaders of much larger nations threaten to wipe it off of the map. The Jewish people carry the burden of centuries of exile and persecution, and fresh memories of knowing that six million people were killed simply because of who they are. Those are facts. They cannot be denied”, <http://blogs.wsj.com/washwire/2011/09/21/text-of-obamas-speech-at-u-n/>. A close Abbas adviser commented: “How far Obama has fallen since 2009. If there were 10,000 Arabs who still believed in him, after Wednesday [the day of the speech], there are none. Israel is trying to have a monopoly on pain. This is why I was so angered by Obama’s speech. He didn’t mention our narrative”. Crisis Group interview, Ramallah, 28 September 2011. Members of Abbas’s delegation felt what they described as “pity” for Obama, whom they believed was forced by electoral considerations to take positions with which he personally disagreed. Crisis Group interviews, Ramallah, September 2011.

¹² Crisis Group observations, Ramallah and Nablus, 23 September 2011.

¹³ Crisis Group interview, Ramallah, 12 November 2011.

¹⁴ Crisis Group interview, Ramallah, 28 September 2011.

¹⁵ An Abbas adviser had a different explanation for the warm applause for Arafat, claiming it was precisely those in the hall “who had known, worked with and been supported” by Arafat – including many in the African states – who had clapped most loudly. Crisis Group interview, Ramallah, November 2011.

was met with fireworks, hundreds of Palestinian and Fatah flags and pictures of the president, and the din of cars honking up and down the boulevards.

The speech received comparatively little attention in Gaza – where a restaurant owner was arrested for carrying the broadcast in his establishment¹⁶ and Gaza’s prime minister, Ismail Haniyeh, had said, “we do not want to beg for a state”.¹⁷ However, Hamas’s Damascus-based politburo chief Khaled Meshal (presaging intra-Hamas divisions as to how to deal with Abbas) called the application courageous, saying, “we cannot deny that this action has had symbolic and moral achievements”.¹⁸ The considerably more negative initial reaction among Hamas cadres in Gaza drew reproach even within some Islamist circles.¹⁹

Abbas was buoyed by the reactions, as he was by the reception in New York itself, which was overwhelmingly positive. After the address, a throng of world leaders and diplomats – more than for any other speaker – rushed to congratulate him.²⁰ This clearly gave him a sense of accomplishment, seemed to vindicate his choice to go the Security Council for full membership and secured significant support at home.²¹ An adviser said, “all those who had opposed going to the Security Council said afterward, ‘You were right’”.²² Three days later, upon return to Ramallah, he was met at presidential headquarters by a crowd of several thousand cheering supporters, including much of the PLO leadership.

¹⁶ “PCHR Condemns Preventing Displaying the Palestinian President’s Speech at ‘Gallery’ Restaurant and Arresting the Director of the Restaurant by the GIS”, Palestinian Centre for Human Rights, 25 September 2011.

¹⁷ “Hamas to Abbas: Don’t beg for a state”, *Maan*, 23 September 2011.

¹⁸ “Khaled Meshal praises Mahmoud Abbas from Tehran”, *Radio Farda*, 3 October 2011.

¹⁹ A West Bank Islamist said, “the speeches in Gaza were tough against Abu Mazen. But it was a toughness that came from anger at not having been consulted, not from a principled position. They were not thinking globally in Gaza, though even in Gaza the rejection was not unanimous”. Crisis Group interview, Nablus, November 2011. Some Hamas leaders in Gaza later characterised the quick condemnation as ill-advised. Crisis Group interviews, Gaza City, November 2011.

²⁰ The jostling in the narrow space outside the General Assembly hall culminated in a dispute between Turkish Prime Minister Recep Tayyip Erdoğan’s security contingent and the guards protecting Abbas. Crisis Group interview, member of Abbas’s delegation, Ramallah, September and October 2011.

²¹ A member of the UN delegation emphasised how “empowered” Abbas felt by the reaction. Crisis Group interview, Ramallah, September 2011.

²² Crisis Group interview, Ramallah, September 2011.

B. STALLED MOMENTUM

Yet, the sense of success quickly melted away. Popular enthusiasm, however real and unexpected, was not unreversed. Exemplifying the mood, an Abbas sceptic said, “tonight I fell in love with Abu Mazen, but I still don’t trust him”.²³ Nor did the speech change how people felt about Fatah. More significantly, it was not clear where the president would go next. In the words of an adviser, “all along, I’ve been afraid not of September but of October. We will soon realise that the U.S. is against us, the Europeans are hesitating, Israel is building new settlements, and the world is not doing a thing”.²⁴ His words proved prophetic when a vote on Palestinian membership was delayed, as most had predicted; even more so when it became clear the application would not muster the nine Security Council votes that – though they would have triggered a U.S. veto – at least would have demonstrated powerful global support. Nor did the Palestinian leadership quickly turn to the General Assembly, as some counselled.

As days turned into weeks and weeks into months with no obvious follow-up and no clear direction defined, momentum seemed to stall, and a familiar sense of drift returned. Immediately after the speech, Hani Masri, a prominent Palestinian columnist, wondered if a “lion” had entered Abbas’s heart.²⁵ For many Palestinians, that question was quickly answered in the negative.

Factors beyond the leadership’s control played a part. The sense of paralysis to an extent stemmed from the deal, reached two weeks after the statehood application, between Israel and Hamas to exchange over 1,000 Palestinian prisoners for Israeli Staff Sergeant Gilad Shalit, who had been held in Gaza since June 2006. The announcement of the agreement shifted attention and put the UN bid in perspective. It made clear not only that Hamas had produced tangible results, whereas its rival had not, but also that Hamas had done better than Fatah at its own game: negotiating with Israel.²⁶ For that reason, Abbas aides re-

²³ Crisis Group interview, Ramallah, 23 September 2011.

²⁴ Crisis Group interview, Ramallah, 28 September 2011.

²⁵ The head of the Palestinian Center for Policy Research and Strategic Studies, wrote: “What lion has grown in the heart of Abbas?” Hani Masri, “The new Abbas and the old Netanyahu”, *BitterLemons.org*, 26 September 2011.

²⁶ A Palestinian analyst commented that Abbas’s statement in the wake of the deal that former Israeli Prime Minister Ehud Olmert had promised to release prisoners to him after consummation of the Shalit deal “only made Abu Mazen look weak”, in that if Israel released a separate batch of prisoners to the president, it would be obvious that it had done so purely as a consequence of Hamas’s achievement. Crisis Group interview, Ramallah, November 2011.

portedly had long urged Israel not to conclude the deal.²⁷ The agreement also reminded the international community Abbas was seeking recognition of a state he does not fully lead. Ultimately, it put paid to any hope he might have harboured that he would return from New York able to push for reconciliation with Hamas on terms favourable to Fatah, as a delegation member had averred.²⁸

But the reversal of Ramallah's fortunes has deeper roots than the Shalit deal. It stems chiefly from the political impasse the leadership faces as it becomes ever clearer the diplomatic process launched two decades ago has run its course. Having for so long been dependent on the peace process, strong relations with the U.S. and cooperative ties with Israel, the Palestinian movement faces considerable difficulty (and hesitation) in forging a fully considered alternative approach – as opposed to initiating short-lived, ad hoc moves. Going to the UN was at odds with all three traditional policy elements: it was not part of a bilateral diplomatic process, alienated the U.S. and angered Israel – yet it was not rooted within a substitute strategy. In the words of a Fatah leader, the president thus found himself “in a corner from the moment he returned to Ramallah”.²⁹ Other Fatah leaders were harsher, describing the choice to go to the Security Council as one not of “defiance”, as he had presented it, but of “submission”, since the application, buried in committee, would not provoke the contentious battles that non-member status would have.³⁰

Equally debilitating, the movement lacks the institutional mechanisms necessary for developing a strategy.³¹ For a

variety of reasons, Abbas found himself with more decision-making power concentrated in his hands than even Arafat had accumulated, and yet alone, without a support structure.³² Little wonder then that even personal considerations – including his legacy and retirement – instantaneously become national ones, or that decisions reflecting personal proclivity would take on strategic importance.³³ An analyst said, “analysing Palestinian politics today, in the West Bank at least, is a 21st century Kremlinology that aims to figure out what one man is thinking”.³⁴

The fits-and-starts of Palestinian political activity since September 2011 reflect these realities. The leadership has cycled through a familiar set of options (detailed below) at an accelerated pace, seeking a new leverage point now that it has filed its application for UN membership – the major threat it has been waving for the past several years.

lah, August 2011. Yet another leader suggested that strategy groups run by Palestinian and international NGOs have proliferated because national institutions have proven unable to advance alternatives. “These kinds of exercises should be done by the PLO, but it doesn't have the capacity or legitimacy to do it, so others are trying to fill the gap – so far unsuccessfully”. Crisis Group interview, Ramallah, January 2012.

³² A Fatah Central Committee member dated what he called the “unprecedented concentration of power” to the 2009 Fatah General Congress – ironic given that one of the Congress' ostensible goals was to institutionalise the Fatah leadership and reform the movement. Crisis Group interview, Ramallah, September 2011. “There was no reform”, another official said, “there was the enthroning of a king”. Crisis Group interview, Ramallah, March 2010. A Central Committee member attributed Abbas's control to the extreme weakness of political institutions; the PA government, Palestine National Council and Palestinian Legislative Council are paralysed because of institutional decay or Fatah/Hamas division. “There are no checks and balances in the system anymore”. He also attributed it to the growth of the autonomous security sector increasingly divorced from its political roots “that answers – to the extent that it answers to anyone at all – to Abu Mazen”. Crisis Group interview, Ramallah, November 2011.

³³ It was after succumbing to U.S. and Israeli pressure to postpone the UN Human Rights Council's October 2009 consideration of the UN Fact Finding Mission on the Gaza Conflict (December 2008-January 2009) that Abbas, who had also recently felt abandoned when the U.S. reversed its insistence upon a settlement freeze, announced he would not stand for re-election (and intimated that he might soon resign), and PA and Fatah officials first threatened to seek recognition at the UN. See Crisis Group Middle East Report N°95, *Tipping Point? Palestinians and the Search for a New Strategy*, 26 April 2010; also the paper outlining the rationale for approaching the UN written by Abbas's chief negotiator Saeb Erekat, “The Political Situation in Light of Developments with the U.S. Administration and Israeli Government and Hamas's Continued Coup d'état”, December 2009, on file with Crisis Group.

³⁴ Crisis Group interview, Ramallah, September 2011.

²⁷ A U.S. State Department cable summarised an argument apparently made by Palestinian Interior Minister Said Abu Ali to U.S. officials: “Abu Ali argued that such a release would ‘boost Hamas in the West Bank – this has already begun to happen in a noticeable way. It strengthens those who oppose President Abbas and the PA’. He criticized ‘the message this sends to extremists’, which is that you get prisoners released in return for hostages. ‘The implication is: extremism gets results, and negotiation doesn't’”. “Palestinian Authority Minister of Interior Concerned About Settler Violence, Prisoner Releases”, U.S. consulate Jerusalem cable, 7 December 2009, as released by WikiLeaks.

²⁸ Crisis Group interview, Ramallah, September 2011.

²⁹ Crisis Group interview, Ramallah, November 2011.

³⁰ Crisis Group interview, Fatah Central Committee member, Ramallah, November 2011.

³¹ A Fatah official lamented the lack of meaningful dialogue and discussion within the Palestine Liberation Organisation (PLO). He described the meetings as venues for “a quick and incomplete report on recent developments followed by the president telling everyone how to vote”. Crisis Group interview, Fatah Revolutionary Council member, Ramallah, November 2012. Another leading Fatah figure said he resigned from an important PLO committee because its deliberations would not be taken into account in a final decision. Crisis Group interview, Ramal-

Internationalisation. The Palestinians briefly toyed with international escalation, seeking and achieving full membership in the UN Educational, Scientific and Cultural Organization (UNESCO) on 31 October 2011. This provoked even more significant U.S. reaction than the Security Council bid, since it triggered an automatic freeze in Washington's contributions to the organisation.³⁵ But the move was improvised rather than calculated, and despite initial threats, the Palestinians have refrained from seeking membership in other UN agencies.³⁶

Reconciliation. Abbas also turned to the internal front, holding in November the first of several unusually positive meetings with Hamas politburo head Khaled Meshal. The atmosphere appeared to augur a breakthrough, but here too the first step was far more promising than the follow-up; their positive chemistry (and eventually the Doha Declaration) notwithstanding, very little that divided the two movements has been resolved, and the obstacles facing the implementation of the May 2011 Egyptian agreement³⁷ – in terms of forming a technocratic government and holding elections – remain formidable.

Dissolving the PA. Some officials, including the president, hinted they might dissolve the PA and so return the responsibility for running the West Bank to Israel. In his New York meeting with Obama on 21 September, Abbas suggested there was no point maintaining the Authority if it could no longer fulfil its mission, to lead the transition on the ground toward independence and statehood.³⁸ In words he has repeated several times, an "Authority without authority" had little justification.³⁹ Whether trial balloon, attempt to frighten Israel or serious gambit, however, this too was relatively quickly put to rest. In a 12 November speech in Tunis, Abbas categorically denied an intention to disband the PA and emphatically pledged to continue security cooperation with Israel (at least as long as he remained president).⁴⁰ Leaders have since toned down their rhetoric – speaking more modestly of the need to "rethink the PA's functions",⁴¹ and Abbas's recent letter

to Netanyahu reportedly gestured obliquely to the PA having lost its *raison d'être*.⁴²

Talks with Israel. In January 2012, Israeli and Palestinian officials held five meetings in Amman under King Abdullah's auspices and in coordination with the Quartet. Palestinian officials insisted these did not constitute negotiations but rather an attempt to set a negotiating agenda, though the distinction was lost on many. The talks stalled after 26 January, which the Palestinians set as the deadline for making significant progress in the discussions of borders and security, in line with the Quartet's September 2011 statement.

The sense of drift has been felt on the PA's governance track as well. Uncertainty about the future – whether a unified government will be put in place; whether and for how long Prime Minister Salam Fayyad will retain his post; whether U.S. assistance and Israeli tax transfers will continue, particularly in light of the UN bid and reconciliation talks – has taken a serious toll. The government has been grappling with the effects of uncertainty since February 2011, when Fayyad submitted his resignation a day after Egyptian President Hosni Mubarak stepped down,⁴³ which has undermined both the functioning and morale of the PA. "This is now the longest serving government in the history of the PA", said a minister, "it is desperately in need of renewal. Its energy is flagging. There needs to be a renewal of people, of ideas, of mandates, of legitimacy. The whole system is being stretched thin".⁴⁴

Uncertainty has been deepened by the crisis that erupted over the delivery of a letter (detailed below) from Abbas to Netanyahu setting out the Palestinian position on the peace process and requirements for moving forward. As the leadership sought to tamp down controversy over content, Fayyad was approached to deliver it, because, an official in the president's office said, Abbas wanted the delegation to include "acceptable faces", so as to make the event as non-confrontational as possible.⁴⁵ Fayyad refused.

³⁵ The day that Palestine was admitted, the U.S. announced the suspension of its financial contributions to the agency, which had been 22 per cent (\$70 million) of its budget. *The New York Times*, 31 October 2011.

³⁶ See further discussion below.

³⁷ Crisis Group Middle East Report N°110, *Palestinian Reconciliation: Plus Ça Change ...*, 20 July 2011.

³⁸ Crisis Group interviews, U.S. and Palestinian officials, Washington DC, Ramallah, September–November 2011. This reportedly prompted the U.S. president to caution against the perilous implications of such a move. *Ibid.*

³⁹ See for instance Abbas's February 2012 speech at the Arab League, *The Jerusalem Post*, 13 February 2012.

⁴⁰ Crisis Group interviews, U.S. and Palestinian officials, Washington DC, Ramallah, November–December 2011.

⁴¹ Crisis Group interviews, Ramallah, November 2011.

⁴² *Times of Israel*, 15 April 2012. A senior PA official said the version that appeared in the newspaper was substantially similar, though not identical, to the letter that was delivered to Netanyahu. Crisis Group interview, Ramallah, April 2012. The text of the official letter has not been released, and even some senior Palestinian officials have not seen it.

⁴³ Fayyad resigned ostensibly in order to clear the way for reconciliation, though he did so against the backdrop of escalating pressure from Fatah; his resignation, he may have thought, would increase his leverage with those seeking to displace him by demonstrating that he was in fact indispensable. Crisis Group interview, PA official, Ramallah, March 2011. With reconciliation repeatedly postponed, Abbas has yet to accept Fayyad's resignation – his second since his June 2007 appointment.

⁴⁴ Crisis Group interview, Ramallah, January 2012.

⁴⁵ Crisis Group interview, Ramallah, April 2012.

Several mutually compatible explanations have been offered. An adviser said that because Fayyad's focus was on building the PA, he was loathe to be part of an exercise announcing that "the Palestinian Authority has been stripped of all meaningful authority".⁴⁶ The adviser said, "if you feel that way, then you should go home. What's the point in saying it to Israel?"⁴⁷ Others speculated Fayyad always thought little of the endeavour and wished to stay away from it;⁴⁸ another explained that since Fayyad was neither consulted nor briefed on the letter's final version, he refused to participate.⁴⁹ Whatever the reason, the snub surprised, angered and embarrassed Abbas and produced an entirely different confrontation, as tensions between the two reportedly grew exponentially.⁵⁰

The PA also has been buffeted by matters out of its control. Settler attacks have increased markedly – by nearly 40 per cent over the past two years – deepening the sense of PA impotence in protecting its own citizenry.⁵¹ Com-

modity prices have risen sharply in the occupied territories, as elsewhere, as have electricity prices.⁵² The indictment of one cabinet minister on corruption charges and investigations of another three have tainted the government. Another minister admitted:

The failure of the government in the last months has been marked. The demands and complaints have been high – as they have been around the Arab world throughout the Arab Spring, regarding salaries, inflation, prices, corruption. There is no safety valve, no way to address them, and they are being left to fester. We have no response to settler violence, which is increasing and at some point will reach the breaking point.⁵³

This has led to public anger and frustration that, particularly given its financial straits, the PA has been unable to assuage and indeed might end up exacerbating by reducing expenditures and raising taxes.⁵⁴

The PA is on the brink of what international aid and Palestinian finance officials agree is an unprecedented cri-

⁴⁶ *Times of Israel*, 15 April 2012.

⁴⁷ There were other reasons as well, the official said. Fayyad had always been excluded from the diplomatic process and did not see the benefit of getting involved now; nor did he understand why a delegation was required to deliver the letter. "Once the Israelis read it, maybe there will be something to discuss, but what's the point of simply delivering it? There are other ways to get it there". Nor did Fayyad approve of the date of the meeting: Palestinian Prisoners' Day (17 April) in a year when there has been significant activism on their behalf. The prime minister's request to change the date was denied. Crisis Group interview, Ramallah, April 2012. Indicating popular scepticism about the diplomatic process, Fayyad won plaudits for refusing to meet Netanyahu. Crisis Group observations, Ramallah, April 2012. A presidential adviser confirmed this: "I'm worried that Fayyad is going to look like a hero and Abu Mazen a louse". Crisis Group interview, Ramallah, April 2012.

⁴⁸ Crisis Group interview, Palestinian analyst, April 2012.

⁴⁹ Crisis Group interview, Fayyad adviser, April 2012.

⁵⁰ This was particularly the case as he felt relations with the prime minister had improved recently, with his office working to portray Fayyad positively in the media. Crisis Group interview, presidential headquarters official, Ramallah, April 2012. Newspapers articles on the subject have been censored in the West Bank, part of a broader recent curb on free expression. An investigation by *Maan* (23 April 2012) concluded: "The Palestinian Authority has quietly instructed Internet providers to block access to news websites whose reporting is critical of President Mahmoud Abbas". In addition, at least four journalists critical of the PA have been arrested in recent months. Several PA and PLO officials – including reportedly Fayyad himself – have criticised the clampdown, which has been spearheaded by the attorney general, Ahmad Mughni. Crisis Group interview, Fatah leader, Ramallah, April 2012. Mughni defended his moves, claiming that those accusing him of silencing dissent were following a foreign agenda. Wafa News Agency, 29 April 2012.

⁵¹ Nearly all attacks are perpetrated in areas of the West Bank where PA security forces do not operate. See Yousef Munay-

yer, "When Settlers Attack", The Palestine Center, 2012. The study is based on an analysis of daily reports by the PLO's Negotiations Affairs Department. In the five-year period from 2007-2011, there was a 315 per cent increase. Nearly all perpetrators come from the settler outposts that are illegal by Israel's standards. Crisis Group interview, former security official, Jerusalem, November 2011.

⁵² The West Bank consumer price index increased by nearly 3 per cent from February 2011 to February 2012, http://www.pcbs.gov.ps/Portals/_pcbs/PressRelease/CPI022012_E.pdf.

⁵³ Crisis Group interview, Ramallah, January 2012.

⁵⁴ A PA minister said, "since Oslo, many [Palestinians] have been sceptical about the political process, but, particularly with all the aid money flowing in, they generally have been happy with what was happening on the ground. But now, neither track is progressing. People are being asked to sustain themselves under occupation. They are being asked to pay more taxes and higher prices simply for the privilege of remaining under occupation. Everyone is complaining. I am complaining". Crisis Group interview, Ramallah, January 2012. A Palestinian analyst commented: "At first the international community gave us money so they could put the conflict on the backburner and manage it. Now they want to manage it without giving us the money". Crisis Group interview, Ramallah, February 2012. Fayyad and other senior PA officials were particularly incensed by a late February Israeli raid on two West Bank television stations – ostensibly because they were broadcasting without a license on frequencies that interfered with air traffic at Israel's Ben Gurion Airport – which led Fayyad to charge Israel with "seeking to undercut whatever authority is left in the hands of the Palestinian Authority". *Los Angeles Times*, 29 February 2012. Israeli soldiers carted away documents, computers and archival footage as well; an Israeli government spokesman claimed this was because soldiers had noticed "suspicious" documents. *The New York Times*, 29 February 2012.

sis,⁵⁵ facing an almost \$500 million shortfall with no evident way to fill the gap.⁵⁶ Whereas in September the UN campaign briefly was the talk of town, payment of PA salaries, taxes and the cost of living have become the topics of the day. With the PA the biggest employer in the occupied territories, any interruption in salary payments – which may occur as early as mid-2012 in the absence of additional funding⁵⁷ – would carry significant economic consequences.⁵⁸ Other government services already are being affected.⁵⁹

⁵⁵ Crisis Group interviews, Ramallah and Jerusalem, March 2012.

