

**MIDDLE EAST ENDGAME I:
GETTING TO A COMPREHENSIVE
ARAB-ISRAELI PEACE SETTLEMENT**

16 July 2002



TABLE OF CONTENTS

EXECUTIVE SUMMARY AND RECOMMENDATIONS	i
I. THE BUSH PLAN: CAN IT SUCCEED?	1
A. PRESIDENT BUSH’S ADDRESS: PALESTINIAN REGIME CHANGE FIRST	1
B. THE PROBLEM WITH SECURITY CONDITIONALITY	2
C. THE PROBLEM WITH REFORM CONDITIONALITY	3
D. THE PROBLEM WITH PARTIAL POLITICAL STEPS	4
II. MOVING FORWARD: ALTERNATIVES TO PRESENT U.S. POLICY?	5
A. THE BUSH PLAN ‘PLUS’: MORE POLITICS UP FRONT, AND MAYBE TRUSTEESHIP	5
B. A NEW EU AND ARAB-LED COMPREHENSIVE SETTLEMENT INITIATIVE	8
C. AN ISRAELI-PALESTINIAN PEACE COALITION COMPREHENSIVE SETTLEMENT INITIATIVE.....	9
D. A NEW U.S.-LED COMPREHENSIVE SETTLEMENT INITIATIVE: ICG’S PREFERENCE.....	10
III. A NEW COMPREHENSIVE SETTLEMENT INITIATIVE: ELEMENTS	12
A. THE ISRAELI-PALESTINIAN DIMENSION	12
B. THE ISRAEL-SYRIA AND ISRAEL-LEBANON DIMENSIONS	12
C. CONTENT OF THE COMPREHENSIVE FINAL SETTLEMENT PLANS	14
D. PRESENTATION AND PROMOTION OF THE PLANS	18
E. PARALLEL EFFORTS ON OTHER TRACKS	20
IV. A NEW COMPREHENSIVE SETTLEMENT INITIATIVE: LIKELY RESPONSES	23
A. ISRAEL	23
A. PALESTINIANS	26
B. UNITED STATES	28
C. ARAB WORLD	30
D. EUROPE, UNITED NATIONS, RUSSIA	31
V. A NEW COMPREHENSIVE SETTLEMENT PLAN: OBJECTIONS AND ANSWERS	32
 MAPS	
1. WEST BANK ISRAELI SETTLEMENTS	36
2. ISRAEL AND ITS NEIGHBOURS	37
 APPENDICES	
A. PRESIDENT BUSH’S MIDDLE EAST ADDRESS JUNE 2002	38
B. ARAB LEAGUE BEIRUT DECLARATION	41
C. EU NON-PAPER (THE MORATINOS DOCUMENT)	42
D. PRESIDENT CLINTON’S PARAMETERS	48
E. PALESTINIAN NON-PAPER JUNE 2002	51
F. UNITED NATIONS SECURITY COUNCIL RESOLUTIONS 242 AND 338	53
G. ABOUT THE INTERNATIONAL CRISIS GROUP	54
H. ICG REPORTS AND BRIEFING PAPERS.....	55
I. ICG BOARD MEMBERS	59



MIDDLE EAST ENDGAME I:

GETTING TO A COMPREHENSIVE ARAB-ISRAELI PEACE SETTLEMENT

EXECUTIVE SUMMARY AND RECOMMENDATIONS

President Bush, announcing U.S. policy towards the Israeli-Palestinian conflict on 24 June 2002, has set the terms of the international response to the conflict for the immediately foreseeable period. Before peace can be negotiated the violence has to stop. If the Palestinians are to have their own state – and the clear message is that they should – it must be one based on the principles of democracy, transparency and the rule of law. For that to happen the current leadership needs to go. The logic is sequential: political progress is conditional on a new security environment, institutional reform and, in effect, on regime change.

But as much as we would wish events to prove us wrong, it is difficult to believe that the present Bush Plan can stop the violence and deliver a fair and sustainable peace within a reasonable time. The ends stated by the President are laudable – an end to the Israeli occupation, a two-state solution, and resolution of the questions of borders, Jerusalem and refugees within a relatively short period. But the means are questionable. The first incentive offered is the prospect of a "provisional State of Palestine", but one without permanent borders, a capital or anything resembling the usual attributes of sovereignty. The second is the possibility of final status negotiations between Israelis and Palestinians being concluded within three years, but no roadmap is on the table, nor any clear international commitment to making it happen.