⁵⁶ The 2012 budget is \$3.54 billion. Wafa News Agency, 10 April 2012. An international aid official estimated that the total budget deficit for recurrent expenditures in 2012 would be \$1.1 billion – to which one needs to add any money spent on development, which is not classified as a recurrent cost – assuming the PA does not exceed its budget target as in 2011. The PA has estimated this number will be lower (\$953 million) owing to enhanced revenue collection due to improved cooperation with Israel on taxes; the aid official demurred, calling even the large figure “optimistic”. The International Monetary Fund (IMF) has identified \$640 million in pledged aid, leaving the PA about \$500 million short. Crisis Group interview, Jerusalem, April 2012. See “Stagnation or Revival? Palestinian Economic Prospects”, World Bank, 21 March 2012. The U.S. administration notified Congress of its intention to disburse \$200 million in FY2012 budget support; the funding has not yet been delivered and may be delayed by a Congressional hold. A U.S. official explained that the administration “wants to get the money out the door during a time of relative quiet, in case it doesn’t stay that way” and in order to “reestablish U.S. consistency and credibility as a payer”, which could assist in convincing Gulf countries to contribute their own share. Crisis Group interview, Washington DC, April 2012. If delivered, the aid would bring total 2012 financing to \$850 million, which an international aid official described as “much better than the situation currently is, but that doesn’t change the fact that the prime minister has no idea how he is going to cover even the smaller gap”. Crisis Group interview, Jerusalem, April 2012.

⁵⁷ Crisis Group interview, international aid official, Jerusalem, March 2012.

⁵⁸ The PA payroll is nearly 20 per cent of Palestinian GDP, down from 25 per cent in 2006 but still more than twice the Middle East and North Africa average – which is already high by global standards. “Stagnation or Revival?”, op. cit., p. 13.

⁵⁹ A PA official commented that health, education and security are the three pillars of the PA. “All else”, he said, “is the support structure”. Crisis Group interview, Ramallah, February 2012. Education is relatively insulated from the financial crisis, as salary payments to teachers could be deferred, but the same is not true for the health services, which are much costlier. The quality of health care is suffering, albeit still marginally, for instance from insufficient funds for medicines. The PA owes two chief suppliers (the Palestinian Medical and Pharmaceutical Suppliers Association and the Palestinian Medical Manufacturing Union) about 345 million NIS (some \$93 million). Senior officials in both groups claimed they would not furnish ad-

In years past, the PA has borrowed to make up for shortfalls, running up \$1.1 billion in debts to Palestinian banks plus \$300 million to the private sector.⁶⁰ Those sources have now been tapped out.⁶¹ Fayyad put in place an austerity plan including tax hikes, spending cuts and forced retirements to fill part of the gap;⁶² even if the measures bring in the \$300 million he hopes they will – which virtually all financial officials, Palestinian and international, doubt⁶³ – the PA will still be significantly underfunded.

ditional supplies to the Authority without payment, which would leave the health care system with crucial shortages; moreover, they claimed that the size of debts is such that certain suppliers are on the verge of financial collapse. Crisis Group interviews, Ramallah, April 2012. The largest Palestinian hospital in East Jerusalem may be near bankruptcy owing to the PA’s failure to pay its bills. “Jerusalem hospital at risk of closure blames PA for crisis”, *Maan*, 30 April 2012. The PA lacks money to fuel its vehicles, which is particularly problematic for the security services, though thus far their operations around the West Bank have only been affected marginally. This led an international aid official to suspect they have off-the-books funding. Crisis Group interview, Jerusalem, March 2012. An international security official said security coordination with Israel may have been slightly diminished by the sense that the PA is at a political dead end, since “officers do not live in a vacuum and have to weigh what they do against the costs in their communities and for their families”; but overall, he said, cooperation remains strong. A PA official feared the budget deficit soon may be felt in the security sector. “See those guys guarding my building? The PA gives them three meals a day to stand outside, but the supplier who feeds them has stopped submitting bids for the contracts because the PA doesn’t pay its bills. It doesn’t take a genius to figure out what happens when you stop feeding the guys with the guns”. Crisis Group interview, Ramallah, February 2012.

⁶⁰ Crisis Group interview, Palestinian finance official, Ramallah, February 2012.

⁶¹ A Palestinian finance official said the banks several times had lent the government more money after surpassing previously set lending limits, but that there is no way that can cover PA needs in 2012. Some suppliers have stopped bidding on PA contracts and refuse to deliver goods and services pending payment owed. Crisis Group interview, Ramallah, February 2012.

⁶² Abbas issued a decree in October 2011 that set out the framework of the plan and left details to the cabinet. In January 2012, the cabinet levied new taxes on many in the private sector. Among the most contentious elements: raising taxes (the top bracket went from 15 to 30 per cent and has since been reduced to 20 per cent); giving tax collectors extra-judicial authority; reducing exemptions; and retiring some 26,000 PA employees who had been in their jobs longer than fifteen years. Copy of cabinet decision on file with Crisis Group.

⁶³ Fayyad believes that by increasing taxes and implementing austerity measures, he will trim \$300 million from the estimated \$500 million 2012 deficit. Crisis Group interview, Fayyad adviser, Ramallah, March 2012. Most financial observers, Palestinian and international, are doubtful. A PA finance official concluded: “Because the West Bank is under occupation, the PA doesn’t control its territory as a normal government does. It

This poses a threat not only to the Palestinian economy but also to Fayyad and to the PA as a political project, since the prime minister's most important card is his ability to attract donor support.

Fayyad's austerity plan became a lightning rod which, at least in the short run, has hurt him politically.⁶⁴ He launched it primarily to close the budget gap, though his advisers claimed he had a secondary goal as well: to make Palestinians into citizens of a modern state by having them take responsibility for their financial fate. A confidant said:

From the beginning, he thought there was a higher meaning to these austerity measures: to overcome the defeatist mentality that we have. We have to take responsibility for our problems. The minute everyone sat down at the national dialogue to discuss what should be done, to confront the problems and compromise, he believed that he had succeeded.⁶⁵

has to manage its economy in cooperation with Israel. Because of that, the PA does not have the control over economic inputs and outputs that would be necessary to implement an effective tax policy". Crisis Group interview, Ramallah, February 2012. Among the examples offered was the inability of the PA to collect taxes outside Area A. (The division of the West Bank into zones of control has evolved since implemented in 1996. Today, in Area A, the PA controls civil affairs and most security matters; in Area B, it controls civil matters and enjoys a limited security presence; in Area C, Israel restricts the PA from the vast majority of civil planning and allows it an occasional security operation). Since PA tax policy is only enforceable in Area A, the finance official predicted, small enterprises could simply relocate to avoid paying. He claimed a sizeable portion of taxes are not paid regularly but are collected from periodic, negotiated settlements between the government and a limited number of big, registered companies. "There is only so much you can get out of them. The PA is trying to overmilk the cow".

⁶⁴ A Fayyad adviser said that the prime minister had expected the backlash. "Even his wife told him not to do it". Crisis Group interview, Ramallah, January 2012. The controversy over the austerity plan came in the context of drawn-out talks over Fatah-Hamas reconciliation and was also politically costly for the prime minister. In May and June 2011, officials in the prime minister's office went public with their complaint Abbas was propagating the notion that whether Fayyad would remain in his position after reconciliation was the main obstacle to a deal. In truth, the future prime minister's identity was one of many hurdles. See Crisis Group Report, *Palestinian Reconciliation*, op. cit., p. 13. In November 2011, Fayyad spoke openly: "There is talk about me, as if I were imposed on every government that was formed and in the positions that I have served, as if I were imposed on the people. Honestly this talk is very insulting, first and foremost to the Palestinian people, and also to the factions themselves, to say nothing of the insult, and perhaps this is what some intend, to me personally". *Al-Ayyam*, 20 November 2011.

⁶⁵ Crisis Group interview, Ramallah, March 2012.

The austerity plan provoked a storm of protest – the most intense since Fayyad took office. The protestors made for odd bedfellows, with leftist political factions, particularly the People's Party and the Popular Front for the Liberation of Palestine⁶⁶ – joining business interests to attack both the specifics (the notion of financial self-reliance under occupation),⁶⁷ and the implementation of a substantial

⁶⁶ A Fayyad adviser maintained: "The wave of protest against the new tax law is because people were subject to disinformation. Those who were in the street had no idea what was in the law". Another added: "The ironic thing is that the tax law is really progressive. It will have a positive effect on 85 to 90 per cent of the population. It is really about social justice, yet it's the leftists who are out protesting". Crisis Group interview, Ramallah, January 2012. He attributed the brouhaha to political opportunism. Political leaders and civil society activists rejected that characterisation and claimed the law would have specific, negative effects. Everybody concurred that Fayyad was the target of anger with much deeper roots: "Abbas is very lucky that the heat right now is being directed at Fayyad because it easily could have been directed at him. Fayyad serves him as insulation, absorbing the public heat that otherwise would be directed at the top". Crisis Group interview, Fayyad adviser, Ramallah, January 2012.

⁶⁷ A Palestinian economist explained: "Talking about the financial independence and self-reliance lends itself to being misunderstood by people: they heard the message to mean that the government will solve its financial crisis with the people's money. People will not accept to bear the expenses of the occupation, and so by presenting it this way, Fayyad opened the door for people who wanted to politicise this". Abdallah recalled that Israel used tax policy to Palestinian disadvantage before Oslo; people therefore have sharp reservations about paying. In Nablus, a prominent businessman said, "Fayyad wants to deal with us as if Palestine were an independent state, and now it's the time for people to contribute their money to build the state. But we are not independent". Crisis Group interview, Nablus, January 2012. In Hebron, a civil society activist said, "I'd be happy to pay if I thought it was in the service of ending the occupation. But I am paying for an unrepresentative, illegitimate government with a political agenda that I disagree with. There are no elections on the horizon. No taxation without representation". Crisis Group interview, Hebron, February 2012. Khalida Jarrar of the Popular Front for the Liberation of Palestine said, "prices on basic commodities [like fuel, gas, and electricity] are high in part because of indirect taxes that go to the PA. But the services we receive from the PA in exchange are pathetic. If you go to a public hospital, you have to buy your own medicine at a private pharmacy. Now the government is asking us to pay more, but we will get nothing more. This law is going to be the straw that breaks the camel's back. The PA is at an impasse. We accepted the PA for an interim period to get to independence, but there is nothing to show for it. There is no state, no economic security, no social benefits, only continued occupation. There is no political vision. What then is the benefit of keeping this PA? It is bringing us nothing – to the contrary, it is taking from our very limited livelihoods". Crisis Group interview, Ramallah, March 2012.

shift in socio-economic policy by decree.⁶⁸ Stung, Fayyad stepped back and conducted a “national dialogue” to reach a compromise. In the end, the initiative produced mixed results for the prime minister: he raised awareness of the problem, demonstrated the domestic constraints he faces in cutting costs and achieved a compromise that might improve the PA’s bottom line.⁶⁹ But he paid a heavy political price. The constituencies that have long been sceptical of his financial management are more so; those who were his allies – first and foremost the business community – nurse resentment.

There presently are indications that, for lack of a workable alternative and perhaps in hopes that a re-elected Obama would be willing to launch a new initiative, Abbas is seeking to keep open the option of resuming negotiations, so is avoiding any measure that would close that door. Israelis and Palestinians engaged in intensive consultations over Abbas’s letter to Netanyahu, and both reportedly told Quartet members in April that their relations were improving, and thus they did not want an international initiative at this time.⁷⁰ Concurrently, the Palestinian leadership was making efforts to repair ties with the Obama administration, and Washington reciprocated, disbursing assistance that had been withheld by the Congress. None of this seemed to be backed by the sense that negotiations stood a genuine chance of success, yet more evidence that the peace process of old has become the default option, as opposed to the judicious one.

⁶⁸ Given that adjusting the tax structure affects basic resource distribution, many – particularly opponents of the tax plan – believe that such a change should only be undertaken by an elected parliament, not a presidential decree and cabinet decision. Crisis Group interviews, Ramallah, February and March 2012. PA officials in theory agree – though they point out that with the prime minister having twice resigned and the legislature’s and president’s terms both having expired, they had little choice but to act through available means. Crisis Group interview, PA official, Ramallah, February 2012.

⁶⁹ A Fayyad confidant pronounced the prime minister satisfied with the result of the national dialogue – both as regards financial results and the raising of consciousness. He explained that the prime minister had met eleven representational bodies; asked each to designate representatives to a roundtable for 40; and appointed three political independents as moderators. Among the practical successes he cited was the private sector foregoing a two-year tax holiday. “That was a big achievement”. Crisis Group interview, Ramallah, March 2012.

⁷⁰ Crisis Group interview, European diplomat, Washington DC, April 2012.

III. FROM ONE TRACK TO ANOTHER

Abbas, caught in an unenviable predicament, has appeared to oscillate between moves, never displaying particular conviction on behalf of any. A European diplomat summed up: “Abbas has only three options to choose among and no matter which option he picks, he fears he might suffer a potentially fatal penalty. For pushing at the UN, he’ll be punished by the U.S. and Israel. For reconciliation with Hamas, he’ll be punished by the same two. For negotiations, he’ll be punished by his own people”.⁷¹ For dissolving the PA, one might add, he would be punished by nearly everybody. Confronted with only painful choices and dangerous options, Abbas is doing what another diplomat characterised as the “Palestinian pivot”: with one foot firmly planted, Abbas steps first in one direction, then back to his starting point before stepping in another direction. So constrained, he said, the only direction in which the Palestinian leader can move is a circle.⁷²

A. REVIVING THE POLITICAL PROCESS?

International actors, and particularly the Quartet, have not given up their efforts to relaunch bilateral negotiations. On 23 September, the day Abbas submitted the UN bid, the Quartet issued a statement that echoed Israel’s call to resume talks without preconditions.⁷³ Unable to agree on terms of reference that would govern such negotiations, it turned its focus to procedural issues. It laid out a timetable (in which nobody truly believed, least of all its originators), including a preparatory meeting within a month;

⁷¹ Crisis Group interview, Jerusalem, December 2011. Similarly, a U.S. official said, “Abbas does not know what to do. He sees no way out, no promising way forward. He and the leadership don’t like the status quo, but they like the alternatives even less”. Crisis Group interview, Washington DC, February 2012.

⁷² Crisis Group interview, Jerusalem, March 2012.

⁷³ The relevant language of the 23 September 2011 statement reads: “The Quartet reiterated its urgent appeal to the parties to overcome the current obstacles and resume direct bilateral Israeli-Palestinian negotiations without delay or preconditions. But it accepts that meeting, in itself, will not reestablish the trust necessary for such a negotiation to succeed. It therefore proposes the following steps: Within a month there will be a preparatory meeting between the parties to agree an agenda and method of proceeding in the negotiation; at that meeting there will be a commitment by both sides that the objective of any negotiation is to reach an agreement within a timeframe agreed to by the parties but not longer than the end of 2012. The Quartet expects the parties to come forward with comprehensive proposals within three months on territory and security, and to have made substantial progress within six months. To that end, the Quartet will convene an international conference in Moscow, in consultation with the parties, at the appropriate time”, www.un.org/News/dh/infocus/middle_east/quartet-23sep2011.

comprehensive proposals on territory and security from the parties within three months; “substantial progress” within six months; and an agreement no later than the end of 2012. A Fatah Central Committee member called this shift from substance to process an “enormous setback for us”, in that “until September, the U.S. was talking about defining the endgame and setting the 1967 borders as parameters for negotiations. Now the U.S. and the Quartet are telling us to sit down and work it out with the Israelis. We had been fighting since 2009 to get out of that box”.⁷⁴

Although the Palestinians reacted diplomatically to the Quartet statement and claimed willingness to give the body another chance, they evinced scant appetite for this approach.⁷⁵ The leadership reiterated its opposition to starting talks without a settlement freeze and what it considers acceptable terms of reference. Privately, Abbas advisers expressed dismay, though not surprise, at what they considered insensitivity to their domestic constraints: in effect, Abbas was asked to return to talks on the very terms that he repeatedly rejected to great public acclaim. As the leadership saw it, renegeing on this position could trigger a crisis of legitimacy deeper than the one that prompted it to go to the UN in the first place.⁷⁶ As an official said, “the Quartet in general and the U.S. in particular keep saying they want to strengthen the Palestinian moderates. And then they turn around and ask us to do the one thing that would do us most harm!”⁷⁷

The Palestinian leadership also took a narrow view of the Quartet timeline. It interpreted 26 January 2012 as the deadline for the submission of proposals⁷⁸ and asked the Quar-

ter to accept theirs on borders and security and convey them to Israel, in effect reviving the proximity talks that occurred in May and June 2010.⁷⁹ It hoped that this would be enough to throw the blame for the failed talks on Israel,⁸⁰ but the Quartet, led by the U.S., refused to serve as an intermediary and demanded that the parties speak to each other directly.⁸¹ Nor did the Quartet endorse Ramallah’s reading of 26 January as a firm deadline.

The Palestinian leadership held its ground against the Quartet’s entreaties but not those of Jordan’s King Abdullah.⁸² The Palestinians and Jordanians tell very different stories about how the Hashemite ruler succeeded. As the Palestinians tell it, he was unnerved by the prospect of a prolonged stalemate in the diplomatic process in light of the regional upheaval and the protests in his own kingdom,⁸³ so launched an initiative to bring the two sides to-

“would not be useful”. Crisis Group interview, Washington DC, January 2012.

⁷⁹ Palestinians claim that the Quartet accepted the arrangement, but the Quartet subsequently “side-stepped” its own statement by refusing to pass the plan to Israel, demanding, instead, a face-to-face meeting of the parties. *Al-Ayyam*, 4 December 2011. Israel refused to submit a written plan to the Quartet, insisting it would only present such a document in the context of direct negotiations. Crisis Group interview, U.S. official, Washington DC, November 2011.

⁸⁰ The Palestinian official said, “we consider the efforts that the Quartet is now undertaking to be the last attempt, and we will wait until 26 January. We believe that at that time it will be the Quartet’s duty to say honestly that the Israeli government is the side that is blocking negotiations and that it itself bears responsibility for the collapse of talks, especially as the Palestinian side cooperated and presented what it had, as witnessed by the entire world”. *Al-Ayyam*, 2 December 2011.

⁸¹ A U.S. official made clear the administration was opposed to anything other than direct talks which, in his view, were the only potential path to success. “The Palestinians are not acting in accordance with the Quartet’s request. We are not interested in indirect talks. We tried them. They did not work”. Crisis Group interview, Washington DC, December 2011. Another said, “we will not serve as judge or jury. The parties have to agree themselves”. He added that the Quartet would not be able to referee in any event, as indicated by its inability to establish terms of reference. “The Quartet has moved from trying to set terms of reference to getting the parties to talk with each other. This is because the Quartet members cannot agree among themselves; the divisions between the parties have been imported into the Quartet itself”. Crisis Group interview, Jerusalem, November 2011.

⁸² This prompted a Palestinian analyst to say, “consider where we are: It is easier for Abbas to say ‘no’ to President Obama than to King Abdullah. What does that say about U.S. influence?” Crisis Group interview, Ramallah, December 2011.

⁸³ Crisis Group Middle East Report N°118, *Popular Protest in North Africa and the Middle East (IX): Dallying with Reform in a Divided Jordan*, 12 March 2012.

⁷⁴ Crisis Group interview, Ramallah, February 2012.

⁷⁵ Initially, the PLO refused to meet directly with Israel at a preparatory meeting, saying that such a session could come only if Israel agreed to its demands for a settlement freeze and acceptance of the 1967 borders as a term of reference. *Al-Ayyam*, 4 December 2011. Rather, it agreed to meet separately with Quartet members and present its proposals.

⁷⁶ See Crisis Group Report, *Curb Your Enthusiasm*, op. cit., 12 September 2011.

⁷⁷ Crisis Group interview, Ramallah, November 2012.

⁷⁸ The Palestinians claimed that 26 January was the deadline for submission of proposals on the basis of the Quartet statement. (The Quartet allowed one month for a preparatory meeting; then specified that “the parties [should] come forward with comprehensive proposals within three months on territory and security”). Israel claimed that the three-month clock did not start until the parties were face-to-face. Officials from Quartet member states offered contradictory assessments of these interpretations and at times refused to take sides. A U.S. official called both interpretations defensible; a European diplomat privy to Quartet discussions agreed. Crisis Group interviews, Washington DC, December 2011 and January 2012. A U.S. official – while privately expressing the conviction that the Palestinian interpretation was more convincing – said coming down on their side

gether;⁸⁴ asked by the king to attend, they said, they hardly could refuse.⁸⁵ A Jordanian official, by contrast, explained that when King Abdullah visited Ramallah in November, Abbas requested his help in relaunching talks, because he “could not continue under the formula being demanded” of him. The king, the official said, therefore provided a way to:

... keep the Palestinian track alive. The Arabs are living in their own world right now, concerned with their own issues. This is what Abu Mazen asked of us: keep the track alive. The Arab states themselves are concerned. The violence in the region is connected to the Palestinian issue in one way or another, and we need to do something to keep it from flaring. Negotiations might not have much of a chance of succeeding, but some movement is better than none. This is the best we can hope for in 2012.⁸⁶

The sessions were billed as “exploratory talks”, designed to set a basis for returning to negotiations⁸⁷ – a nod to the Palestinian leadership insofar as it was sensitive to the charge of retreating from its earlier pledges. Few in the West Bank were fooled, although public reaction was muted – there were a mere three small demonstrations against the talks⁸⁸ – an indication that whatever expectations had been raised by the General Assembly speech had been snuffed out by the end of the year.⁸⁹ Most Palestinians

appeared indifferent and hardly surprised by their leadership’s turnaround. A Palestinian analyst commented: “This is who Abbas is. Our complaint isn’t that Abu Mazen is talking to Israel, but rather that at the end of the day, regardless of what other signals he might send, he has no other option other than to talk to Israel”.⁹⁰

Palestinian and Israeli negotiators met for the first time on 2 January and altogether held five meetings.⁹¹ Israel’s primary goal appeared to be keeping international pressure at bay at a time of rapid and troubling regional changes, forestalling Palestinian initiatives at the UN and garnering international good will amid tensions with Iran.⁹²

lapse, yet he was welcomed home as a victor. Abu Mazen cannot do that”. Crisis Group interview, Ramallah, 28 September 2011.

⁹⁰ Crisis Group interview, Ramallah, January 2012.

⁹¹ Israeli and Palestinian narratives were largely complementary though they emphasised different aspects. Both agreed that the Palestinians presented familiar documents on borders (offering a territorial swap that would be the equivalent of 1.9 per cent of the West Bank) and security (a demilitarised state with an international presence, without Israeli soldiers, in the Jordan Valley); that the Israelis presented 21 topics to be discussed; the Israeli border proposal was based on four principles (the agreement should include the maximum number of Israelis and minimum number of Palestinians in Israel; Israel would annex the settlement blocs, though without at this stage specifying which or what size; negotiations would first settle borders and security and only then address other issues such as Jerusalem; and Israel would maintain a presence along the Jordan River). They also agreed that when Palestinian negotiators objected on the final point, Israeli negotiator Yitzhak Molcho asked: “Would you prefer that we annex it?”; and that Palestinian chief negotiator Saeb Erekat protested when an Israeli general sought to orally present Israel’s security positions. For more details on the Israeli narrative, see *Haaretz*, 19 February 2012. For Palestinian officials, this amounted to a “farce. Israel’s presentation on borders made it clear that in fact there would be no borders. They talked about naturalising ‘Jewish communities’ within the Palestinian state. That is, not the situation of individual Jews who might choose to stay, but entire Jewish communities that would continue to exist as they are today, little extra-territorial balloons in the middle of the Palestinian state connected by roads to Israel. This prompted Saeb [Erekat] to ask [Yitzhak] Molcho, ‘Are you planning to evacuate any settlements at all?’ He refused to answer the question. In addition, they insisted on retaining the Jordan Valley, territories east of the wall, the settlement blocs, and a military presence on the high ground. Basically, they were talking about taking the current reality and labeling it a Palestinian state. This is not a basis for negotiations. The proposal is so ludicrous that we saw no point in continuing”. Crisis Group interview, PLO Executive Committee member, Ramallah, February 2012.

⁹² Crisis Group interviews, strategic affairs ministry officials, February 2012. One commented: “When everything is frozen, we get blamed, and it ends up being a problem – so better to go to talks and head it off”.

⁸⁴ Crisis Group interview, senior Palestinian official, Ramallah, January 2012. An Israeli official involved in preparing for the talks offered another reason behind the Jordanian initiative: “The Jordanians are convinced that at the end of the day, the upheavals notwithstanding, the Americans will retain their clout in the region. The king saw a possibility to help Obama, and that is the horse Amman is still betting on”. Crisis Group interview, Jerusalem, February 2012.

⁸⁵ “We have to do our *ashanat*” (something done for the sake of another). Crisis Group interview, senior Palestinian official, Ramallah, December 2011.

⁸⁶ Crisis Group interview, Jordanian official involved in the Amman talks, Amman, March 2012.

⁸⁷ Despite the face-to-face meetings, Palestinian leadership was extremely sensitive about using the term “negotiation”, which they continued to condition on a settlement freeze and terms of reference.

⁸⁸ Protestors numbered about 50 at the first and third rallies and 150 at the second. Crisis Group observations, Ramallah, January 2012.

⁸⁹ Two days after Abbas’s General Assembly speech, an analyst said, “it would be hard for Abu Mazen to go back to talks now, because his popularity increased as a result of the speech. He knows that his popularity is not because of him as a person, but rather it is because of the policy he laid out. In contrast, Arafat was able to take a catastrophe and turn it into a victory; disaster only made him stronger. Look what happened in Beirut: he was defeated, but it was as if he had won the war. And look what happened after Camp David: it was a complete political col-

But, at that stage at least, there was no indication it was prepared to make significant gestures at the talks.

For the Palestinians, the main goals were responding to Quartet demands and Jordanian entreaties and demonstrating – once again, from their perspective – that the Israelis were not serious about negotiations. In fact, Palestinians have many times demonstrated this to their own satisfaction, saying they have given Netanyahu repeated chances – in September 2010 in Washington, via back channel talks in 2011 and in Amman in 2012 – to present his positions and given the international community repeated opportunities to call him out on their inadequacy.⁹³ That said, many in the international community are sceptical the Amman talks were serious. A European diplomat said:

The Palestinians could have shown Bibi up. But they haven't. They've refused to do it. They've had the most positively inclined American president in their history, and they peed all over him. They could have forced Bibi to show his hand and said to the world, "not good enough. You have to offer something better".⁹⁴

As it were, both sides were looking beyond the Amman talks from the moment they began: Israel tried to draw them out,⁹⁵ whereas Palestinians wanted them to end as soon as possible to enable them to move on to their next step. The results reflected that. On 9 February, the PLO Executive Committee declared that no future talks would be held.⁹⁶

The international community made one more effort to prolong the exercise. Quartet officials – led by Blair and in coordination with Jordanian Foreign Minister Nasser Judah – negotiated a package of confidence building measures⁹⁷

meant to convince the Palestinians to remain in the talks.⁹⁸ These included release of prisoners arrested before the Oslo Agreement; on-the-ground adjustments in the West Bank; and a more direct (and tightly held) political element, relating to terms of reference for ensuing negotiations.⁹⁹ When Abbas flew to Qatar to sign the agreement with Meshal, he put paid to the package from Israel's perspective,¹⁰⁰ though Palestinian officials had voiced scepticism about it from the outset. A senior Palestinian said the leadership would welcome the individual steps, "but Abbas is not going to negotiate for them. And he certainly will not change his position as to what it will take to return to talks".¹⁰¹ Indeed, it is hard to see how he could explain a *volte-face*, especially in return for gestures – with the exception of a prisoner release¹⁰² – that most of his people likely would view as minor.¹⁰³

⁹⁸ Israeli-Jordanian cooperation in negotiating the confidence-building measures was reflected in the positive comments King Abdullah made about Netanyahu to Jewish leaders in Amman. The king reportedly thanked Netanyahu for taking steps to help in "creating a climate in which negotiations [with the Palestinians] can move forward". Jewish Telegraphic Agency, 21 February 2012. Privately, a Jordanian official expressed frustration that Abbas had not accepted the package and continued talks. Crisis Group interview, Amman, March 2012.

⁹⁹ The package reportedly included, among other things, the release of twenty to 30 pre-Oslo prisoners; increased Palestinian activity in certain locales in Areas B and C; some restrictions on settlement building; and the implementation of technical measures long sought by the PA to bolster its revenues and administrative capacity. Crisis Group interview, Washington DC, February 2011.

¹⁰⁰ When Abbas met Hamas politburo chief Khaled Meshal in Qatar and agreed to the Doha Declaration, Israel in effect froze its offer. An Israeli security official explained that after the Doha deal was announced, "we 'iffed' the package – if Doha is implemented, then the package will become irrelevant". Crisis Group interview, Jerusalem, February 2012.

¹⁰¹ Crisis Group interview, Abbas adviser, Ramallah, November 2011.

¹⁰² There is widespread consensus among Palestinian leaders that given the enormous sensitivity about prisoners, a substantial release could justify climbing down, however briefly, from their longstanding conditions. A member of the PLO Executive Committee said, "we have no illusions that we will be stuck again in a few months, but at that point, the released prisoners will be at home". Crisis Group interview, Ramallah, January 2012. Israel offered what a European diplomat termed a "drip-feed" of prisoners, totalling twenty to 30 over the course of the talks. This points up an essential dilemma faced by the mediators. Palestinians wanted to be sure that Israel would implement the full package even if talks broke down. Israel wanted to make sure that Palestinians would remain in the talks once the confidence-building measures were implemented.

¹⁰³ Senior PA officials were very unhappy with the proposed deal, since it linked governance measures, which previously had been discussed only in technical sessions, to political de-

⁹³ Crisis Group interview, senior Palestinian official, January 2012.

⁹⁴ Crisis Group interview, Jerusalem, January 2012.

⁹⁵ At the fifth and final session, Israeli negotiator Yitzhak Molcho offered to reply to the Palestinian requests for clarification of the Israeli position at a subsequent meeting. *Haaretz*, 19 February 2012.

⁹⁶ *Watan News*, 9 February 2012. Jordanian officials have yet to pronounce the talks dead. Crisis Group interview, Jordanian official, Amman, March 2012; some observers believe the parties will find a way to resume them. Crisis Group interviews, April 2012.

⁹⁷ Not all Quartet members were enthusiastic about this effort. A U.S. official pointed out negative aspects: "First, it sets the dangerous precedent that Israel has to pay for negotiations. Second it ties confidence-building measure – some of which might have happened anyway – to the resumption of talks. Third, Israel asked for steps in return from us and the EU, having to do with guarantees on final status, which would have seriously diluted whatever benefit the Palestinians would have received". Crisis Group interview, Washington DC, February 2012.

Nor is it clear why Abbas and his colleagues would want to. Even as they repeatedly assert they wish to resume negotiations – albeit pursuant to their conditions – they appear convinced that they would not yield anything positive. To the contrary, a senior PLO official said, “sitting down for a failed attempt could turn a fragile situation into something worse”.¹⁰⁴ As Palestinian officials see it, such cynicism is well grounded; back channel Israeli-Palestinian meetings over the past years have confirmed their sense that an agreement cannot be reached at this stage.¹⁰⁵ A participant said, “they have only made things worse. The positions the Israelis take during the course of those talks are even more worrying than those they adopt in public”.¹⁰⁶ A U.S. official confirmed the sentiment: “The more the Israeli government exposes its positions, the less Palestinians believe that talks can work. So the back channels have had a counter-confidence effect. They have convinced the Palestinians that the gaps are unbridgeable”.¹⁰⁷

This view is not a Palestinian one alone. In private, virtually all players – Palestinian, Israeli and Quartet members – affirm that though they want negotiations, chances of a breakthrough would be close to nil, and a breakdown would produce a worse situation.¹⁰⁸ The mystery is not why the Quartet has failed in getting talks restarted but that the Quartet would try desperately to do so. Its members’ explanation most often is that they need to maintain some hope, and a process – even one almost certain to fail – is better than none. A UN official said, “what is the alternative? If we do nothing, we would be creating a dangerous

velopments. Diplomats since have been trying, apparently with some success, to convince Israel to implement, even in the absence of talks, some of the steps that had been incorporated into the package. Crisis Group interviews, Washington DC and Jerusalem, March 2011. These include, for instance, the entry of shekels into Gaza and improvements in the collection and transfer of tax clearance revenues to the PA.

¹⁰⁴ Crisis Group interview, Ramallah, November 2011.

¹⁰⁵ Crisis Group interviews, Ramallah, November 2011.

¹⁰⁶ Ibid.

¹⁰⁷ Crisis Group interview, Washington DC, November 2011. The official commented that the U.S., disappointed with the positions put forward by Israel in the confidential talks, felt that Jerusalem bore more, albeit not the entire responsibility for failure to make headway – an ironic result, he added, given that Israel has long held that progress could only be made in direct talks and had pressed for secret channels.

¹⁰⁸ Crisis Group interviews, Washington DC, Brussels, New York, October–December 2011. When confronted with the fact that the timeline suggested is wholly unrealistic – not a single member of the Quartet truly believes that Abbas and Netanyahu can reach an agreement within a year – Quartet participants typically reply that, had they not come up with that statement, the Quartet’s usefulness and thus its very existence would have been in doubt – which is another way of saying that it must exist in order to exist. Crisis Group interviews, Brussels, New York.

vacuum”,¹⁰⁹ a view essentially echoed by a U.S. counterpart: “The history of relations between Israelis and Palestinians shows that when nothing is happening, worse happens. It would be irresponsible for us to make it plain we are giving up”.¹¹⁰ Kicking the proverbial can down the road is viewed as a success, forestalling more perilous outcomes.¹¹¹ But the argument loses much of its validity when neither those promoting the illusion nor those for whose benefit it is promoted believe it is credible.

The Palestinian leadership has come up with its own way to fill the void: drafting a letter to the Israeli government detailing its position on the diplomatic process and setting out its demands for renewing talks.¹¹² This “mother of all letters”, as some Palestinians had taken to calling it, originally was conceived as an attempt to place the blame on Israel for the impasse, while including veiled threats of retaliation should Netanyahu fail to respond positively. An Abbas adviser said its point was to send a simple message: “I did what I had to. I have carried out all my responsibilities. I am not responsible for what happens next. Israel bears responsibility”.¹¹³ For the Palestinian leadership, the letter – like the UN bid before it – appeared to

¹⁰⁹ Crisis Group interview, New York, December 2011.

¹¹⁰ Crisis Group interview, Washington DC, November 2011.

¹¹¹ After the Amman talks broke down, a U.S. official put a positive spin on them. “It’s already been six months since the [September] Quartet statement, so in a way we are half-way [to the November elections]! Kicking the can down the road is not the best policy, but people here feel it’s key to avoiding a vacuum”. He added that March 2012 (six months after the Quartet statement) had already become a de facto deadline, and if that were to pass without results, “we and the Jordanians will try to come up with something that will give [Abbas] yet another deadline”. Crisis Group interview, Washington DC, February 2012.

¹¹² Crisis Group interview, Abbas adviser, Ramallah, March 2012.

¹¹³ Crisis Group interview, Ramallah, March 2012. Abbas summarised: “In brief, in this letter we say, “you have made the Palestinian National Authority into a non-authority. You have stripped it of its prerogatives, of its obligations, of everything it was undertaking, overseeing and implementing. Now it doesn’t have anything”. *Al-Ayyam*, 3 April 2012. The letter reportedly issued four demands to Netanyahu: that he accept the two-state solution based on 1967 borders with land swaps; a settlement freeze in the West Bank and East Jerusalem; the release of Palestinian prisoners, including those who were arrested before the signing of the Oslo Accords; and a return to the situation on the ground in the West Bank prior to September 2000. *Times of Israel*, 15 April 2012. These demands were confirmed by a Palestinian negotiator. Crisis Group interview, Ramallah, April 2012. At one stage, Abbas warned that the PLO would request non-member observer status from the General Assembly if Israel did not meet its demands, though after the letter was delivered he spoke instead of renewing the Palestinian push for recognition at the UN. *Haaretz*, 9 April 2011; *Al-Ayyam*, 17 April 2012. Israel will issue its own letter in response, presenting some of its views on final status, including on security.

be an exercise in defiance, albeit one, it hoped, that would not overly damage relations with the U.S. and Israel.

Although early versions are said to have been relatively harsh, over time, after extensive consultation with Washington (and with the Israeli government) and with Jordan stepping in,¹¹⁴ the letter grew increasingly toothless;¹¹⁵ strikingly, after first having strongly opposed it, the U.S. came to welcome the idea, seeing it as potentially facilitating Israeli-Palestinian engagement.¹¹⁶ Indeed, the mere process of discussing and then delivering the letter has resulted in intense discussions between the two sides, culminating in a meeting between a Palestinian delegation and Netanyahu and paving the way for a reciprocal visit by an Israeli team to Abbas.¹¹⁷

What the letter did not do was in any way shake up the political landscape – presumably one of its original purposes. One could legitimately question whether, even had it preserved its more confrontational tone, it would have been particularly effective; as an analyst put it, “some 60 years after Fatah was formed, Palestinians have moved from the pistol to the epistle”.¹¹⁸ But there was little doubt that, once diluted, the letter would end up being tantamount to firing a blank shot. At most it was a reiteration

of positions Abbas had laid out innumerable times over the past three years, to no avail. In the end, it was “totally ignored” by virtually all.¹¹⁹

With other doors closing (see below), declining interest in the Palestinian cause among Arab states wholly preoccupied by other matters and desire not to alienate a U.S. president whom it considers more likely than not to be re-elected, the leadership seems increasingly resigned to kicking the ball past the November 2012 line without foreclosing any option. An adviser went so far as to say Abbas’s letter could “enhance the chances of going back to talks”.¹²⁰ A U.S. official concurred, explaining that recent meetings between U.S. officials and Palestinian negotiators had been positive, and the administration was looking to leverage “the positive Erekat-Molcho meetings” in order to resume talks, though he warned of public constraints on both leaderships.¹²¹ A Fatah official also sensed Abbas was pushing in this direction: “More and more information is surfacing about how much Obama dislikes Netanyahu. This is part of Abbas’s calculations. He is not putting on a show when he emphasises time after time that talks are his first option. He seriously believes in a negotiated solution. He has not given up that hope”.¹²²

B. UNITED NATIONS

If the reason why the Palestinian leadership chose to go to the UN was clear – the impasse in negotiations with Israel coupled with declining confidence in the U.S.’s ability to act as an effective mediator – what it hoped to achieve there has been anything but. As discussed in greater depth in an earlier Crisis Group report,¹²³ officials themselves were both divided and confused. A Fatah Central Committee member asked:

We went to the UN to break the status quo of negotiations. We arguably have done that, but to what end? To internationalise the conflict? To save face, since we had no other options? To improve conditions at the

¹¹⁴ A U.S. official was particularly laudatory about Jordan’s role in persuading Abbas that “threatening Israel was not a wise way to go”. Crisis Group interview, Washington DC, April 2012.

¹¹⁵ A senior Palestinian official said that the final version of the letter did not contain any threats. Crisis Group interview, Ramallah, April 2012.

¹¹⁶ The U.S. initially strongly opposed the idea, fearing it would set back the prospect of negotiations for a sustained period. Both President Obama and Secretary of State Clinton reportedly sought to convince Abbas to drop it. A U.S. official commented: “The whole exercise is ridiculous. We have tried to dissuade them from sending it, but if they do, we are telling the Israelis to essentially ignore it”. Crisis Group interview, U.S. official, Washington DC, February 2012. Over time, however, Washington’s perspective changed radically; rather than criticise the move, U.S. officials described it as the best chance for resuming Israeli-Palestinian engagement. Crisis Group interview, U.S. official, Washington DC, April 2012. In the meantime, the Palestinian leadership had exchanged drafts with the U.S. and acceded to its demands to alter the content so that it ended up being far less threatening. Prior veiled threats to dissolve the PA or to resort to the UN reportedly were removed in response to U.S. requests. A senior Palestinian figure said that “intense pressure” was behind this. “The U.S. didn’t like it: ‘You want to threaten Netanyahu?! You can’t do that!’ So the letter was sweetened and the pepper was taken out”. Crisis Group interview, Ramallah, April 2012. Indeed, Erekat discussed its contents with Israeli negotiator Molcho, and the letter reportedly was further adjusted after their early April meeting. Crisis Group interview, Palestinian official, Ramallah, April 2012.

¹¹⁷ Crisis Group interview, U.S. official, Washington DC, April 2012.

¹¹⁸ Crisis Group interview, April 2012.

¹¹⁹ Crisis Group interview, former Netanyahu adviser, Jerusalem, April 2012.

¹²⁰ Crisis Group interview, Ramallah, April 2012. A European diplomat seconded this, pronouncing his government – and Washington – satisfied with the letter and hopeful it would help restart talks. Crisis Group interview, Jerusalem, April 2012.

¹²¹ Crisis Group interview, Washington DC, May 2012. He added: “Obama is not in a position to make public promises to Abbas about what he will do if re-elected. We can make some quiet commitments, but Abbas needs something public that he can claim as a victory. Israel could deliver that public component, but Netanyahu has his own constraints, particularly given early elections”.

¹²² Crisis Group interview, Ramallah, April 2012.

¹²³ Crisis Group Report, *Curb Your Enthusiasm*, op. cit.

negotiation table? These are very different things and require different approaches. We know why we went but what do we want?¹²⁴

That quandary continues to define the debate among Palestinian officials to this day. As time goes by – more than a half-year after Abbas’s address at the General Assembly – even many in the leadership have come around to the conclusion that the answer may well be “nothing”. A Fatah Central Committee member said his president, in applying for full membership, had engaged in a cynical manoeuvre intended to create the impression of defiance without in fact defying anyone, since defeat was assured – and thus without incurring significant U.S. or Israeli hostility.¹²⁵ A PLO official commented: “People are saying that the leadership acted as if it was making a bold move, when in fact it was firing an empty shot; it was creating the impression of internationalising the conflict, when in fact it was not internationalising anything at all”.¹²⁶ As many had predicted, the application languishes in committee, while the international possibilities conferred by non-member-state status – messy and contentious but potentially more fruitful – have been ignored.