It is hard to conceive that violence will come to an end – morally wrong and politically counterproductive though its worst manifestations may be – before Palestinians see a genuine alternative path to ending the occupation and realising their legitimate aspirations. The call to choose new leaders and to reform institutions is more likely to generate increased support for Arafat, and undermine those within Palestinian society who have long been calling for fundamental change. Without more stimulus than what is now on offer, regional and local dynamics are unlikely to change in any constructive way.

ICG argues in this report, and its two companions published simultaneously,¹ that while there are other approaches which could add real momentum to the peace process (including in particular a comprehensive settlement initiative by a broad-based Israeli-Palestinian peace coalition), there is only one way to ensure an end to the violence and produce a fair, effective and sustainable resolution of the region's problems in a timely fashion. And that is for the key international players, led by the U.S., to put on the table clear, detailed and comprehensive blueprints for a permanent Israeli-

¹ ICG Middle East Report N°3, *Middle East Endgame II: How a Comprehensive Israeli-Palestinian Settlement Would Look*, 16 July 2002; and ICG Middle East Report N°4, *Middle East Endgame III: Israel, Syria and Lebanon – How Comprehensive Peace Settlements Would Look*, 16 July 2002.

Palestinian agreement – and for Israel-Syria and Israel-Lebanon peace treaties as well – and to press strenuously for their acceptance.

The key players for this purpose are the already established Quartet (U.S., EU, Russia and UN Secretary-General) and the influential Arab “Trio” (Egypt, Saudi Arabia and Jordan), who would together constitute a Contact Group to lead the strategy and oversee its implementation. An international peace conference, of the kind floated but for the moment abandoned by the U.S., would be a useful forum to lay out – alongside the other tracks (security, institutional reform and economic support) which should be pursued in parallel on the Israeli-Palestinian front – the comprehensive political plans required, and demonstrate, unequivocally, the degree of international support for them. We do not suggest that a comprehensive political blueprint is the only necessary ingredient in the international policy mix - but at present it is the indispensable missing one.

The goal would not be to *impose* a settlement on the Israeli or Palestinian leaderships but rather to generate so much domestic and international support for it that opposition would become increasingly hard to sustain and the momentum for change gradually would become irresistible. The presentation of a comprehensive settlement plan would need to be seen as the beginning, not the end, of the public diplomacy required, which would be aimed above all at changing attitudes and reshaping the political environment among Israelis and Palestinians.

This first “Endgame” report describes the overall strategy required, assesses the degree of political difficulty involved in implementing it, and sketches in outline form the content of the comprehensive Israeli-Arab settlement plans we propose. The second and third reports go into much more detail on the substance of, respectively, an Israeli-Palestinian settlement, and Israel-Syria and Israel-Lebanon peace treaties. These latter two are critical as well, for winning over the Israeli public will require that leaders of the Arab world state their readiness to normalise relations with Israel, something that is hard to imagine without a settlement of *all* outstanding Arab-Israeli disputes. Moreover, the Israeli-Lebanese border remains volatile and arguably presents a greater threat to regional stability than the Israeli-Palestinian conflict.

In outline form, the elements of the various agreements suggested by ICG, based on our presence in the region and extensive consultations around it over the last few months, are as follows:

Bilateral Israeli-Palestinian agreement

- The borders of the State of Palestine will be based on the lines of 4 June 1967. Israel will annex up to 4 per cent of land in the West Bank to accommodate a majority of its settlers; in exchange, Palestine will receive land from Israel of equal size and actual or potential value.
- Palestine will be a non-militarised state; and there will be a fully-mandated and capable U.S.-led multinational force to monitor implementation of the agreement and enhance both sides’ sense of confidence and security.
- Israel will have sovereignty over West Jerusalem and the Jewish neighbourhoods of East Jerusalem which, together, will constitute its capital. Palestine will have sovereignty over the Arab neighbourhoods of East Jerusalem, which will constitute its capital.
- There will be a special regime governing the Old City, which will remain open, and sites of special significance in Jerusalem’s Historic Basin. Under this regime, Palestine will govern the Haram al-Sharif (Temple Mount) and Israel will govern the Kotel (Wailing Wall). There will be internationally-backed guarantees against any excavation of or building on the Haram al-Sharif without the parties’ express consent.
- The refugee issue will be resolved in a way that addresses the Palestinians’ deep sense of injustice without undermining Israel’s demographic interests. Both parties will agree that UN General Assembly Resolution 194 will be satisfied by Palestinian refugees receiving financial compensation and resettlement assistance; having the choice between relocation to Palestine, relocation to lands within Israel proper that will be swapped with the state of Palestine, relocation to third countries or rehabilitation in host countries; and returning to Israel on the basis of family reunification and

humanitarian programs continued or newly established by Israel.

- The agreement will mark the end of the conflict. The only claims either party can raise that arise out of their historic conflict will be those related to implementation of the agreement.