Security Council

To be successful, Palestine’s application for membership, presented by Abbas on 23 September 2011, needs at least nine votes at the Security Council without a negative vote from one of the five permanent members. After five informal meetings, the Committee on the Admission of New Members, composed of Security Council members, deadlocked on the question of Palestine’s eligibility.¹²⁷ The conclusion reflected the Council’s divisions; only eight of the fifteen members appeared willing to support the bid, one short of what was needed to force a U.S. veto. In January, some non-permanent members were replaced,¹²⁸ though this did not improve the likelihood of the Palestinians securing a positive vote.

Ever since September, Palestinian officials have faced a choice: push for a vote, despite its probable defeat, or leave the application in committee to avoid a setback.¹²⁹ Some officials believe they should press ahead on the ground that a Security Council rejection, against the backdrop of overwhelming support in the General Assembly, would highlight the role of U.S. arm-twisting and Western double standards in paralysing the international community.¹³⁰ A senior PLO official said, “a vote will force the Council members to take responsibility for their positions”.¹³¹ That move could be repeated over and over, he added, thereby keeping the issue in the spotlight.¹³² Other senior leaders see the issue differently, contending that Palestinians have no interest in gratuitously alienating the U.S. by highlighting Washington’s lack of support in the Council while failing to achieve anything.¹³³

General Assembly and UN Agencies

Whether or not the Palestinians push for a vote in the Security Council, they could seek an upgrade in Palestine’s status at the General Assembly to that of non-member observer state.¹³⁴ Success in the General Assembly is guaranteed, even if the EU does not support the resolution. It

¹²⁴ Crisis Group interview, Palestinian negotiator, Ramallah, November 2011.

¹²⁵ Crisis Group interview, Fatah Central Committee member, Ramallah, February 2012.

¹²⁶ Crisis Group interview, Ramallah, November 2011.

¹²⁷ The report of the committee was a compendium of contrary views expressed in the meetings. The committee was unable to come to a unanimous recommendation, http://www.un.org/ga/search/view_doc.asp?symbol=s/2011/705.

¹²⁸ Azerbaijan, Guatemala, Morocco and Togo replaced Bosnia and Herzegovina, Brazil, Nigeria and Lebanon. A senior Palestinian official said, “we cannot leave ourselves at the mercy of small powers [temporarily on the Security Council]. If I am going to enter the house, I want to do so through the main door, which means having the UK and France with us”. Crisis Group interview, Ramallah, April 2012.

¹²⁹ At various points, the Palestinians claimed to have clinched nine votes. See, eg, “Shaath: Palestine has 9 votes in Security Council”, *Maan*, 11 October 2011. Several weeks before submitting the application, Abbas also asserted that the Palestinians had won the support of nine Security Council members. “Nine Security Council Members Support Palestine’s UN Bid, says Abbas”, *Wafa*, 18 August 2011. By late October, those claims clearly appeared to have been wrong. The Palestinians had secured only eight votes: Brazil, India, Russia, China, South Africa, Lebanon, Gabon and Nigeria; Bosnia was likely to abstain, owing to both U.S. pressure and divisions among its tripartite presidency. *The Jerusalem Post*, 28 October 2011.

¹³⁰ Crisis Group interview, senior PLO official, Ramallah, November 2011. A French official said, “from our perspective, it might be a humiliation not to get nine votes, but as some see it, they have the support of two thirds of the General Assembly, even if they only get eight at the Security Council. They will blame us and the West – putting us in a very uncomfortable situation”. Crisis Group interview, Paris, December 2011.

¹³¹ Crisis Group interview, senior PLO official, Ramallah, November 2011. Privately, some officials remarked that by not going to a vote, they would strengthen the impression that the UN bid had been incompetently managed. Crisis Group interviews, Ramallah, November 2011.

¹³² “If we fail in the Security Council, we will apply again the next day”. Crisis Group interview, Abbas adviser, Ramallah, November 2011.

¹³³ Crisis Group interview, Ramallah, November 2011.

¹³⁴ The main alternative – asking the General Assembly to urge the Security Council to accept the Palestinian bid – would not garner wide European support. With the Europeans on the Security Council planning (at most) to abstain, they could hardly be expected to support a General Assembly resolution that urged a “yes” vote.

also would provide Palestinians with legal and institutional tools in some ways as potent as full UN membership.¹³⁵ Among Palestinian officials, support for this route remains strong, though many believe that the leadership's dithering has deprived the option of some of its force and reduced its expected return.

Politically, it would spare the leadership the embarrassment of leaving the UN empty-handed¹³⁶ and defuse widespread suspicion that applying for membership was a ploy. That said, international support for the observer-state option apparently has declined. As some had predicted, by going to the Council first, the Palestinians made it less interesting for Europe to back an Assembly resolution – something they had offered as an incentive to forego a full membership application.¹³⁷ Palestinian indecisiveness and lack of direction has at least fatigued several states once quite enthusiastic about the Assembly move.¹³⁸ Many in the Palestinian leadership acknowledged this. In September, a Fatah Central Committee said, the Palestinian approach had galvanised attention and created a sense of momentum that might have paid real dividends, but today, interest has waned and the consensus begun to crack.¹³⁹

¹³⁵ For a detailed explanation of what a status upgrade would bring, see Crisis Group Report, *Curb Your Enthusiasm*, op. cit.

¹³⁶ “It would be very bad if we come away from this situation with nothing. [After Abbas’s GA speech], we were praised as heroes; if we don’t achieve anything, we risk being told we were idiots”. Crisis Group interview, senior Palestinian official, Ramallah, November 2011.

¹³⁷ A French official said, “Sarkozy was very enthusiastic about his UNGA proposal. But once Abbas went to the Security Council, the attractiveness began to decline. Our president likely would still back a resolution, but he is unlikely to push hard for it. Now that Abbas has gone to the Security Council, what can Sarkozy claim he got in exchange?” Crisis Group interview, December 2011.

¹³⁸ Crisis Group interviews, European officials, Brussels, London, Washington DC, November-December 2011. A European diplomat commented: “The Palestinian move at UNESCO shut down the momentum. It made things difficult for us. I spent three weeks day and night only on that issue, which was a side-show”. Likewise, another said, “it’s not easy for us to go to parliaments and defend recognition of Palestine if this state is about to crumble. You make life much harder for us when you talk about dissolving the PA. Europeans don’t want to recognise a Palestine that’s about to be dissolved”. He added: “We’re not going to recognise a Palestinian state out of despair with the situation. We want it to be a positive thing and politically useful” – implying that at the current moment, it would not be. Crisis Group interviews, Jerusalem, April 2012.

¹³⁹ Crisis Group interview, Ramallah, November 2011. Another Fatah official said, “a month ago, we could have traded the Security Council for something. Now we can’t get anything”. Crisis Group interview, Ramallah, November 2011. A senior PLO official lamented the hesitation to go to the Assembly: “I feel sorry we sometimes don’t learn from our mistakes. Life taught us in this conflict that if you don’t grab an opportunity at the

Having gone to the Council first – and publicly belittled the Assembly option – some within the leadership fear observer-state status would look like a consolation prize;¹⁴⁰ certainly, that is what Abbas appears to believe.¹⁴¹

The reasons for Abbas’s reluctance – he has suggested to international interlocutors he has no intention of going to the General Assembly¹⁴² – are various. He reportedly has never believed in non-member-state status, convinced that Palestine deserves full membership and should settle for nothing less.¹⁴³ Politically, he still seems to believe he made the right call, despite setbacks since September. As seen, the UN speech and his dramatic request for full membership generated huge popular support, which initially convinced many, including some who originally had been sceptical, that his intuition had been correct.¹⁴⁴

Abbas also might be reluctant to engage in the prolonged dispute with Israel that non-member-state status almost certainly would produce. The Palestinian president never was a believer in the UN and the legal and institutional wrangling that goes on there,¹⁴⁵ moreover, he would have to suffer consequences – in terms of Israeli cooperation on the ground; relations with the U.S.; funding for the PA – that could prove costly. A Palestinian official commented: “Every day we hear pieties from the Europeans and

right moment, you will lose it”. Crisis Group interview, Ramallah, November 2011.

¹⁴⁰ Crisis Group interviews, Ramallah, September and November 2011.

¹⁴¹ Crisis Group interviews, PLO and Fatah officials, Ramallah, November 2011.

¹⁴² Crisis Group interviews, U.S. and European officials, Washington DC, December 2011. In April, a U.S. official nuanced this judgment, saying, “we are not out of the woods yet”. Another advanced three reasons why Abbas might change his mind: tension with Fayyad has made Abbas less averse to rocking the prime minister’s boat; the PA faces a financial crisis in any event, leaving Abbas with less to lose by going to the General Assembly; and Abbas has begun to speak publicly – though not entirely consistently – about the option. Crisis Group interviews, Washington DC, April and May 2012.

¹⁴³ Crisis Group interview, Abbas adviser, Ramallah, November 2011.

¹⁴⁴ A Fatah official who, on the eve of the speech, had sought to persuade Abbas to seek an Assembly resolution instead, acknowledged a short time later: “His political intuition was far better than mine. That’s why he is president, and I am not”. Crisis Group interview, Ramallah, November 2011. Today, however, few remain in Abbas’s corner on this question. The same official six months later recanted, blaming the president for having squandered an historic opportunity to internationalise the conflict. Crisis Group interview, Ramallah, March 2012.

¹⁴⁵ “He has never believed in all this. This is why Israel is so angry: ‘This UN bid is coming from him! We thought we had buried this stuff’”. Crisis Group interview, Ramallah, 26 September 2011.

the UN about how unsustainable the current situation is – and then they go on to tell us that every option we have for getting ourselves out of the status quo is unacceptable”.¹⁴⁶

The International Criminal Court (ICC), access to which would flow from the new status and may be already attainable without it,¹⁴⁷ would be one of the more explosive

¹⁴⁶ Crisis Group interview, Ramallah, April 2012. A European official said, “I wouldn’t be a friend to the Palestinians if I didn’t speak of the costs of certain actions. Non-member observer state will trigger consequences we don’t want”. Another added: “Our goal is to create a resolution that couldn’t be called in good conscience a step to isolate the U.S. and Israel. Antagonising the U.S. will lose you friends beyond Washington and set back negotiations for generations”. Crisis Group interviews, Jerusalem, Ramallah, April 2012. A UN official explained that his institution stood to lose a significant amount of funding were the General Assembly to grant non-member observer status – the U.S. provides 22 per cent of the regular Assembly budget and 27 per cent of the peacekeeping budget – which is “why Ban Ki-moon told Abbas, ‘A Palestinian state is long overdue, but I have to defend the interests of my organisation’”. Crisis Group interview, Jerusalem, April 2012. On UN budget figures, see UN document A/64/220/Add.1. A Palestinian official reported: “These justifications are shameful. Let the UN collapse if it stands in protection of occupation and against Palestinian liberation! What it comes down to is that nobody is willing to anger the Americans or sanction the Israelis. They put the entire burden on us, then tell us that we are not allowed to do anything”. Crisis Group interview, Ramallah, April 2012.

¹⁴⁷ Crisis Group interview, Ramallah, September 2011. The opening that a General Assembly resolution could create may already be there. By virtue of the Vienna formula – an established practice of international law that defines the phrase “all States”, in the context of treaties and conferences, as those that are full members of the UN *or any one of its specialised agencies* – the Palestinians already can argue that they are eligible to accede to the Rome Statute owing to their membership in UNESCO. For them to accede, the Secretary-General would need to apply the Vienna formula to Palestine. For political reasons, he may not wish to do so automatically and instead seek guidance from the General Assembly or the Assembly of State Parties to the Rome Statute – both of which would be likely to recommend that he approve the request. Crisis Group interviews, former UN legal counselors, New York, December 2011. A Palestinian official said that the PLO preferred not to follow such a route: “There is too much ambiguity in doing it that way. There’s no reason not to get the GA resolution to make it clear and official”. Crisis Group interview, Ramallah, March 2012. On 3 April, outgoing ICC Prosecutor Luis Moreno Ocampo decided that, in the current circumstances, he was unable to reach a conclusion about whether the Court could exercise jurisdiction in Palestine: “In interpreting and applying article 12 of the Rome Statute, the Office [of the ICC prosecutor] has assessed that it is for the relevant bodies at the United Nations or the Assembly of States Parties to make the legal determination whether Palestine qualifies as a State for the purpose of acceding to the Rome Statute and thereby enabling the exercise of

venues to which Palestinians and their allies would gain access; accession to the Rome Statute not only would entitle Palestine, as a state party, to bring cases (something the leadership might find hard to resist in light of possible domestic pressure), but also would enable third parties to petition the court’s prosecutor to take cases forward. For the U.S. administration, ICC accession is a redline, given possible implications for the diplomatic process, Israel and the Court itself.¹⁴⁸ As a senior Egyptian official put it, “for Abbas, the ICC is a lose-lose proposition. If he resorts to it, he will pay a hefty price with the U.S. and Israel. If he does not, he will pay a price at home”.¹⁴⁹

Confusion clearly was on display when the Palestinians applied for – and obtained – membership as the 194th member of UNESCO on 31 October 2011. The application was not the result of a strategic decision, but rather resulted from the momentum that internationalisation had gained *before* the General Assembly session and was helped by internal manoeuvring on the part of the Palestinian ambassador to UNESCO, Elias Sanbar.¹⁵⁰ Emboldened in no

jurisdiction by the Court under article 12(1)”, unispal.un.org/UNISPAL.NSF/0/206D43BAF726DD22852579D50050138B.

¹⁴⁸ Were the ICC to take a case against Israel, whatever support for the institution exists in the U.S. could crumble. Although the U.S. has not ratified the Rome Statute, the Obama administration has taken steps to bolster relations with the court and has resorted to it, most notably in the case of Libya’s Colonel Qadhafi. Officials fear this progress would be jeopardised if the ICC were viewed as hostile to Israel. Crisis Group interviews, U.S. officials, Washington DC, September–November 2011. A number of European states are concerned by the possible ICC move as well and asked the Palestinians to forego resorting to the court in return for support in the Assembly. A French official said Sarkozy elliptically informed Abbas in New York that the “ICC would need to be dealt with in the text [of the Assembly resolution]”, a request that, the official added, “is hard to put into diplomatic language since Europe is very supportive of the ICC. That’s why this is usually discussed behind closed doors”; a UK official, by contrast, said his government had pressed only for an informal commitment; “to put it in the text would have damaged our reputation on accountability, which is much bigger than just the Palestinian issue”. Crisis Group interviews, Paris, October 2011; London, December 2011. For many Palestinians, this would be wholly unacceptable; Palestinian National Initiative Head Mustafa Barghouti called it “too stiff a price to pay”. Crisis Group interview, Ramallah, November 2011.

¹⁴⁹ Crisis Group interview, Cairo, December 2011.

¹⁵⁰ Palestine’s application for UNESCO membership was a quasi-automatic biannual exercise stemming from its 1989 application, which had been repeatedly deferred to prevent an up-or-down vote. In 2011, Ambassador Sanbar sought to activate the application in the context of the internationalisation agenda. “When a final decision was needed about going forward with the vote, the train was unstoppable. The process in effect had passed the point of no return, because the leadership could not back down at that point. The vote was more of an historical ac-

small part by U.S. and Israeli opposition, certain Palestinian officials over the next days talked about joining sixteen more agencies, including the World Health Organization (WHO), the Food and Agriculture Organization (FAO) and the International Atomic Energy Agency (IAEA), where the consequences for the U.S. would have been far more substantial still. A senior PLO official argued that only by hurting U.S. interests would Washington realise the cost of its unconditional support for Israel and be forced to reassess its stance.¹⁵¹

Yet, no sooner had the Palestinians celebrated their triumph and issued their threat than they suspended their efforts. Indeed, the vote caused consternation in the U.S. and some European capitals.¹⁵² A U.S. official said:

The president was against the UN membership effort, but in some ways he could understand it. Not this. By joining UNESCO, Palestinians achieved nothing and then hampered America's ability to assist others throughout the world. This was hurting U.S. interests for no apparent purpose, and Obama was incensed.¹⁵³

cident than anything else. If a decision about it had to be taken today about going forward with the application, it would not be approved". Crisis Group interview, Palestinian diplomat, Ramallah, March 2012. Sanbar reportedly helped the process along by asking for Abbas's approval in the presence of others. Mindful of the storm that ensued after consideration of the Goldstone Report was postponed in October 2009, Abbas felt he was not in a position to delay. Crisis Group interviews, Palestinian officials, Ramallah, November 2011.

¹⁵¹ Crisis Group interview, Ramallah, November 2011. Told that the U.S. was angrier at Ramallah for its UNESCO application than its approach to the Security Council, because it forced the U.S. to cut funds, he expressed his satisfaction: "A big portion of U.S. aid to the Third World goes through FAO. The U.S. and Israel are hurting me, and this will hurt them. Let's starve the Somalis further because of [Israeli Foreign Minister Avigdor] Lieberman!"

¹⁵² A European diplomat said, "we prefer the Palestinians go for a General Assembly vote before going to specialised agencies. It's very difficult for us when they go to specialised agencies. Someone calls me up from one of our ministries that has no other connection to the Palestinian issue, and I have to find out how they will be affected by the application to such-and-such an agency. If the Palestinians want to confront the U.S. and Israel, it's their right. But they should do it at the GA, not where we end up having to choose between our commitment to them and our commitment to the international order. Nobody will be happy with the outcome". Crisis Group interview, Jerusalem, April 2012.

¹⁵³ Crisis Group interview, Washington DC, October 2011. The administration argues that it values UNESCO, to which it gives some \$70 million annually, roughly 22 per cent of the budget. Its hand was forced by Congressional legislation from 1990 and 1994 that prohibits U.S. funding to any agency according "the Palestine Liberation Organization the same standing as member

In the face of immediate Israeli sanctions and Washington's anger, Abbas made clear that the applications were to stop, reaching what a U.S. official called an informal "truce".¹⁵⁴ This, in turn, gave the administration a stronger hand in persuading Israel to release tax revenues it collects on the PA's behalf (which it had withheld as punishment) and in persuading the U.S. Congress to lift its own hold on non-security assistance to the Authority.¹⁵⁵ But, as a U.S. official cautioned, should the Palestinians resume their inter-

states" and that requires the U.S. to cut all funding to any UN agency granting "full membership as a state to any organization or group that does not have the internationally recognized attributes of statehood". See "Membership of the Palestine Liberation Organization in United Nations Agencies", Pub.L. 101-246, Title IV, § 414, 16 February 1990, and "Limitation on Contributions to the United Nations and Affiliated Organizations", Pub.L. 103-236, Title IV, § 410, 30 April 1994. On the basis of UNESCO membership, Palestine can obtain admission to the World Intellectual Property Organisation (WIPO) simply by requesting it. Should that happen, the president of the UN Foundation and former U.S. Senator Timothy E. Wirth wrote, "[t]he United States would also have to give up participation in that group, which plays a key role in the international safeguarding of intellectual property, including the vast range of patents, copyrights and trademarks belonging to U.S. companies and individuals Within a few short months, without discussion at the White House or debate in Congress, the U.S. could find itself shut out of a great many international decisions that have a direct impact on American jobs, lives, safety and security". "For the U.S., a forced withdrawal from UNESCO", *The Los Angeles Times*, 24 October 2011. As of this writing, the Palestinians have not requested admission to WIPO.

¹⁵⁴ Crisis Group interview, Washington DC, November 2011.

¹⁵⁵ In response to the UNESCO vote, Israel halted the transfer of tax clearance revenues, which it collects for the PA and are about two thirds of Ramallah's budget. The cabinet voted to resume transfers on 30 November 2011, *Haaretz*, 30 November 2011. On the day of the vote, internet across the West Bank went down, which some Palestinians interpreted as an Israeli shot-across-the-bow to warn of the consequences should Ramallah continue its international campaign. Crisis Group interviews, Palestinian civil society activists, Ramallah, October-November 2011. The U.S. Congress released \$40 million in aid (of \$187 million) on 29 December; a Republican staffer said, "this is a smart move by the appropriators to put Abbas to the test without risking too much taxpayer money Congress is making the first move for 2012 – releasing a little bit of money to the PA in good faith. If the Palestinians act responsibly and comply with U.S. law, they'll get another tranche". Jewish Telegraphic Agency, 30 December 2011. In mid-April, the administration released the remainder of the funds, over the objection of House Foreign Affairs Committee Chair Ileana Ros-Lehtinen, who had put a hold on them. *National Journal*, 11 April 2012. From the administration's vantage point, providing the assistance was important, especially as Abbas had been true to the message he passed to Obama after his General Assembly address: that he was not interested in confrontation "with the U.S. or Micronesia" – meaning with anyone. Crisis Group interview, Ramallah, September 2011.

national efforts, the financial penalties (from Israel and the Congress) would be almost inevitable¹⁵⁶ – and, in an election year, the administration would be constrained in terms of how hard it could resist.¹⁵⁷

Since the applications to UN agencies were put on hold, subsequent Palestinian threats have been varied and thus far inconsequential. Proposals have included pushing for another Security Council resolution condemning settlements;¹⁵⁸ submitting candidates for inclusion on the list of UNESCO World Heritage sites;¹⁵⁹ seeking a Security Coun-

cil mission to the West Bank and Gaza;¹⁶⁰ convening a conference to discuss mechanisms of applying the Fourth Geneva Convention to the occupied territories;¹⁶¹ and calling on the UN to investigate the situation of Palestinian prisoners in Israeli jails.¹⁶² A UN Human Rights Council (UNHRC) mission to investigate settlements was approved over U.S. objection – provoking a strong Israeli reaction – but it was hard to see this as a game-changer.¹⁶³

Meanwhile, multiple deadlines have passed: in November, Abbas's spokesman, Nabil Abu Rudeineh, said that the

¹⁵⁶ For FY2012, Congress appropriated about \$400 million in Economic Support Fund assistance (\$200 million in direct budgetary aid and roughly the same amount for the West Bank and Gaza through the U.S. Agency for International Development), plus \$113 million for the Palestinian Authority security forces and justice sector in International Narcotics Control and Law Enforcement funds. As in FY2011, monies cannot be disbursed to a "power-sharing" PA government in which Hamas participates, unless that government, including all its ministers, recognises "the Jewish state of Israel's right to exist" and accepts previous Israeli-Palestinian agreements. If the government is defined as "Hamas-controlled", additional limitations apply. In such a situation, the U.S. president could issue a waiver for national security purposes to fund the PA presidency and judiciary, if not Hamas-controlled. Two new conditions on funding were added for 2012. First, sanctions would be triggered by creation of a Palestinian government resulting from an agreement with Hamas over which the Islamist movement exercises "undue influence" (not further defined). As with a Hamas-controlled government, the president could issue a limited waiver. A second new condition prohibits any Economic Support Fund assistance to the PA in the event Palestine obtains UN membership or membership in any additional UN specialised agencies (UNESCO membership appears to be grandfathered). This condition could be waived by the secretary of state on national security grounds. Jim Zanotti, "U.S. Aid to the Palestinians", Congressional Research Service, 4 April 2012.

¹⁵⁷ Crisis Group interview, Washington DC, November 2011.

¹⁵⁸ Crisis Group interview, PLO official, Ramallah, November 2011. The U.S. vetoed on 18 February 2011 a Security Council resolution that would have defined settlements as illegal. *Los Angeles Times*, 18 February 2011. On 21 December 2011, the four European Security Council members – UK, France, Germany and Portugal – issued a statement condemning settlements: "Settlements are illegal under international law and represent a serious blow to the Quartet's efforts to restart peace negotiations. All settlement activity, including in East Jerusalem, must cease immediately", ukun.fco.gov. The PLO again urged the Security Council to condemn Israeli settlements in April, *Maan*, 10 April 2012.

¹⁵⁹ Agence France-Presse, 7 March 2012. The Palestinians submitted to UNESCO a tentative list of twenty proposed heritage sites in February. In June, Palestine – like all members – will submit two candidates for final consideration. A total of 30 will be selected. Crisis Group interview, PA foreign ministry official, Ramallah, April 2012.

¹⁶⁰ Associated Press, 2 March 2012. A U.S. official explained that the idea for a Security Council mission to the West Bank and Gaza originated with the Russians. The administration initially opposed the notion out of concern that it would result in a demand for a UN resolution, but over time it came to support the idea on condition that it would be a substitute for, rather than a step toward, other Palestinian action in the UN system. Israel rejected the idea in its entirety, which went nowhere in the end. Crisis Group interview, Washington DC, April 2012.

¹⁶¹ Efforts to apply the Geneva Convention to the occupied territories repeatedly have bumped up against political obstacles. In July 1997, after the U.S. vetoed a Security Council resolution condemning the Israeli settlement of Har Homa, the General Assembly recommended that Switzerland, as depository of the convention, convene a meeting of the High Contracting Parties "relative to the Protection of Civilian Persons in Time of War ... to ensure respect by Israel, the occupying Power, of the Convention" (A/RES/ES-10/4). After repeated delays, the conference convened in July – for seventeen minutes. In October 2000, the General Assembly raised the issue against the backdrop of the second intifada; a conference was held in December 2001, again with minimal result, due to heavy U.S. pressure. Subsequent attempts have made even less headway. The Goldstone Report recommended a session of the High Contracting Parties; consultations were held but came to nothing owing to the lack of a "cross-regional critical mass in support" (A/HRC/18/50); a Swiss official said senior U.S. officials had intervened. In mid-January 2012, the UN non-aligned bloc, on behalf of Palestine, asked the Swiss to convene a group of "friends" to facilitate a conference. The Swiss have not yet acted. A Swiss official commented: "It's safer for Palestinians to come to us than go to the UN. When they ask us, we need to take the request seriously and discharge our function. That way we take the heat from the U.S., not them". The U.S. once again reacted very negatively. Crisis Group interviews, Paris, January 2012 and Washington DC, April 2012.

¹⁶² *Maan*, 30 April 2012.

¹⁶³ After a Palestinian proposal for a Security Council mission failed in the Security Council, Ramallah moved its initiative to the friendlier Human Rights Council. The UNHRC mission was approved on 22 March 2012, *Haaretz*, 22 March 2012, although the U.S. reportedly was pressing for its postponement. *Haaretz*, 2 May 2010. Israel announced it would not cooperate with it. Netanyahu said, "this is a hypocritical council with an automatic majority against Israel. This council ought to be ashamed of itself". Arutz Sheva, israelnationalnews.com, 23 March 2012. Foreign Minister Liebermann called the move "diplomatic terrorism". *The Jerusalem Post*, 24 March 2012.

Palestinians would “change the face of the Middle East” if there was no political progress,¹⁶⁴ and a senior Palestinian official threatened to take measures at the UN that would “make Jews sweat” by the end of the month;¹⁶⁵ on 3 January, Abbas said that were the Amman talks to fail, he would take “hard measures” that would put Israel under “a real international siege”;¹⁶⁶ in late February, he announced he would make a “dramatic announcement” within ten days, since the peace process had failed.¹⁶⁷ Given the abundant delays and evident hesitation to move forward, a Palestinian diplomat offered a more sober and realistic assessment when he said, “we have taken the decision to internationalise the conflict. That is firm. As for the timing, that remains to be decided”.¹⁶⁸

At issue in the stalling of Ramallah’s international efforts is not only risk-intolerance, but also divergence of opinion over what could – under slightly different circumstances – be achieved at the negotiating table. For some in the leadership, under any foreseeable scenario the answer is nothing, chiefly because the Israeli government is not a partner, nor can the U.S. be an effective mediator, whether under Obama or another president. Nor can Abbas relish the prospect of entering talks – even if he thought they could produce something – in light of the regional ferment that has displaced rulers taking accommodating positions toward the U.S. and Israel.¹⁶⁹ From this, proponents of more forceful action conclude, Palestinians need to make a strong push in international organisations, “including trying to stop settlements through the ICC”. Negotiations, this argument runs, should only resume after the balance of diplomatic force is recalibrated, and that can only happen after a “bloody” international campaign.¹⁷⁰

Others have not reached that conclusion. Their initial hope was that statehood, or the application for it, would be a path to resuming negotiations, not an alternative. Going to the UN was a means of gaining renewed attention, of sounding a warning to the U.S. and others.¹⁷¹ As an Abbas adviser said in November, “getting statehood out of the whole UN saga wasn’t the point. The point was to ring a bell, to call the attention of the world. Why did we go to the Security Council? Because we want serious talks”.¹⁷² The gambit failed, yet that need not imply entirely shifting course and taking steps (such as going to the Assembly) that, in Abbas’s view, might negate the possibility of talks in the foreseeable future.¹⁷³ Some top officials believe they should not do anything rash before November, when they hope Obama will win re-election and launch a new diplomatic offensive. He may have sorely disappointed Abbas, a PLO Executive Committee member said, “but what other horse does he have to bet on?”¹⁷⁴ The problem, a Palestinian diplomat concluded, is that neither position has traction. “And so we drift”.¹⁷⁵

C. RECONCILIATION

The third track along which Abbas has worked is reconciliation with Hamas,¹⁷⁶ which has cycled through many ups and downs since the two movements signed Egypt’s reconciliation document in Cairo on 4 May 2011. The agreement quickly was frozen; publicly, that was attributed to the inability to agree on a prime minister, though as detailed by Crisis Group,¹⁷⁷ both parties were content to postpone implementation, as Abbas and Fatah focused on their bid for UN membership and Hamas on the evolution of the Arab Spring. But as Abbas’s diplomatic options narrowed with the stalling of his international gambit, and Hamas politburo head Khaled Meshal’s political horizon expanded as the Islamists consolidated their power around the region, the two leaders increasingly came to regard the other as an important ally in realising their own personal interests as well as those of their respective movements as they perceive them.

¹⁶⁴ Agence France-Presse, 3 November 2011.

¹⁶⁵ Crisis Group interview, Ramallah, November 2011.

¹⁶⁶ *Haaretz*, 3 January 2012.

¹⁶⁷ *Haaretz*, 28 February 2012.

¹⁶⁸ Crisis Group interview, Ramallah, March 2012.

¹⁶⁹ A U.S. official commented that Abbas had inquired into the activities of the National Democratic Institute and the International Republican Institute, two organisations Egypt’s military authorities accused of seeking to interfere in domestic politics. According to him, “Abbas asked, ‘What are these NGOs doing here? Are they trying to overthrow me?’” Crisis Group interview, Washington DC, March 2012. A presidential adviser expressed similar concern: “My worry is that NGOs can be easily used against the PA, rather than against Israel. They talk a lot about human rights in the PA, less about occupation”. Crisis Group interview, Ramallah, April 2012. A senior PLO official said that Abbas “believes that the Arab Spring is bad for Palestine and for the region”. Crisis Group interview, Ramallah, November 2011.

¹⁷⁰ Crisis Group interview, Palestinian diplomat, Ramallah, March 2012. He added: “This will be a bloody battle, and we need to be prepared for losses”.

¹⁷¹ A Fatah leader said the strongest indication Abbas does not want to act more assertively is that he has not done so already. “He started off with the Kabuki theatre at the Security Council, then he let six months go by while we lost the momentum and squandered all the European support we had. What more proof do you need?” Crisis Group interview, Ramallah, March 2012.

¹⁷² Crisis Group interview, Ramallah, November 2011

¹⁷³ In the words of a U.S. official, Abbas sees the General Assembly as “a poisoned chalice that could blow up everything”. Crisis Group interview, Washington DC, November 2011.

¹⁷⁴ Crisis Group interview, Ramallah, February 2012.

¹⁷⁵ Crisis Group interview, Ramallah, March 2012.

¹⁷⁶ A subsequent Crisis Group report will treat the issue of reconciliation in greater detail.

¹⁷⁷ Crisis Group Report, *Palestinian Reconciliation*, op. cit.

The change began in May – with Meshal’s conciliatory speech at the signing ceremony¹⁷⁸ – but it was only in November that his positive chemistry with Abbas materialised. The two met privately for two hours and reportedly agreed to a set of understandings. These included agreement that the goal was a Palestinian state on the 1967 borders; an unspecified period of time for Abbas to negotiate toward that end, subject to achieving his two cardinal demands (a settlement freeze and acceptable terms of reference); a commitment to popular resistance; a cease-fire in the West Bank and Gaza; as well as a commitment to hold elections in May 2012 and to convene, with Hamas and Islamic Jihad participation, the first meeting of the temporary committee of the PLO in December 2011.

There is considerable debate among Palestinians and outsiders as to the significance of these understandings. Some Egyptian officials went so far as to argue – albeit not very convincingly – that these points brought Hamas in line with the Quartet’s conditions.¹⁷⁹ Yet, even Hamas officials were quick to downplay their importance. On virtually all issues save popular resistance and the cease-fire, Hamas insisted that they amounted to little more than reaffirmation of what Meshal had declared in May 2011¹⁸⁰ – or

even earlier.¹⁸¹ Even on these two matters, several Islamist movement leaders were quick to minimise the extent of Hamas’s moves.¹⁸²

In February 2012, Meshal went further in demonstrating flexibility, agreeing in Doha that Abbas would serve as prime minister of a reconciliation government tasked narrowly with preparing for elections (and starting to rebuild Gaza), thereby apparently resolving the longstanding controversy over who would fill the sensitive post.¹⁸³

December 2011. Deputy Politburo Head Mousa Abu Marzouk reinforced this sense, when he said Hamas would not necessarily abide by an agreement concluded by Fatah if it subsequently came to power. Recalling that Netanyahu, when elected prime minister in 1996, adopted a different attitude toward the Oslo Agreement than his predecessor Yitzhak Rabin, he said a treaty would not necessarily be binding. *The Forward*, www.forward.com/articles/155054/hamas-wouldn-t-honor-a-treaty-top-leader-says/.

¹⁸¹ The 2006 National Conciliation document, signed by all factions except Islamic Jihad, affirmed: “The Palestinian people in the homeland and in the Diaspora seek and struggle to liberate their land and remove the settlements and evacuate the settlers and remove the apartheid and annexation and separation wall and to achieve their right to freedom, return and independence and to exercise their right to self-determination, including the right to establish their independent state with al-Quds al-Shareef [Holy Jerusalem] as its capital on all territories occupied in 1967”, www.mideastweb.org/prisoners_letter.htm.

¹⁸² A senior Hamas leader close to Meshal clarified: “We did not agree that popular resistance would be an alternative to armed resistance. Armed resistance is a right of every nation under occupation. Hamas still holds to this option. But we recognise that we as Palestinian factions have our differences in dealing with armed resistance. Everyone has his own position. What is new in Cairo is that we have agreed upon finding the common ground between us all. Everyone agrees to popular resistance”. Crisis Group interview, Cairo, November 2011. Another senior leader did not see the novelty in this position: “We agreed on popular resistance in the [2006] National Conciliation document”. Crisis Group interview, Cairo, 25 November 2011. (Article three of the document upholds “the right of the Palestinian people to resist and to uphold the option of resistance of occupation by various means and focusing resistance in territories occupied in 1967 in tandem with political action, negotiations and diplomacy whereby there is broad participation from all sectors in the popular resistance”.) A senior Hamas leader in Gaza explicitly discounted a cease-fire: “There is no cease-fire. We succeeded in pushing Israel outside of Gaza. It is now time to do the same in the West Bank. Then we can talk about a truce. But as for now, if there is any chance for resistance in the West Bank, we cannot stop it because the situation there remains abnormal”. Crisis Group interview, Gaza City, January 2012.

¹⁸³ In Doha, the two leaders agreed to continue reforming the PLO (the temporary committee tasked with reform had held a single meeting in December); forming a government of technocrats, led by Abbas, to prepare for legislative and presidential

¹⁷⁸ On this speech, see *ibid.*

¹⁷⁹ Crisis Group interview, Egyptian intelligence official, Cairo, November 2012. The U.S. rejected that interpretation. Crisis Group interview, U.S. official, Washington DC, November 2011.

¹⁸⁰ Some Hamas leaders, particularly in Gaza, denied that the movement’s positions had changed. On the negotiations, senior Gaza Hamas leaders did not dispute that Meshal had given Abbas substantial leeway, but they took pains to distinguish recent developments from the formal mandate to negotiate with Israel on the Palestinians’ behalf that Hamas extended to Abbas in the June 2006 National Conciliation Document, which was renewed in the February 2007 Mecca Agreement. A senior Gaza leader commented: “The Mecca Agreement [which entailed “respect” for PLO agreements, including those guiding negotiations] is finished. The [May 2011] Egyptian agreement is now the relevant document. Whereas the Mecca Agreement referred to past agreements and deputised Abu Mazen to negotiate, the Egyptian document by contrast is purely technical and focuses on setting up a government. It does not have a political component like the Mecca Agreement”. Crisis Group interview, Gaza City, January 2012. Already, in May 2011, Meshal had said that Hamas would give peace an “additional chance”: “We have given peace, from Madrid to now, twenty years. I say: We are ready to agree as Palestinians, in the arms of the Arabs and with their support, to give an additional chance for agreement on how to manage it”. Video at www.youtube.com/watch?v=k6zFDivGgCs. As for agreement to the 1967 borders, which Hamas leaders had mentioned for some time, an Israeli defence official pointed out: “Hamas’s ‘acceptance’ of the goal of a Palestinian state within 1967 borders is very problematic because it does not come in the context of finality of claims and end of conflict. It comes, rather in the context of a *hudna* [truce]”, which could be temporary. Crisis Group interview, Tel Aviv,

These developments were occurring amid profound regional changes that, for different reasons, pushed the rivals toward each other. From Fatah's perspective, these initially appeared to have redounded largely to Hamas's benefit. In Tunisia and Egypt, friendly regimes were toppled, and Islamists triumphed in parliamentary elections. In response, the U.S. administration broke with years of tradition, openly reaching out to the Islamist parties, a step many in Fatah read as a strategic shift that could only portend a similar course correction toward Hamas.¹⁸⁴ Hence many in the movement concluded that they needed to act quickly and mend fences with its rival before Fatah's standing further weakened.¹⁸⁵ Diplomatic considerations also arguably were at play: if Palestinians were to renew their UN push, a unified leadership could head off the objection that the PA does not control a portion of the putative state's territory.¹⁸⁶ In addition, Abbas almost certainly had his legacy in mind. The West Bank and Gaza split on his watch; it is important for him to repair this breach while still in office.¹⁸⁷

From Hamas's standpoint, regional considerations played out differently, though here too it pushed some of its

elections and to begin rebuilding Gaza; advancing the work of the so-called Freedoms Committee to ease the situation of Hamas in the West Bank and Fatah in Gaza; and implementing what had been agreed previously in Cairo pertaining to the activities of the Central Election Committee, which Hamas had blocked in Gaza. *Al-Ayyam*, 7 February 2012.

¹⁸⁴ In November, a senior PLO official said, "the region is changing. Islamists are on the rise, the U.S. is preparing to deal with them, and they no longer are the demons of the past. They are ready to play. Any secular democrat would not add one word to [Tunisian An-Nahda Party head Rachid] Ghannouchi's speech [after his election victory]: rights of women should be respected; the constitution should be democratic, civil, and, some [Islamists] even said, secular. They might be engaging in demagoguery, but they should be given a chance. Let us see". Crisis Group interview, Ramallah, November 2012.

¹⁸⁵ Crisis Group interview, Fatah member of the Palestinian Legislative Council, Ramallah, January 2011.

¹⁸⁶ The report of the Security Council's Committee on Admission of New Members noted: "Questions were raised, however, regarding Palestine's control over its territory, in view of the fact that Hamas was the de facto authority in the Gaza Strip"; "It was stated that Hamas was in control of 40 per cent of the population of Palestine; therefore the Palestinian Authority could not be considered to have effective government control over the claimed territory"; "Questions were raised as to whether Palestine was indeed a peace-loving state, since Hamas refused to renounce terrorism and violence, and had the stated goal of destroying Israel", op. cit. That said, it is unclear whether states that voiced such objections would support the admission of Palestine to the UN even were the territorial division resolved.

¹⁸⁷ An Egyptian official said, "Abu Mazen is planning to publish his memoirs one day. When he writes in his diary every night, he is writing the final chapter". Crisis Group interview, Ramallah, 4 January 2012.

leaders toward reconciliation. The movement recently had played one of its biggest trump cards, the prisoner exchange, thereby boosting its status. Regional elections had yielded larger Islamist victories than anticipated, persuading Hamas that it enjoyed the upper hand over its Palestinian rival after having been thrown slightly off balance by Abbas's UN address.¹⁸⁸ At the same time, however, the Arab upheavals have not been unambiguously positive for Hamas. The victories of parties linked with its parent organisation, the Muslim Brotherhood, were accompanied by the loss of its Syrian base, with the entire senior leadership having departed Damascus. In this light, the allure of normalising its regional status and shifting its centre of gravity toward Cairo, Doha and other capitals became even stronger. These changes prompted some Hamas leaders to move toward national unity, which arguably would facilitate that trend.

Not all Hamas officials agreed, and a highly unusual public spat within the movement soon erupted, illustrating the degree of internal opposition to Meshal's deal. In part, it reflected objections to Abbas becoming prime minister – a move Hamas lawmakers argued would be illegal;¹⁸⁹ in part, it reflected frustration with Meshal's failure to consult widely about the move. The debate is, to an extent, a product of personal rivalries and geographic interests – notably, the Gaza leadership versus its outside counterpart. These both fuelled and were fuelled by a deeper debate over movement strategy.

For Meshal and a limited number of leaders around him, the Arab upheaval and especially the Muslim Brotherhood's ascent seem to offer a golden opportunity for Hamas to join both the national political system (by integrating into the Palestine Liberation Organisation, PLO) and the regional (as well as, in due course, wider international) order. Under this view, riding the Egyptian Brotherhood's coattails and achieving those goals are well worth concessions to Abbas and even ending monopoly Islamist

¹⁸⁸ A Hamas official claimed that Abbas's "bets on the U.S., Europe, and the Arabs have failed. The face of the region has changed, and his UN plan is dead. Even Abu Mazen has lost hope in negotiations. He knows that his only hope is to fortify the internal Palestinian front to face the challenges jointly with all Palestinians". Crisis Group interview, Cairo, November 2011.

¹⁸⁹ The PLC Legal Department in Gaza, dominated by Hamas, concluded that combining the positions of prime minister and president is "inconsistent with the constitution as well as a violation of the 2003 constitutional amendment", because the 2003 amendment changed the Palestinian political order from an "absolute presidential system to a quasi-parliamentary system"; the post of the prime minister is structurally and functionally independent from that of the president; combining the two positions would provoke "constitutional dilemmas", www.plc.ps/ar/news_details.aspx?id=830.

rule over Gaza.¹⁹⁰ But to Meshal's opponents, it makes little sense to compromise when the movement is advancing and further gains lie ahead. As they see it, the benefits Meshal hopes to achieve in the short run by concessions eventually will be secured, cost-free, as Islamists continue to gain throughout the Arab world. They – and particularly those who govern Gaza – see significant downsides in compromising for the sake of unity: it could strengthen Abbas; cost control over Gaza; undermine the movement's support among more militant rank and file; and contribute to blurring distinctions from Fatah.¹⁹¹

As a result of these internal differences, implementation was put on hold, and the confrontational tone between the movements again escalated.¹⁹² Fatah accused Hamas of serving Iranian interests,¹⁹³ while Hamas alleged that the PA, in cooperation with Egypt, was blackmailing Gaza with a fuel crisis:¹⁹⁴ unless Gaza agreed to channel fuel through Israel (as opposed to smuggling it under the Egypt-Gaza border), thereby allowing it to be taxed by Israel and Ramallah (which, Hamas surmised, would use the proceeds to help cover its budget deficit), Gaza could expect shortages. Indeed, the animosity ran so deep that Hamas officials accused Ramallah of attempting to topple their rule in the Strip.¹⁹⁵

For Fatah and the Ramallah-based PA, the setbacks were not entirely unwelcome. Reconciliation could carry clear costs, potentially provoking a painful reduction in U.S. funding and a halt to Israel's transfer of tax clearance revenues. Israel also could make life far more difficult for the PA in the West Bank, by, for instance, further encumbering the movement of people and goods.¹⁹⁶ Worse, Abbas and Fatah might wind up suffering these negative consequences without the full benefits of reconciliation – for instance, if a new government were formed but elections did not occur, owing either to factional disagreements or Israeli obstruction.¹⁹⁷ In this sense, internal divisions within Hamas arguably spared Abbas (for now) from having to make a clear-cut decision with potentially fateful implications for the PA's future.