Multilateral supporting agreement

- International recognition of the States of Israel and Palestine, with Arab states fully normalising relations with Israel.
- A U.S.-led multinational force to monitor compliance with the agreement, patrol and monitor Palestine's international borders, and deter by its presence attacks against either party.
- An international police presence and civilian administration for the Old City and Historic Basin sites to assist in the policing, protection and preservation of this area.
- An international commission on refugees responsible for implementing all aspects of the bilateral agreement.
- Major commitments by the international donor community to assist in Palestine's reconstruction and long-term development.

Israel-Syria agreement

- The boundary between Israel and Syria will be the line of 4 June 1967. A commission headed by the Chief Cartographer of the United Nations will demarcate the precise line.
- Syria will have sovereignty over the land up to the Kinneret/Lake Tiberias and the Jordan River and access to the adjoining water; Israel will have sovereignty over the Kinneret/Lake Tiberias and the Jordan River and access to the adjoining land.
- There will be demilitarised zones and areas of limitation in armament and forces in Syria and in Israel.
- A U.S.-led multinational monitoring, inspection and verification mechanism will verify implementation of the security arrangements, and the U.S. will operate an early warning station on Mount Hermon.

- The parties will rapidly establish diplomatic ties once the treaty has come into effect and will implement steps that characterise peaceful, normal relations between neighbours.

Israel-Lebanon agreement

- The boundary between Israel and Lebanon will be the 1923 boundary. A bilateral Boundary Commission will demarcate the precise and final border.
- Within a "frontier zone" consisting of southern Lebanon and northern Israel, each side will exclude irregular armed groups and individuals bearing weapons and will maintain sufficient official forces to implement the exclusion.
- Israel and Lebanon will prevent the operation within their territory of any group that threatens the security of the other.
- The parties will establish diplomatic ties and implement steps characteristic of peaceful, normal relations between neighbours.

In the current environment, ICG has no illusions about the degree of difficulty involved in persuading the U.S. administration to change its present course, and getting our preferred approach to take wing. Other potentially productive approaches all have their own problems: so far as the emergence of a strong locally-based Israeli-Palestinian peace coalition is concerned, the ground is stony indeed.

But nor can anyone ignore the immensity of the pain and suffering that continues to afflict Israelis and Palestinians as a result of the present conflict. There is something deeply disturbing, even tragic, in the endless pursuit of yet another interim or partial cure when the outlines of a fair, lasting and comprehensive agreement are there for all to see.

Our assessment is that this cycle of violence will persist until a dramatic new initiative is taken – one that has a real chance of fundamentally changing the dynamics on the ground on both sides. This report, and its companions, provide the arguments – and treaty building blocks – for such an initiative.

RECOMMENDATIONS

TO THE “QUARTET” (U.S., EU, RUSSIA AND UN SECRETARY-GENERAL) AND “TRIO” (EGYPT, SAUDI ARABIA AND JORDAN)

1. *Craft comprehensive Israeli-Palestinian, Israeli-Syrian and Israeli-Lebanese peace settlements.* These settlements should be detailed enough to leave little room for ambiguity and seek to address all sides' core interests. In the Israeli-Palestinian context in particular, the proposed settlement should involve an important role for a U.S.-led multinational presence to make up for the lack of trust between the two sides.
2. *Present and promote these settlement plans in such a way as to maximise international pressure and confidence-building.* An international peace conference would be a useful forum for presenting the plans and demonstrating international support for them. The primary target audience should be the Israeli and Palestinian people, whose support will be critical. They should see clearly before them a concrete alternative to the current situation, backed in words and in deeds by key members of the international community. These countries should pledge to support implementation of the agreement through concrete military, economic and diplomatic means.
3. *In parallel, intensify efforts on other Israeli-Palestinian issues.* The international community should simultaneously seek to bring an end to the violence, promote Palestinian institutional reform and assist in the economic rehabilitation of the West Bank and Gaza.

TO THE EUROPEAN UNION, THE ARAB WORLD AND OTHER RELEVANT PARTIES

4. *Seek to persuade the United States of the urgency of pursuing a comprehensive settlement initiative.* Persuasion must be more than verbal alone and should involve pledges of concrete support in the event the U.S. responds. In particular, Arab countries should commit to publicly back a detailed U.S. peace plan and take other steps to reassure the Israeli public of its intentions. European

countries, Canada, Japan and others should commit to providing substantial logistical and financial assistance in the event an agreement is reached and helping with the rehabilitation and relocation of Palestinian refugees.