D. WILD CARDS?

Amid the UN bid and reconciliation back and forth lies the possibility that Abbas, nearing the end of his career and feeling his political project of a negotiated peace with Israel slipping away, might either retire or take steps to

¹⁹⁰ Crisis Group interviews, senior Hamas leaders, Cairo, November and December 2011.

¹⁹¹ Crisis Group interview, senior Hamas leader, Cairo, January 2012.

¹⁹² In late March, a Hamas senior leader, Khalil Hayya, described a plot by PA, Egyptian, Jordanian, U.S. and Israeli intelligence services to use the fuel crisis to topple the Hamas government. Crisis Group observations, Gaza City, March 2012. Hamas produced a document – of dubious provenance – that it claimed was a transcript of a meeting between these intelligence services. Copy on file with Crisis Group.

¹⁹³ "Azzam al-Ahmad: The Doha Declaration is frozen", *Al-Quds*, 20 March 2012.

¹⁹⁴ Gaza had relied on subsidised fuel from Egypt, importing it through tunnels under the Rafah border. When Egypt experienced its own fuel crisis several months ago, it severely restricted fuel entering Sinai and specifically blocked fuel for Gaza by removing it from trucks entering the Strip. Cairo demanded that Gaza resume importing fuel via Israel. The Gaza government, preferring subsidised fuel as well as independence from Israel and the PA – not to mention avoiding paying either entity taxes – initially refused. Crisis Group interviews, Egypt, Gaza officials, Cairo, Gaza City, February-April 2012.

¹⁹⁵ In arguing that the fuel crisis was driven in part by Egyptian and PA collusion to help solve Ramallah's financial crisis, Hamas mentioned Cairo's request that it provide years of accumulated invoices for Palestinian goods brought through Israeli crossings into Gaza. Israel taxes these goods and requires the PA to provide the invoices, which Hamas has been storing and refusing to give Ramallah, before it reimburses the PA for the amount taxed. Hamas officials say that when they offered to

provide invoices monthly (rather than all past invoices at once), in an amount equal to the monthly cost of fuel delivered to Gaza, Egypt refused. They claimed they saw no explanation other than the PA's desire to use Gaza's fuel shortage to solve its financial crisis. Crisis Group interviews, Hamas officials, Gaza City, March 2012. In early April, the PA and Hamas announced a deal in which the latter agreed to receive fuel through Israel. The Gaza government gave the PA 22m NIS (nearly \$6 million). In addition, according to a Hamas official, after much haggling, the parties agreed the PA would finance projects in Gaza of equal value to the amount it received in invoices on goods brought into Gaza through Israel. Crisis Group interview, Hamas official, Gaza City, 12 April 2012.

¹⁹⁶ "This does not have to be explicit policy. All we have to do is slow passage of commodities at the border crossing to Jordan so it takes a few more days. Agricultural produce will rot. Such messages pass under the radar of the international community, but the Palestinians quickly understand them". Crisis Group interview, Israeli foreign ministry official, October 2011.

¹⁹⁷ Israel could bar elections in East Jerusalem, without which Palestinians have vowed they would not proceed. A senior Palestinian official contended Abbas's statement, days after the agreement, that he does not intend to hold elections without East Jerusalem, indicated they will not be soon. *The Jerusalem Post*, 13 February 2012. "He had just signed an agreement, elections were months away, and he already starts giving reasons why the agreement would not be carried out. This is not what you say when you intend to make an agreement work". Crisis Group interview, senior PA official Ramallah, March 2012. Not that elections necessarily would be a panacea for Fatah. Abbas has vowed not to stand for president, leaving Fatah a difficult, likely divisive choice on a successor. Even if he were to stand, there is no certainty Fatah would win a legislative majority.

dismantle the PA.¹⁹⁸ Since he first hinted at his possible resignation in the wake of the Goldstone controversy, it frequently has been on officials' lips.¹⁹⁹ Most who know Abbas stress that he is tired and would like to retire; he has spoken openly of his desire to leave.²⁰⁰ Egypt has taken the threat seriously enough to send a delegation to make clear to him that Cairo did not wish to "be surprised" and asking that he coordinate any such move with it in advance.²⁰¹ A U.S. official speculated that Abbas was in the process of exhausting all options one by one – negotiations, the UN and reconciliation: "Having established that he had tried as best he could and failed for reasons independent of his control, he could then gracefully exit the stage".²⁰²

Those trying to sort empty threats from real possibilities have cited personal indications (such as his recent purchase of a villa in Amman and transferring his bank accounts),²⁰³ though other, arguably more important ones – such as naming a deputy who could inherit his mantle – have yet to materialise. Also featuring strongly among Abbas's considerations is the need to leave behind a stable, functioning political system – a wish for which there currently is no mechanism. But none of these should be seen as definitive signs that the president will remain in office. Abbas is famously thin-skinned and repeatedly has said he would resign if his people made clear that they do not want him – a sentiment he purports to feel all the more strongly in the context of the Arab Spring.²⁰⁴

¹⁹⁸ Mustafa Barghouti, leader of the Palestinian National Initiative (Al-Mubadara), said retirement is "more than a bluff. He is 76. He feels betrayed. Even so, I don't think he meant he would literally hand back the keys to Israel. He meant: 'Don't black-mail me. I'm ready to go to the end'". Crisis Group interview, Ramallah, 29 September 2011.

¹⁹⁹ After controversy erupted over the postponing of the Goldstone Report, Abbas said he would not run again and would take further decisions – widely understood to imply leaving – as necessary. See, for instance, "Abbas to Obama: I'll quit, there's no chance for peace with Netanyahu". *Haaretz*, 26 October 2009. He has maintained this line: "I will not run in [the next elections] and I don't like [having to] repeat these words", *Al-Ayyam*, 8 February 2012.

²⁰⁰ Crisis Group interview, senior Fatah official, Ramallah, November 2011.

²⁰¹ Crisis Group interview, Egyptian official, Jerusalem, October 2010 and September 2011.

²⁰² Crisis Group interview, Washington DC, December 2011.

²⁰³ Crisis Group interview, former negotiator, Jerusalem, November 2011.

²⁰⁴ This is what happened in 2003, when he resigned as prime minister after a demonstration outside his office (reportedly organised by Arafat) demanded he go. Talk of voluntary departure has diminished. Fatah cadres now are more prone to talk of political "assassination", meaning that by seeking to discredit him and withholding revenues, Israel trying to isolate the PA and

A separate if somewhat related issue concerns the fate of the PA, whose dismantling officials have periodically threatened. This likely would give rise to messy, unpredictable, even dangerous consequences, including security challenges for Israel and loss of a pillar of regional strategies in which the U.S. and EU have invested substantial money and effort. Abbas first publicly presented the option of dissolving the PA at the November 2010 Arab League meeting in Sirte – though last on his list of options. Since then, the threat has been regularly invoked as a last resort. As disappointment in Obama grew, senior leaders spoke openly of the futility of maintaining the PA, which, one argued, was founded in 1994 as a five-year transitional body but has morphed into an open-ended feature – no longer an instrument leading to an independent state but rather the enabler of the status quo.²⁰⁵

Abbas repeatedly raised the idea in New York where, according to a member of his delegation, he told interlocutors, including Obama, that "if all paths are closed, we are not prepared to continue with the Authority if the Authority is only a substitute for military occupation". When Obama responded that this was "dangerous talk", Abbas reportedly replied that there was no need to see it in such terms, as he would be happy to discuss "a peaceful transition of authority to Israel".²⁰⁶ In the weeks following Abbas's General Assembly speech, the idea was mooted within Ramallah's political circles;²⁰⁷ the president even dispatched Fatah Central Committee member Hussein al-Sheikh to discuss with Israeli officials transferring the health and education services. But other officials have made clear that while PA functions might be altered, ending security cooperation with Israel was out of the question.²⁰⁸

Such talk prompted a public and political backlash. Many among Palestinian elites – their belief that the PA furnishes considerable benefits to Israel notwithstanding – consider the Palestinian Authority a strategic achievement more

consigning Abbas to "the same fate as Arafat". Crisis Group interview, Fatah leaders, Ramallah, November-December 2011.

²⁰⁵ Crisis Group interview, senior PLO official, November 2011.

²⁰⁶ Crisis Group interview, Ramallah, September 2011.

²⁰⁷ A member of Abbas's New York delegation said, "honestly there is not much support for this among the political class, and I have no idea if the president really believes what he is saying. But I do think the president is convinced that his career should end with a dramatic achievement. He does not want people to say that he sacrificed the cause of Palestine for the sake of the Authority. He has been accused of doing this, and dissolving the Authority would be a way for him to demonstrate that he's a patriot". Crisis Group interview, Ramallah, September 2011.

²⁰⁸ A PLO negotiator said he could not imagine a PA that did not cooperate on security with Israel: "We have no choice". Crisis Group interview, Ramallah, November 2011.

than a burden.²⁰⁹ They questioned why their leaders would give up control of health and education – from which Palestinians benefit – while maintaining security coordination, from which Israel profits;²¹⁰ as for ordinary Palestinians, they worried about salaries and social payments.²¹¹ A senior PA official said:

Thinking and talking this way about the PA is offensive and submissive. It implies we are for hire, that we work for the Israelis, as if the PA is a toy or a gift, and now we will move on to the next toy. The PA someday will be dissolved – into a Palestinian state. Talk of dissolving it now is like screaming fire in a theatre: nobody will get burned, but some people might get trampled.²¹²

In the face of public opposition, the leadership repeatedly contradicted itself.²¹³ It also sought to step not back but sideways, arguing alternatively that the PA should continue to exist but that its functions should change²¹⁴ and

that it might not be intentionally dissolved but could collapse under the weight of hostile Israeli actions. Abbas himself explicitly retracted the threat to do away with the PA in an early November speech,²¹⁵ partly a result of the negative reactions it had caused among both the Palestinian public and the international community and partly because the original intention seems to have been essentially to signal desperation rather than a concrete move. A presidential adviser acknowledged that the goal was not to “hand the keys to Netanyahu or to an international trusteeship but rather to say that we cannot go back to business as usual. The idea is we are fed up”.²¹⁶

Still, with political horizons closed and talk of radical options one of the Palestinians’ few forms of leverage, the idea periodically surfaces.²¹⁷ Since the early days of the second intifada, certain intellectuals have advocated dissolving the PA, which many have come to see as “one big municipality” – as opposed to the government of an emerging state – that functions as a “subcontractor of the occupation”.²¹⁸ Proponents believe this could force Israel to bear the full costs of occupation, without financial assistance from the international community or security assistance from Palestinian forces, and pierce the veil of a fictitious peace process.²¹⁹ Opponents argue just as vigorously

²⁰⁹ Fatah Central Committee member Nabil Shaath said the leadership had no intention of disbanding the PA. *Al-Quds al-Arabi*, 27 October 2011. Another member said, “I am totally against dissolving the PA. The PA is not a gift to anybody. It is the fruits of our struggle since 1965. And the fruits of peace”. An Abbas adviser echoed this: “It is a historical gain for us. We sacrificed thousands of martyrs to establish it. We have created a mini-state – an army, elections, institutions, and many things”. Crisis Group interviews, Ramallah, November 2011.

²¹⁰ Donors contributed \$983 million to the PA in 2011. See, “Stagnation or Revival? Palestinian Economic Prospects”, World Bank. At least some of that funding could continue, in different channels, even if the PA were to be dissolved or collapse.

²¹¹ Various social payments are officially lumped together under the label “transfers”. Exactly what they consist of is not known, but they include pensions and social support to the poor, as well as education and municipal grants. Salaries and transfers together amount to 80 per cent of PA expenditures, some 10 billion NIS (\$2.8 billion), *ibid*.

²¹² Crisis Group interview, Ramallah, November 2011.

²¹³ For instance, PLO Chief Negotiator Saeb Erekat – who in New York had broached dismantling the PA – said on 21 October, “the Palestinian Authority is the fruit of the Palestinian people’s struggle, and no one can talk about its disbandment”. *Al-Quds al-arabi*, 21 October 2011. Less than a week later, Abbas raised the threat of dissolution again, pledging to discuss the issue in November with Hamas politburo chief Khaled Meshal: “The Authority is not an authority”, Abbas said. “People and Palestinian institutions are asking me about the benefits of [its] continuation”. “Abbas says to discuss PA fate with Hamas”, Reuters, 27 October 2011. This in turn was followed by a denial by Fatah Central Committee member Mahmoud Aloul that Abbas was considering dismantlement. “Fatah official: Abbas won’t dismantle PA”, *Maan*, 28 October 2011.

²¹⁴ “The PA was created to lead from occupation to independence. Now Israel is depriving the PA of functions in the legal, political, and judicial domains. Security – just security – that’s all they want from us. We need to figure how to change the

form and function of the PA, how to turn it back into something transitional”. Crisis Group interview, PLO negotiator, Ramallah, November 2011.

²¹⁵ In Tunis, Abbas said dissolution of the PA was not “at all” on the table. *Al-Ayyam*, 12 November 2011.

²¹⁶ Crisis Group interview, Ramallah, September 2011.

²¹⁷ It was rumoured that the “mother of all letters” would threaten to dissolve the PA. It did not. See above and *Al-Ayyam*, 14 March 2012 and *Haaretz*, 29 March 2012. More recently, some Fatah cadres have introduced the idea of stopping security coordination, which could well lead to unravelling of the authority. Crisis Group interviews, Fatah leaders, Ramallah, March 2012. That too has been denied by the senior leadership. Crisis Group interview, Abbas adviser, Ramallah, March 2012. Abbas himself commented: “This is nonsense. When we have security, this serves our interests. Security coordination is not being done unilaterally and also applies to the Palestinian territories. We want to sustain this security coordination to uphold the security of the Palestinian citizens. Consequently, all that is being said in this regard is in my opinion a cheap bid [to score political points]”. *Al-Ayyam*, 16 April 2012.

²¹⁸ Crisis Group interview, civil society leader, Ramallah, September 2011.

²¹⁹ A PLO negotiator expressed the assumption of many when he said, “most PA workers are teachers and hospital workers. Until 1993 they were paid by Israel. Israel can pay them again. Israel will have to. They have no other choice. They are the occupying authority”. Crisis Group interview, PLO negotiator, Ramallah, November 2011. A former Israeli negotiator took issue with that: “I think that we would have a receptive audience in the international community if one day the Palestinians decided they didn’t want to run health and education, and we

that such talk – whether of dissolving the PA or reforming its functions – “is an act of submissiveness. We should strengthen the PA, project confidence and inspire hope. Talk has unintended consequences. You keep talking about giving back the keys, and you will find yourself weakening the PA”.²²⁰

With the leadership retreating from the idea of dissolving the Authority as often as it advances it, the more likely outcome could well be its progressive weakening – possibly to the point of collapse – due to financial insolvency and political hopelessness. As a Fatah leader put it, the “pacifiers” that the PA had been using to gain time have all been exhausted and no longer carry weight.²²¹ An Abbas adviser said:

To be frank, there are grounds for talking about the collapse of the Authority. I am afraid we are losing legitimacy, because we have no answer for our people about where we are going. We have no narrative anymore. This is the most difficult moment in Palestinian history since 1948. After 1967 we recovered. After being kicked out of Beirut in 1982 as well. But now, Fatah has in effect declared bankruptcy; Hamas has as well. I don't have the answer. Hamas doesn't have the answer. Not just the government but the entire Palestinian national movement is in a critical situation, with no answers.²²²

said, ‘no, that’s your responsibility’”. Crisis Group interview, Jerusalem, November 2011. Of the suggestion by al-Sheikh to transfer health and education responsibilities to Israel, the former negotiator said that Israel “ignored it”.

²²⁰ Crisis Group interview, senior PA official, Ramallah, March 2012.

²²¹ “Negotiations have long since been disregarded. Then the cynics about the UN bid were proven right. Then serious hopes were raised about reconciliation and dashed. Who is going to believe now that reconciliation stands a chance, that we should be given time to figure it out, after the way it crashed and burned? In the past we have often taken the long view and said just wait until such-and-such happens. What are we waiting for now?” Crisis Group interview, Fatah leader, Ramallah, March 2012.

²²² Crisis Group interview, Ramallah, November 2011.

IV. FRAYING TIES BETWEEN ISRAEL AND THE PALESTINIAN AUTHORITY

The Palestinian UN bid reaffirmed Israel’s conviction it lacks a genuine peace partner.²²³ Many officials – notably around the prime minister – say this has been manifest at least since 2008, when Abbas – out of ideological rigidity or incapacity to sell a deal – refused Prime Minister Olmert’s offer.²²⁴ The Palestinian leader’s insistence on a complete settlement freeze and terms of reference Jerusalem finds unacceptable, at the same time as he pursued reconciliation with Hamas and UN membership, bolstered this sense. For many Israelis, the rhetoric he deployed at the General Assembly was of a piece with his aggressive and insensitive approach. His omission of a historical Jewish presence in the Holy Land²²⁵ was seen as symptomatic of a broader denial of Jewish connection to the land; his reference to “63 years of suffering of an ongoing Nakba [catastrophe]” was taken to imply he still focuses on the 1948 events rather than the occupation that began in 1967; and the manner in which he refused to endorse Israel as a Jewish state – lest it transform the conflict into a religious one²²⁶ – led a senior security official to comment:

²²³ “A partner? They don’t even want to talk to us. They think they can solve the problems in New York. The conflict is here!” Crisis Group interview, Israeli foreign ministry official, Jerusalem, 5 January 2012. Some officials go so far as to say that a resolution, for the foreseeable future, is impossible. Foreign Minister Lieberman commented: “Whoever says that in the coming years we can reach peace with the Palestinians is wrong and misleads others The key word in our relations with the Palestinians should be managing the conflict, and not solving it”. Al Jazeera, 26 December 2012. Deputy Prime Minister and Strategic Affairs Minister Moshe Yaalon advanced a similar perspective. *The Jerusalem Post*, 28 December 2012.

²²⁴ See Crisis Group Report, *Curb Your Enthusiasm*, op. cit., pp. 27-32.

²²⁵ “I come before you today from the Holy Land, the land of Palestine, the land of divine messages, ascension of the Prophet Muhammad (peace be upon him) and the birthplace of Jesus Christ (peace be upon him), to speak on behalf of the Palestinian people in the homeland and in the Diaspora, to say, after 63 years of suffering of the ongoing Nakba: Enough”. *Haaretz*, 23 September 2011. An Abbas aide involved in the preparation of the speech argued that the president did not intend to deny the Jewish connection to the Holy Land and that the omission was an oversight. Crisis Group interview, Ramallah, September 2011.

²²⁶ Referring to the demand that Palestinians recognise Israel as a Jewish state, Abbas said, “in addition, we now face the imposition of new conditions not previously raised, conditions that will transform the raging conflict in our inflamed region into a religious conflict and a threat to the future of a million and a half Christian and Muslim Palestinians, citizens of Israel, a matter which we reject and which is impossible for us to accept being dragged into”. *Haaretz*, 23 September 2011.

Netanyahu should have stood up in his own speech at the UN and said, in Arabic, *'Ihna shaab'*, 'We are a people'. The demand to recognise the Jewish character of the state has nothing to do with religion. Jews are a people and as such, we insist on our right to national self-determination.²²⁷

To a degree, the coalition's principal dividing line is not so much whether Abbas is a partner as how to deal with the growing belief he might not be. For some ministers and Knesset members – notably Foreign Minister Lieberman – he has become a burden,²²⁸ a leader more intent on securing his own legacy than an agreement for his people. Most officials, led by the defence ministry, believe that at a minimum, Abbas and Fayyad are needed to maintain relative calm and cooperative relations, especially given their strong objection to violence; their departure would damage Israeli interests.²²⁹ They have repeatedly called for empowering the Palestinian leadership via international aid and smooth transfer of tax clearance revenues, improving the West Bank economy and continuing security coordination.²³⁰ They favour continuing the peace pro-

cess, scepticism aside, if only because discarding it would severely weaken Abbas and empower more militant rivals. Many, particularly among the civil service, also argue that Israel's international isolation would increase as the political horizon recedes.²³¹

For this reason, most Israeli leaders and officials agree that ensuring the functioning of the PA is an Israeli interest.²³² Few believe the leadership in Ramallah will dismantle the PA.²³³ Jerusalem's policy conversation is a different one: the extent to which it can pressure Ramallah – for instance via suspending the transfer of tax clearance revenues – to abandon its steps on the international front without provoking the PA's demise. Motivated by the electoral benefit of appealing to hawkish constituencies, no small number of political figures have called for harsher measures – knowing full well that Netanyahu ultimately "will have to play the responsible adult".²³⁴

While Netanyahu seemingly shares some of the first camp's doubts about Abbas's intentions, so far he has followed the defence establishment's – and the international community's – view regarding the importance of keeping the PA alive and preserving at least a semblance of a negotiating process.²³⁵ His views about the importance of talks arguably have been strengthened by regional instability and in particular changes in Egypt that, he fears, could leave Israel more isolated. Indications are that he will pur-

²²⁷ Crisis Group interview, Tel Aviv, November 2011. There have been other such flashpoints in recent months. One was Abbas's late February speech at the International Conference to Defend and Protect Jerusalem in Doha. While the Palestinian president did not explicitly deny Jewish history in the city, his pointed failure to mention the Jewish presence (among his many references to the city's Muslim and Christian heritage) created that impression – particularly when combined with his accusation that Israel was trying to ethnically cleanse it, destroy the Al-Aqsa Mosque and rebuild a "so-called Temple". The speech in its original Arabic is at www.alzaytouna.net/permalink/10428.html; an English translation is at www.theisraelproject.org. In response, Netanyahu accused Abbas of "incitement". *Haaretz*, 26 February 2012. In addition, Israeli government officials sharply condemned Abbas for his meeting in Turkey with a prisoner – released and exiled in the deal for Israeli Staff Sergeant Gilad Shalit – convicted as an accessory to murder. *Ynet*, 21 December 2011.

²²⁸ When [Abbas] talks about quitting, it's not a threat, it's a blessing", Lieberman said. "I can only hope that he leaves soon. Anyone who replaces him will be better than he is". *The Jerusalem Post*, 23 October 2011.

²²⁹ "If Abbas steps down, there will be no successor, and Fayyad is closer to the end of his tenure than to the beginning". Crisis Group interview, senior defence official, Tel Aviv, November 2011.

²³⁰ *Ibid.* Brig. General Nitzan Alon, commander of the Judea and Samaria Division, said, "stability in the region includes the ability of the Palestinian Authority to pay its salaries Reducing the Palestinians' ability to pay decreases security. American aid is relevant to this issue". *The New York Times*, 11 October 2011. Concerned with Abbas's reduced stature after the Shalit deal, the IDF General Staff reportedly recommended gestures to bolster him, including releasing significant numbers of Fatah prisoners in the deal's second stage (when Israel was to choose 550 security prisoners to free); releasing additional prisoners

directly to Abbas after the last in the deal were freed; and redesignating parts of Area B in the northern West Bank to Area A. "IDF recommends freeing Fatah prisoners as gesture to Abbas", *Haaretz*, 24 October 2011.

²³¹ Crisis Group interview, defence official, Tel Aviv, December 2011. In a public talk, Tel Aviv, 6 November 2011, a former senior official said, "international support depends on a diplomatic process".

²³² Crisis Group interviews, Tel Aviv, Jerusalem, November 2011-April 2012. Lieberman's camp disagrees: "The Palestinians have to know that they can't scare us by threatening to disband the PA", said Danny Ayalon, his deputy at the foreign ministry. "If the PLO wants to quit, Israel will look for international or local forces to take charge of the PA, and if they can't find them and the PA collapses, that will not be the end of the world for Israel". *Maan*, 27 November 2011.

²³³ "Abbas has been crying wolf for so long, threatening to resign or to disband the PA, and he has never meant it. The Palestinians will not accept dissolving the entity that serves them. We should stop playing his game and seeking to mollify him by offering him gestures. The best thing we can do is ignore his threats. Then he'll understand". Crisis Group interview, Israeli official, December 2011.

²³⁴ Crisis Group interview, Likud political adviser, Jerusalem, March 2012.

²³⁵ A Netanyahu adviser said, "you pay in public opinion for not having talks. The press loves you when you go to talks. Look at Olmert. They were eating out of his hand". Crisis Group interview, Jerusalem, April 2012.

sue this strategy, although a change cannot be ruled out, depending on Palestinian actions in the international sphere and on reconciliation.²³⁶

These anxieties notwithstanding, for Netanyahu the current situation appears relatively comfortable: the absence of negotiations can be blamed on the Palestinians; the West Bank is quiet and security cooperation adequate; the Palestinian bid at the UN is frozen; and Hamas-Fatah reconciliation is, for the time being at least, on hold. International criticism remains sharp, but he and his allies largely see this as a fixed feature of the landscape, not something Israel could alleviate by different policies.²³⁷ The prime minister came under serious pressure to release Palestinian tax clearance revenues, but there is every reason to believe he favours such a decision anyway.²³⁸

The government's most pressing concerns are of a different nature. Internally, the country has been buffeted by social protests even as the downturn of European economies has spurred calls to rein in spending. In addition, it has been consumed by a wave of controversial legislative proposals emphasising its Jewish-national identity.²³⁹ Externally, Iran and its nuclear program top concerns, along with the rise of political Islam and the ramifications of the Arab upheaval for Israel's relationship with Egypt, Jordan, Syria and the rest of the region. Asked where the Palestinians rank on a list of Israeli concerns, a senior defence official quipped, "sixth on a list of five".²⁴⁰

²³⁶ Israel temporarily suspended tax transfers, and several officials claim the intention from the start was to renew them before the PA's situation reached a critical stage. Crisis Group interview, senior defence official, Jerusalem, November 2011.

²³⁷ Crisis Group interview, senior Israeli official, Jerusalem, September 2011.

²³⁸ Numerous international officials, including Americans, asked Israel to release the funds. U.S. Defence Secretary Leon Panetta declared: "Rather than undermining the Palestinian Authority, it is in Israel's interests to strengthen it by ... continuing to transfer Palestinian tax revenues and pursuing other avenues of cooperation". Remarks at the Saban Center, 2 December 2011. When asked in mid-November if the revenues would be released, a senior security official said, "this is just a shot over the bow". Crisis Group interview, Tel Aviv, November 2011.

²³⁹ See Crisis Group Report N°119, *Back to Basics: Israel's Arab Minority and the Israeli-Palestinian Conflict*, 14 March 2012, pp. 9-10.

²⁴⁰ Crisis Group interview, Tel Aviv, November 2011.

V. CONCLUSION

A. A COLLECTIVE ADDICTION

For some time already, the peace process hardly has been deserving of its name – not so much because it has failed to produce peace twenty years after its initiation; nor because it is a cover, as Palestinians often charge, for Israel to consolidate its occupation of the West Bank; nor, as Israeli officials often claim, because Palestinians are unwilling to make the necessary concessions to end the conflict. Rather, it is because even those most active in promoting it no longer truly believe that – in its current form at least – it will yield an agreement, regardless of whether talks resume now or later.²⁴¹ Their goal appears to be at once more modest and more cynical: to forestall other developments they consider undesirable. The peace process has become low-intensity management of the conflict masquerading as the only path to a solution.

There are understandable reasons for sticking with the current approach. To some extent, there remains hope of a breakthrough, however diminished over time; part of that hope rests on the notion of a reinvigorated and politically less constrained Obama after his putative re-election. What is more, the peace process, in spite of its failures – cynics would argue because of them – helps to maintain a status quo that is in many ways not uncomfortable for the region and the wider international community, including the U.S., Europe and the Arab states.

This is the case for Israel as well. Its economy is growing; it put an end to the second intifada; it has a partner in the PA on security matters; its peace movement is largely moribund; and the perceived imperative of national unity militates against steps that are sharply divisive, as any meaningful agreement (let alone its implementation) would be. The country's rightward tilt shows no sign of abating – not that left-wing governments have been any more successful in negotiating an agreement – and the government has deftly contained, though not eliminated, international pressure on the Palestinian front. The occupation poses, for the majority of Israelis, more of a long-term dilemma than an immediate danger, which dilutes the pressure to change course, regardless of who the Palestinian leader is or whether he is defined as a "partner" or not.

With the region growing less hospitable, Israel the object of international scrutiny and often opprobrium and the

²⁴¹ Reports periodically surface regarding the possible resumption of the Amman talks, based on Israel's partially meeting Abbas's demands – eg, an agreement that the final borders will be based on the 1967 lines, with swaps and an unspoken settlement freeze. Crisis Group interviews, U.S., Israeli and Palestinian officials, March-April 2012.

occupation inevitably causing friction or worse with the Palestinians, Jerusalem likely would prefer a deal that satisfies its core demands. Yet, few believe it is within reach; so, in the absence of a credible alternative, the status quo remains the best many Israelis believe they can hope for. A continuing process achieves important objectives: it deflects international criticism, demonstrates good-will and thus heads off the possibility of more costly forms of action – whether the Palestinians’ UN bid or, potentially, boycott and divestment campaigns

Palestinian officials are far more discomforted by the current reality but themselves would stand to lose much were the process launched in 1993 to end: the PA’s sustainability, which produces important economic and political benefits; the diplomatic attention and relative comfort the status quo provides to members of the Palestinian elite; as well as continued ties to the U.S. and others. For Fatah, loss of even the fiction of the peace process would mean loss of what increasingly has come to be viewed as its principal *raison d’être* (pursuit of a negotiated two-state settlement), and leave it highly vulnerable to rivals. In this sense, the peace process can be likened to an addiction that serves non-negligible needs, even if these seem at times far removed from its original intent.

But the principal reason, regularly cited by local, regional and international sponsors alike, is the belief that halting the current process without providing an alternative risks provoking violence. Under this view, jettisoning the only reed of hope, however thin, would create a vacuum and could unleash chaos.²⁴² As discussed, it could lead to the PA’s collapse, endanger Israeli-Palestinian security cooperation and provide succour to the most militant forces among Palestinians but also within the broader Arab world.

Yet this argument – to preserve the existing process for lack of an alternative and fear of a vacuum – is becoming more and more tenuous. It overestimates the process’ remaining credibility; assumes that Palestinians continue to believe it might end the Israeli occupation; and sees it as a substitute for a vacuum when in fact it increasingly is considered vacuous itself. In a sense, Palestinians already are living in the void the Quartet fears recognition of the bankruptcy of the current process would produce. In addition, maintaining the illusion that the current model may yet yield success is not cost-free. It further erodes the already damaged credibility of all principal actors, making the prospect of serious talks even more elusive.

For this same reason, trying to bolster Mahmoud Abbas through piecemeal concessions or confidence-building measures almost certainly is an exercise in futility: there

no longer is confidence to build. Equally questionable is the presumption of imminent violence in the absence of negotiations – which assumes both that Palestinians are held back by belief in the efficacy of talks and that they are incapable of making strategic calculations about which forms of resistance to employ and when. The argument that they will explode in reaction to the loss of something in which they do not believe is as tendentious as the claim that its continuation somehow will pacify them – as if they can be so easily duped or won over.

This is not to dismiss the utility of negotiations or of diplomacy; indeed, there can be no solution that ends the occupation and realises the two peoples’ aspirations in their absence even if unilateral measures might move the situation in that direction. Nor is it to dismiss the likelihood that this process will continue and even produce partial results, given the interests at stake. But with mounting evidence that the current paradigm, for reasons discussed both here and in past Crisis Groups reports,²⁴³ will not bring about the desired accord, taking a pause and constructing a new way forward makes sense. The diplomatic lull occasioned by the U.S. elections, EU financial crisis and Arab uprisings offers an opportunity to re-examine the core principles and pillars of the process that have existed for the past two decades – in the hope of creating a better one.

B. A DIFFERENT WAY FORWARD?

Frustration with the pursuit of a two-state solution typically has given rise to two types of response. Two analysts described the first:

The most common is to blame transient conditions or faulty execution. The implication is that there is no need to revisit fundamental assumptions about the goal itself: an essentially territorial deal that would split Historic Palestine into two states along the 1967 borders; divide Jerusalem according to demographic criteria; find a solution to the refugee issue through compensation and resettlement outside of Israel; end the historic conflict; and terminate all claims. What are needed are more optimal conditions, smarter implementation, and some luck.

The history of the peace process has been plagued, according to this account, by unfortunate circumstances: leaders too weak to strike a deal when they wished to or too obdurate to sign one when they could; one side ready for compromise when the other was not; divisions on the Palestinian side or dysfunctional governments

²⁴² Crisis Group interviews, U.S. official, Washington DC, December 2011-January 2012.

²⁴³ On the gaps that separate the two sides, see Crisis Group Middle East Report N°95, *Tipping Point? Palestinians and the Search for a New Strategy*, 26 April 2010.

on the Israeli one. Prime Minister Yitzhak Rabin's historic mission was ended by an assassin's bullet; Ariel Sharon's gradual acceptance of a viable Palestinian state was interrupted by a stroke; his successor's attempt to end the conflict was cut short by scandal.²⁴⁴

Today, under this logic, the problem stems from Netanyahu's excessively right-wing coalition, Abbas's insufficient authority, Palestinian divisions or Obama's inadequate execution. But, after eighteen years of trying under all manner of configurations – stronger and more pragmatic Palestinian leaders; more hardline or more moderate Israeli prime ministers; U.S. presidents who were more hands-on or more disengaged – one of two conclusions should appear inescapable: either the perfect alignment of the stars is unattainable, or the precise mix of leaders and circumstance is not the root of the problem. To expect that the right context will emerge is to allow experience to surrender to hope.

A corollary to this line of thinking is that what remains to be done is to tinker with the parameters of a two-state solution – those mooted at the 2000 Camp David summit; at the subsequent Taba talks; or in the series of unofficial efforts, most notably those that gave rise to the Geneva Accords in 2003 – so that both parties' essential needs finally can be met. Indeed, the notion that the outcome is well known has dominated the discourse, including Crisis Group's own.²⁴⁵ Yet, this assumption too appears based on a fallacy and is belied by two decades of fruitless experience.

On virtually all issues, gaps remain significant.²⁴⁶ Moreover, the notion that a deal could be struck if only like-minded "pragmatists" on both sides could marginalise their respective "extremists" – Islamists and diaspora on the one hand; the Jewish national-religious, ultra-orthodox, and various other elements of the Israeli Right on the other – misconstrues both Palestinian and Israeli political dynamics. It is no simple matter to distinguish putative radicals from ostensible pragmatists, since the former's concerns resonate deeply with their respective majorities. In Israel, it is not only the Right that insists on recognition of the Jewish character of their state or sees security

through a regional prism – particularly in light of upheaval in the Arab world; among Palestinians, refusal to compromise on the principle of the right of return and to recognise Israel as a Jewish state are not Hamas's province alone.

It is true that the international community – and notably the U.S. – has failed to adopt the endgame approach advocated, among others, by Crisis Group. True, too, as an Israeli analyst has noted, that there have been far less than twenty years of negotiations, since the periods of final status talks have been brief and episodic, and long stretches passed without any talks at all.²⁴⁷ But the fact that Washington has resisted putting a comprehensive plan on the table, like the fact that the two parties have not negotiated bilaterally in a sustained manner, is, in and of itself, highly instructive. It suggests structural impediments (in terms of U.S. willingness to engage and the parties' incentives to negotiate) that, short of some change in the process, are unlikely to be overcome.

A second reaction to the repeated failure to reach a two-state settlement is to discard the objective altogether and press instead for one of its main alternatives – a one-state solution. Though there may be strong arguments in favour of a democratic, binational state, there is virtually zero chance it can arise. "It fails the elemental test of any proposed solution", the analysts wrote, "which is to fulfil both sides' basic needs. This is most evident in the case of Israel's Jewish population. Their fundamental aspiration remains to establish a safe and recognized Jewish state, a goal that would be nullified by the creation of a single binational one".²⁴⁸ In other words, although one might witness a one-state *outcome* (similar to the situation currently in place), it is virtually impossible to conceive of a one-state *solution*.

If the only possible negotiated conclusion must be a two-state solution, but if the current paradigm has signally failed to achieve it, fundamental rethinking is required. The haphazard Palestinian vacillation from one idea to the next – threatening to adopt the one-state objective, musing about dissolving the PA, experimenting with the UN, dangling the prospect of reconciliation or, the last iteration, sending a ballyhooed missive to Netanyahu – is no substitute. If anything, by repeatedly threatening confront-

²⁴⁴ Hussein Agha and Robert Malley, "Israel & Palestine: Can They Start Over?", *The New York Review of Books*, 3 December 2009.

²⁴⁵ See Section I above.

²⁴⁶ Tel Aviv University's Asher Susser makes a similar point about the remaining gaps: "The problem is that the two parties have never had a concept of a two-state solution that both sides could share. The Israeli concept of a two-state solution is one in which there is an Israeli intrusion into Palestinian sovereignty for mainly security needs. The Palestinian idea of a two-state solution includes a significant refugee return". Asher Susser, *Israel, Jordan and Palestine: The Two-State Imperative* (Brandeis, 2012).

²⁴⁷ See Tal Becker, "End of the Peace Process?", Washington Institute for Near East Policy, March 2012.

²⁴⁸ Agha and Malley, *op. cit.* A prominent Israel journalist commented: "The one-state solution is very relevant today. Not because it's a good idea. It's not; it's a terrible idea. But that is where we are headed, and the debate over it should force politicians to face reality. Maintaining the status quo will lead to an apartheid state at first and to [a] South African solution later". Crisis Group interview, Jerusalem, April 2012.

tation before retreating and by consistently missing its own self-imposed deadlines, the Palestinian leadership has demonstrated to Israel and the world that in a game of chicken risking the PA's future, Ramallah will blink first. Apprehension about a looming crisis should Abbas live up to his threats has morphed into cynicism.²⁴⁹ In the process, the Palestinian leadership has debased its currency.

Although there is no self-evident escape from the quagmire or easy way to break the collective addiction to the prevailing logic, the expected diplomatic lull is an opportunity to ask the right questions and consider possible ways forward.

1. New issues and new constituencies?

At the core of the Oslo process was the notion that a peace agreement would need to deal with issues emanating from the 1967 war – the occupation of the West Bank and Gaza – as opposed to those flowing from 1948, namely the establishment of the state of Israel and the creation of the refugee problem.²⁵⁰ Although this might have made sense in principle, insofar as the 1948 war produced conflicting narratives that are singularly difficult to reconcile, practice has proved different. The diplomatic process has increasingly run up against two core issues – Israel's insistence on recognition of the Jewish character of the state and Palestinian refusal to extend that recognition or to concede on the right of return – that resonate deeply with both peoples. While it remains vital to address the issues that arose in 1967, the diplomatic process can no longer ignore the fundamental issues of an earlier era that sit at the root of the conflict.

The Palestinian leadership so far has refused to grapple with the question of Israel's Jewish identity, for fear, it says, of turning what it considers a political conflict into a

religious one. It also raises historical and moral reasons, in that many Palestinians view the recognition that Israel desires as tantamount to legitimising their own dispossession. But rather than saying "no" to the demand, the Palestinian leadership might instead consider the conditions under which it could accommodate it, using this as an opportunity to press its own concerns about, notably, what such recognition would mean for Israel's Palestinian citizens; what it would mean for the fate of the refugees; and what it would mean for the overarching Palestinian narrative about dispossession.²⁵¹

The matter of addressing different issues is closely tied to the question of who has been involved in the negotiating process. For the most part it has been least welcoming to those who could do most to torpedo it: religious and national constituencies in Israel attached to the Land of Israel in its entirety; settlers; Palestinian religious and national constituencies (including diaspora groups) who care deeply about all of Historic Palestine. Three issues stand out among those the right-wing most deeply cares about and that Israel's traditional peace negotiators in the past have tended to neglect. First is the matter of recognition – of Israel as the nation-state of the Jewish people; Jews as a people; Jewish history – in the Land of Israel and Jerusalem; and the Holocaust.²⁵² An Israeli analyst said, "language matters to the Right. The Israeli Left tends to think that it doesn't matter so much what Palestinians say; what matters to the Left is what Palestinians will agree to and what they do".²⁵³

Secondly, right-wing parties, with their deep connection to the land, find it difficult to contemplate a political settlement that would break their link to the entirety of what they see as their homeland and above all, to the Judea and Samaria of the Bible (the West Bank). For them, securing visitation, worship and residence rights for Israeli Jews – and possibly allowing Jewish settlers who wish to remain

²⁴⁹ "Abu Mazen threatens and threatens, but he never pulls the trigger. The Palestinians have no strategy. It's just a lot of tactics. Abu Mazen moves from one thing to another without any sign of having a larger overriding plan". Crisis Group interview, British diplomat, Jerusalem, January 2012. By contrast, in October a French official had said of Abbas: "He is beyond responding to pressure. We thought they were bluffing. We thought that we were dealing with the old Abbas and the old Saeb, who always knuckled under to the U.S. in the end. But something big has changed. They just don't give a damn. They feel that they have been screwed, that they have tried everything, and that they are done with compromises that don't produce compromises on the other side. They are ready to press to the end of the line". Crisis Group interview, Paris, October 2011.

²⁵⁰ Oslo did include resolution of the refugee problem among its goals, but negotiators (and, chiefly, the U.S. mediator) assumed from the outset that a symbolic return of refugees to Israel would suffice – the PLO would give in on that matter in exchange for concessions on territory and Jerusalem.

²⁵¹ For a discussion of ways this question might be addressed, see Crisis Group Report, *Back to Basics*, op. cit., pp. 36-44. Under one possible scenario discussed in the report, Palestinian citizens of Israel would be recognised as a national minority and accorded relevant collective rights, even as Jewish citizens would retain entitlements as a national majority.

²⁵² Ibid. An Israeli analyst explained: "This is why the Arab Peace Initiative didn't fly with the Right. The initiative basically says that the Arab League has come to the conclusion that Israel is too strong, so let's just agree on the 1967 border and move on. But that's not what the Right wants to hear. They want to talk about legitimacy and history. That's a completely different conversation". Crisis Group interview, Jerusalem, February 2012.

²⁵³ Crisis Group interview, Jerusalem, February 2012. He added: "Look how difficult it is for right wingers to apologise to Turkey. Meanwhile Former Labour chairperson Ehud Barak is pushing for it".

in a Palestinian state to do so – is important, as are other imperatives stemming from *Halacha* (Jewish religious law). Thirdly, the Right tends to view Israeli security through a regional prism rather than through Palestinian capabilities alone. The guarantees it is looking for, in other words, must go beyond Palestinian demilitarisation; it requires other commitments concerning the region, in particular Iran.²⁵⁴ Hence its particular focus on Jordan and the possibility of a Jordanian-Palestinian political arrangement that (given Israel's experience with the Hashemite monarchy) would inspire greater confidence on political and security grounds.²⁵⁵

On the Palestinian side, too, the neglect suffered by certain constituencies has undermined the process. Islamists, the diaspora and even Palestinian citizens of Israel²⁵⁶ have had no meaningful voice in the proceedings. Insofar as those groups collectively represent the majority of the Palestinian people, it is hard to imagine how a process that ignores their interests might succeed. A reformed process would need to address – at its core, not as peripheral add-ons – the right of return; acknowledgement of the Nakba; recognition of, and rights for, the Palestinian minority in Israel;

²⁵⁴ After an Israeli official presented a map that depicted a tiny Israel amid a sea of Arab states, a U.S. expert on Israel commented: “When you are sitting there watching, you feel that they are working the *hasbara* [the Hebrew term for public diplomacy or, in a more negative sense, propaganda] angle very hard, but that doesn't mean that most Israelis don't see the world this way”. Crisis Group interview, Jerusalem, June 2011.
²⁵⁵ A former Netanyahu adviser commented: “A [Palestinian-Jordanian] confederation is the only way that both Israelis and Palestinians can get what they need. Israel needs certain things in the West Bank that it is simply not going to give in on. These are things that in the current paradigm, Palestinians cannot accept. But they might be able to if they were to become part of a bigger political entity so that their needs could be satisfied in different ways. But I can't stress strongly enough that this is not a matter of weakening the Hashemite character of Jordan. To the contrary, this kind of solution needs to be conceived in a way that strengthens it, in such a way that it reinforces Jordan's vital interests”. Crisis Group interview, Jerusalem, 22 April 2012. Similarly an Israeli security official indicated that his government had invested considerable energy in convincing Amman that it does not have any intention of pushing Jordan into becoming a Palestinian state. Crisis Group interview, Jerusalem, February 2012.

²⁵⁶ Crisis Group recently addressed the role of Palestinian citizens, noting in particular: “Israel insists that a peace agreement with the PLO entail some recognition of the state's Jewish character which, in turn, will affect the status of its Palestinian citizens. The Palestinian national movement cannot afford to ignore the Arab minority's views on this and nor can Israel, for any agreement lacking the minority's support would neither meaningfully end Palestinian claims nor resolve the dispute over Israel's identity”. Crisis Group Report, *Back to Basics*, op. cit.

Palestinian access to their holy sites in Israel;²⁵⁷ the future of refugees who choose to remain in the diaspora; and a recognition of Islamic (and Christian) imperatives in peacemaking.

The challenge is to break with a paradigm that has marginalised these groups. To the extent possible, their concerns need to be understood and addressed, not dismissed and ignored. Doing so in a mutually acceptable manner might be beyond reach, given the oftentimes contradictory aspirations of Israelis and Palestinians. Still, any effort to restart a process on healthier footing ought at least to consider whether and to what extent they can be accommodated in order to widen the spectrum, on both sides of the divide, of those with a stake in a positive outcome.

2. A new Palestinian strategy?

As this report has illustrated, the Palestinian leadership has hoped to avoid a radical shift in course, fearful of the price it and its people might pay. This is understandable. It sees itself caught in something of a *zugzwang* – a chess position in which any move will weaken the player's position. Like a chess player, the leadership cannot refuse to move, so has taken hesitant steps in various and at times inconsistent directions, apprehensive about choosing a new, decisive direction. Yet, that approach appears less sustainable by the day, eroding leadership credibility and international patience, while enabling the passage of time (and Israeli settlement activity) to diminish prospects of a viable two-state solution.

Rather than placing all blame on Israel and resorting to shifting, ad hoc tactical moves of their own, the Palestinians might seriously think through their options and decide whether they are prepared to pay the price of pursuing them fully. If the leadership's answer is “no”, then it would be better to stop promoting them, at least until national institutions can reformulate the strategy.

- Reconciliation: There is every reason to believe that unity is a prerequisite for successful implementation of *any* strategic choice (whether backing a negotiated agreement should one materialise; seeking international recognition; or pressuring Israel). Under existing circumstances, Israel's retort that it does not have a unified address with which to deal might well be a pretext to do nothing – but it is a rational viewpoint nonetheless that resonates with many in the international community. Fatah and Hamas need to decide if they are willing to risk for the sake of unity some current assets (for the former, possibly monopoly control over the West Bank, Israeli tax transfers and good relations

²⁵⁷ See *ibid.*

- with the U.S.; for the latter, hegemony over Gaza and ideological purity).
- Internationalisation: Although the Security Council route appears to be barred, Palestinians have other options, notably seeking access to the ICC, non-member-state status at the General Assembly or membership in UN agencies. As Crisis Group previously argued, these in many ways would provide benefits equivalent to those to be gained by full UN membership.²⁵⁸ But there are possible consequences for relations with the U.S., financial assistance and Israeli retaliation in the West Bank. Before embarking on this path, and rather than endless vacillation, the leadership should undertake a full cost-benefit analysis.²⁵⁹
 - Popular resistance: The question of whether mass resistance – even should Fatah and Hamas reconcile – can be mounted and be effective remains unanswered. Could it remain purely non-violent, or is the throwing of stones and the occasional Molotov cocktail, popularised during the first intifada, too deeply rooted in national practice? How would Israel respond, given that, as senior defence official Amos Gilad admitted, “we don’t do Gandhi very well?”²⁶⁰ How would the U.S. react to Israel’s reaction? Nor is it clear how the PA could continue to function as a quasi-government amid outright revolt and potentially mass unrest. Israel would ask it to control the demonstrations in its stead, as has already happened on a small scale.²⁶¹ However the PA reacts, it risks becoming a target, either of its own people, if it maintains security coordination, or of Israel, if it does not.²⁶²
 - The fate of the Palestinian Authority: As seen, the discussion over the PA’s future has been reinvigorated,²⁶³ centred around whether it has become an enabler for the occupation, shifting the costs of governing from the occupier to the occupied. Dismantling the PA could have dire consequences, so has been resisted by the leadership, its periodic proclamations to the contrary notwithstanding. The discussion has thus shifted to a reflection on whether and how to reconfigure the PA’s functions, though there too with little clarity. It would be no mean task to figure out what it would entail to “turn over the keys” to Israel. What would happen to education and health services? What should happen to security coordination, the PA function that is least popular among Palestinians but most critical to Israel and the outside world? Should the PA continue to play its current political role or rather be transformed into the PLO’s municipal arm – putting an end to the cabinet and position of prime minister and replacing them with functional offices charged with specific tasks?

Palestinians pay for it because the subject changes to terrorism. We need to tell people that simply continuing to exist here itself is an act of resistance. If you get to a point where things boil over – I would never engineer that. And I wouldn’t trust the factional leadership to stop short of that point”. Crisis Group interview, Ramallah, March 2012.

²⁶³ In an open letter to Abbas, one of the Israeli architects of the Oslo process called on the Palestinian president to announce it was now dead and to dissolve the PA: “Dissolving the Palestinian Authority and returning daily control to Israel would be an action nobody could ignore. It is not at all similar to a demonstration in front of the Municipality of Ramallah, nor is it similar to appealing to the United Nations for member-state status I know how difficult it is. I know how many tens of thousands of people depend on the Palestinian Authority for their livelihoods. I am able to appreciate all that you and Prime Minister Salam Fayyad have accomplished – establishing Palestinian institutions, growing an economy in impossible conditions, and fostering security in the West Bank. After all these endeavors, however, you still need to beg the government of Israel to release your money from customs, you still need to beg the Republicans in the U.S. Congress to transfer funds to the Palestinian Authority, and you still need to stand, day after day, before your Palestinian critics and explain why your political efforts are failing. Please don’t let this be the way you end your political mission – a mission that seeks to achieve Palestinian independence without the use of violence”. Yossi Beilin, “Dear Abu Mazen: End This Farce: An open letter to the Palestinian leader”, *Foreign Policy* (online), 4 April 2012. Palestinian officials rushed to criticise Beilin. Hana Amireh, PLO Executive Committee member, said it would amount to “political suicide”. *The Jerusalem Post*, 7 April 2012. Abbas himself commented: “There is no such thing as the end of the peace process”, *Maan*, 14 April 2012.

²⁵⁸ Crisis Group Report, *Curb Your Enthusiasm*, op. cit.

²⁵⁹ Senior figures repeatedly suggest that they see UN activism not as a goal in itself but rather as a tool for achieving what they call “serious negotiations” and that they want to demonstrate they are no longer willing to conduct “business as usual”. Crisis Group interview, Ramallah, November 2011. But that could well be short-sighted; should the UN threat fail to achieve serious negotiations, Palestinians will need to decide whether to go forward (and risk retaliation) or step back and risk being discredited.

²⁶⁰ U.S. embassy Tel Aviv cable, as released by WikiLeaks, wikileaks.org/cable/2010/02/10TELAIVIV344.html. The cable, signed by U.S. Ambassador to Israel James Cunningham, also stated that Avi Mizrahi, then chief of central command, contended that the Israel Defence Forces (IDF) “will start to be more assertive in how it deals with these demonstrations, even demonstrations that appear peaceful” and will “break up these protests, even if they are not violent, because they serve no purpose other than creating friction”.

²⁶¹ Ibid; Crisis Group Middle East Report N°98, *Squaring the Circle: Palestinian Security Reform under Occupation*, 7 September 2010.

²⁶² Regarding popular resistance, a senior PA official commented: “I worry about escalation. Wherever there is violence, we as

3. A new international architecture?

The failure of the peace process also points to the international community's serial inability to provide the leadership, mediation skills or pressure needed for advancement. The body most directly responsible for managing the process – the Quartet – has delivered precious little since creation in 2002.²⁶⁴ The EU, Russia and UN entered into a Faustian bargain: sacrificing autonomy for a place at the table. The result has been a group operating according to the lowest common denominator, typically set by the U.S. Other members have little freedom of manoeuvre²⁶⁵ and content themselves with the illusion of collective action when there is none.²⁶⁶ A European diplomat said the best they could do was to try to “civilise” the U.S.;²⁶⁷ a senior French official added: “As [ex-Secretary of State] Colin Powell admitted to me, the reason the Quartet was formed was to make sure that nobody else could do anything”.²⁶⁸

²⁶⁴ For a comprehensive overview of the Quartet since its inception, see Khaled Elgindy, “Is the Quartet Dead?: A Post-Mortem”, The Saban Center for Middle East Policy at Brookings, February 2012. A senior French official cited the Roadmap (whose first iteration is nearly a decade old) as the Quartet's sole achievement, which is why, he said, “there needs to be a real reflection on the method of negotiations”. Crisis Group interview, Paris, October 2011. An international aid official claimed that while the Quartet's diplomatic successes were few, the office of its special envoy, Tony Blair, had proved indispensable in negotiating certain “facilitations” on behalf of the PA. Crisis Group interview, Jerusalem, July 2011. Palestinian officials uniformly reject this; Blair is all but persona non grata in Ramallah for what Palestinian officials believe is his bias toward Israel. Crisis Group interviews, Ramallah, March, July, December 2011. Certain European diplomats endorse the Palestinian view. Echoing U.S. Republican presidential candidate Newt Gingrich's reference to Palestinians as an “invented people”, a European diplomat characterised Tony Blair as “an invented envoy”. Crisis Group interview, Ramallah, March 2012.

²⁶⁵ Giving rise to what former British parliamentarian, cabinet minister, and governor of Hong Kong Chris Patten once nicely called the “quartet *sans trois*”. Crisis Group interview, Brussels, March 2011. Patten was chairman of Crisis Group's board of trustees from 2004 to 2011.

²⁶⁶ Khaled Elgindy writes, “instead of leveling the diplomatic playing field as expected, the Quartet has actually reinforced American dominance by giving greater weight and legitimacy to U.S. positions, while simultaneously downgrading the value of individual EU, UN and Russian positions in comparison to those of the Quartet”. He continues: “The Quartet's original mission as a vehicle for mediating between two parties has been replaced by one focused mainly on managing the affairs of one of them – the Palestinians”. Elgindy, *op. cit.*, pp. viii, xv.

²⁶⁷ Crisis Group interview, Paris, March 2009.

²⁶⁸ Crisis Group interview, Paris, October 2011. A senior French official, speaking for many in the EU and beyond, claimed that this has compromised the Quartet's international role: “In any situation of mediation, both sides need to feel that the negotiations are balanced, that each side has friends at the table or at

Among questionable decisions individual parties might have better handled was notably to shun Hamas after it won the 2006 Palestinian election and set conditions it was virtually certain to reject.²⁶⁹

The UN's participation in the Quartet is especially troubling, raising serious issues about who the Secretary-General represents in the forum and under what mandate.²⁷⁰ The positions it has taken often reflect neither those of a majority of its member states nor those of its operational agencies in the occupied territories and beyond, where most officials believe that their humanitarian and development mandates have been compromised by the adoption of contentious political positions. A majority of UN

least that the table is not tilted against them. But the U.S. is not an unbiased broker, and the rest of the Quartet has accepted that and acquiesced to its bias. In no small part it's the failure of an alternative framework to emerge that has pushed the Palestinians into doing what they have [at the UN]”. Crisis Group interview, Paris, October 2011.

²⁶⁹ European countries appear to be gradually moving away from a strict interpretation of the Quartet principles for recognising a Palestinian government, though they have not evinced willingness to break with them. On 23 May 2011, the Council of the European Union welcomed the Fatah-Hamas agreement and expressed readiness to continue funding a government that arose from such an agreement provided that it commits to the principles of the speech that Abbas gave at the signing ceremony. “Such a government should uphold the principle of non-violence, and remain committed to achieving a two-state solution and to a negotiated peaceful settlement of the Israeli-Palestinian conflict accepting previous agreements and obligations, including Israel's legitimate right to exist”, http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/EN/foraff/122165.pdf. Crisis Group assessed: “By replacing the Quartet condition of ‘renouncing violence’ with ‘upholding the principle of non-violence’, the EU left open the possibility of judging the new government based on its conduct. The statement also holds out the possibility that commitment to accepting previous agreements and obligations, including Israel's right to exist, would need to come only at the conclusion of a negotiating process and not as a precondition for recognition of a reconciliation government, though the language is ambiguous”. Crisis Group Report, *Palestinian Reconciliation*, *op. cit.*, p. 22.

²⁷⁰ These concerns are not new. In 2007, Alvaro de Soto – former UN Special Coordinator for the Middle East Peace Process and the Secretary General's Personal Representative to the Palestine Liberation Organisation and the Palestinian Authority – wrote: “[The Secretary-General] is being used to provide the appearance of an imprimatur on behalf of the international community for the Quartet's positions. This in itself is awkward since the Secretary-General participates in the Quartet not by delegation of mandate from any UN body, leave alone the Security Council, but in his semi-stand-alone capacity. There are large segments of the international community not represented in the self-appointed Quartet, including the Arab shareholders”. “End of Mission Report”, p. 26. www.scribd.com/doc/37615275/DeSotoReport.

member states almost certainly disagree with the Quartet's position on Hamas (as well as its reticence to take a strong stand against Israeli settlements); for a body whose principal value arguably is the ability to speak to everyone at senior levels, the limits imposed by membership in the Quartet are of real concern.²⁷¹

The question for the growing number who argue against maintenance of the Quartet in its current form is whether to restructure or disband it.²⁷² Some have argued for expanding it to include emerging powers such as Brazil and Turkey²⁷³ and perhaps some Arab states, in order to more accurately reflect the new global balance of power.²⁷⁴ That said, given the difficulties the Quartet already encounters in reaching consensus,²⁷⁵ it is unlikely that the addition of new members would encourage a more cogent agenda. The more radical step of dissolving the body might allow individual states greater freedom of action – though it

remains very hard to imagine any initiative succeeding without active U.S. involvement.²⁷⁶ Yet another proposal would have the UN General Assembly establish a mission to hold talks with a wide spectrum of Israeli and Palestinian actors on permanent status issues and seek to come up with a proposal that, in its view, would be approved by a majority on both sides.²⁷⁷

The question of third-party intervention inevitably raises the issue of the Arab role that, though certainly central, is wholly unclear. In particular, one must wonder whether the agreed Arab position – the offer to Israel of peace and normal relations in exchange for withdrawal from the occupied territories; establishment of a Palestinian state with Jerusalem as its capital; and a just and agreed solution for the refugees – will remain on offer as the nature of the Arab League's member states changes.²⁷⁸ Equally ambiguous is what Egypt's new leadership will do. So far, the Muslim Brotherhood at least has focused on reassuring the West of its desire not to rock the Israeli-Arab boat. But, down the line, it is hard to imagine it maintaining the status quo in terms of bilateral relations with Israel, policy toward Gaza and stance toward the Palestinian issue.

Finally, regardless of the direction of Arab activism, Jordan can be expected to play a more prominent role given how deeply Palestinian affairs affect it and vice versa. With the notion of a Jordanian-Palestinian confederation occasionally resurfacing, Amman will want to make sure that its views are well represented in any new process.

None of the novel elements outlined here is likely to succeed on its own. Including new issues and constituencies could convince more people they have an interest in resolving the conflict, though it would take a new Palestinian strategy to persuade the U.S., Europe and Israel that they have something to lose from the status quo. And it would take a new form of international involvement to make good use of these inducements, both positive and negative.

²⁷¹ Some UN officials do meet with Hamas counterparts, and the organisation's special envoy, Robert Serry, has played a role in negotiating ceasefires between Hamas and Israel. See, for instance, *Maan*, 12 March 2012. Still, contacts for the most part are on the technical level, and the UN has kept Hamas senior political leadership somewhat at arms' length.

²⁷² Some contest this language. "The Quartet cannot be dissolved because it has no mandate and no founding charter. It is simply a friendly gathering of well-meaning states and a locus of expertise and influence. It can be activated and deactivated at will". Russian official, Moscow, February 2012.

²⁷³ Abdullah Gul, the president of Turkey, wrote: "We are therefore ready to use our full capacity to facilitate constructive negotiations. Turkey's track record in the years before Israel's Gaza operation in December 2008 bears testimony to our dedication to achieving peace. Turkey is ready to play the role it played in the past, once Israel is ready to pursue peace with its neighbors". *The New York Times*, 20 April 2011.

²⁷⁴ Crisis Group interview, European diplomat, Jerusalem, March 2012. The Israel Peace Initiative Group (led by former heads of the Shin Bet, the IDF and the Mossad as well as former senior ministers) proposes "a Madrid-like approach – an inclusive approach that combines the regional level, bilateral tracks and multilateral tracks". The Israeli-Palestinian Peace NGOs Forum has been encouraging Mercosur countries – who were among the first to recognise Palestinian statehood during 2011 – to join the Quartet (www.telam.com.ar/nota/15409) and has urged the Latin American and South African presidents to take a more active role: "[Mediation] cannot anymore be left to the discretion of the U.S., Europe and the Quartet alone. It is in this context that we call upon the South African government, who maintains relationships of trust with both Israelis and Palestinians, and who enjoys a highly respected international status as an emerging world power, to exercise its influence on all parties concerned". Letter, dated April 2012, on file with Crisis Group.

²⁷⁵ For instance, unable to reach a consensus on terms of reference for negotiations in its September 2011 meeting, the Quartet issued a statement that focused solely on procedural issues, www.un.org/news/dh/infocus/middle_east/quartet-23sep2011.htm.

²⁷⁶ "I cannot imagine that the U.S. gives up its monopoly of the file. And I cannot image an alternative framework emerging if the U.S. doesn't want it. It would be pointless if the U.S. were not part of it". Crisis Group interview, senior French official, Paris, October 2011.

²⁷⁷ Evoking the UN body that in 1947 investigated the situation in Palestine, gathered evidence and recommended partition, analyst Jerome Segal dubbed this 21st-century mission "UN-SCOP 2". "UNSCOP: A new strategy for achieving independence", *Al-Ayyam*, 8 April 2012.

²⁷⁸ A Palestinian-Israeli civil society leader commented: "The substance of the Arab Peace Initiative is acceptable to Arabs in general, but the initiative itself lacks popular legitimacy, because it is associated with the Saudis – who are seen as U.S. sub-contractors in the Middle East – and other dictators who approved it, like Qadhafi". Crisis Group interview, Haifa, April 2012.

Whatever steps ultimately are taken, it has become plain almost twenty years after this peace process was launched that none of the parties – neither those immediately implicated nor those purportedly working on a solution – is honest about its own convictions. It is time to acknowledge what has not worked – and to look for something different.

**Ramallah/Gaza City/Cairo/Jerusalem/
Brussels, 7 May 2012**

APPENDIX A

MAP OF ISRAEL/WEST BANK/GAZA



APPENDIX B

ABOUT THE INTERNATIONAL CRISIS GROUP

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Crisis Group's approach is grounded in field research. Teams of political analysts are located within or close by countries at risk of outbreak, escalation or recurrence of violent conflict. Based on information and assessments from the field, it produces analytical reports containing practical recommendations targeted at key international decision-takers. Crisis Group also publishes *CrisisWatch*, a twelve-page monthly bulletin, providing a succinct regular update on the state of play in all the most significant situations of conflict or potential conflict around the world.

Crisis Group's reports and briefing papers are distributed widely by email and made available simultaneously on the website, www.crisisgroup.org. Crisis Group works closely with governments and those who influence them, including the media, to highlight its crisis analyses and to generate support for its policy prescriptions.

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