5. *As a fallback, try to encourage the U.S. to at least amend its approach by front-loading political elements and watering down its strict conditionality*

TO ISRAELIS AND PALESTINIANS

6. *Seek to reach a comprehensive, non-official Israeli-Palestinian settlement agreement.* A broad-based coalition of Israelis and Palestinians should seek to agree on terms of settlement addressing in detail the two sides' vital needs. To maximise its impact and credibility, this agreement should be endorsed on the Palestinian side by at least some significant Palestinian Authority officials, and on the Israeli side by individuals trusted by large segments of the public.

Amman/Washington/Brussels, 16 July 2002



MIDDLE EAST ENDGAME I:

GETTING TO A COMPREHENSIVE ARAB-ISRAELI PEACE SETTLEMENT

I. THE BUSH PLAN: CAN IT SUCCEED?
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**A. PRESIDENT BUSH'S ADDRESS:
PALESTINIAN REGIME CHANGE FIRST**

Since publication of the initial ICG report on the Israeli-Palestinian conflict in early April 2002,² its core premise has gained wide acceptance. A number of important international actors and numerous commentators have moved toward the view that a purely incremental approach will not succeed in ending the conflict.³ They have become persuaded that, in contrast to what occurred during the Oslo process, the parties must at the outset have a comprehensive sense of the endgame, not only the tunnel but also the light at its end. There has also been broad agreement on the need for the United

States to take the lead in laying out a clear statement of what would constitute a fair and final deal.

The U.S. administration has now spoken, but not quite in the way that might have been hoped. President Bush's much-awaited address of 24 June 2002,⁴ has laid out its vision as to how the conflict should be addressed. The speech, which we call for the purposes of this report the "Bush Plan", contains some important political elements, but it has neither defined the endgame in any comprehensive way nor moved away from an incrementalist method. And it adds a critical new element of reform conditionality – that it is only when "new Palestinian institutions and new leaders emerge, demonstrating real performance on security and reform" that Israel could be expected to work toward a final status agreement and the U.S. could be expected to support the creation of a provisional state of Palestine.

Notwithstanding less than wholehearted enthusiasm from most media commentators and analysts, and many private expressions of disquiet from key European and Arab countries, the "Bush Plan" has for the most part been publicly welcomed by other key international players.⁵ The question addressed in this section is whether that reaction is sustainable – whether the Bush Plan can in fact end the violence and deliver a fair and lasting peace within a reasonable time.

President Bush's speech contained several important points concerning his vision of an eventual Israeli-Palestinian peace. Indeed, it marked the

² A Time to Lead: The International Community and the Israeli-Palestinian Conflict, ICG Middle East Report N°1, 10 April 2002.

³ See, e.g., speech by King Abdullah II of Jordan, Brookings Institution, Washington DC, 13 May 2000. Terje Roed-Larsen, the United Nations Special Coordinator for the Middle East Peace Process, stated that "we must now start at the end – we have a consensus about where the conflict must end, and this must be agreed up front before anything else can be done." Nobel Annual Lecture, Oslo, 15 May 2002. A Washington Post editorial urged President Bush to articulate a clear political vision. "The Israeli-Palestinian Horizon," The Washington Post, 14 June 2002. See also, Edward Djerijian and Shibley Telhami, "US Must Define Peace Terms; Next Step is to Set Parameters for a Settlement in the Mideast," Los Angeles Times, 10 May 2002; Thomas Friedman, "Where the Buck Stops," The New York Times, 9 June 2002.

⁴ Attached as Annex A.

⁵ The international reaction is further analysed below.

administration's first clear indication of its preference for a final status agreement that resolved the questions of borders, Jerusalem and refugees within a relatively short period of time – in stark contrast to Prime Minister Sharon's insistence on a long-term (ten-year) interim agreement. It underscored the necessity of a two-state solution. And, in a phrase rich with studied ambiguity and possibility, it spoke of the need to end the "Israeli occupation that began in 1967," warning that "permanent occupation threatens Israel's identity and democracy."

The problem, as many have observed, lies in the gap between ends that are acceptable and means that are, at the very least, debatable. The vision put forth by President Bush is, in this respect, straightforward. Until the Palestinians change their leadership and undergo far-reaching reforms in terms of security performance and governance, they should not count on the international community's help to reach their political goals. While they undertake these reforms, what will be required of Israel will be minimal. And when they do, the Palestinians can expect a provisional state and negotiations on a final status deal that will be guided by vague and general principles. In, short, the American outlook is predicated on security conditionality, reform conditionality, and partial political steps.

As spelt out in more detail below, there are serious problems with each of these elements. The insistence on an end to the violence as a prerequisite for a meaningful political process treats the violence in a vacuum and plays into the hands of extremists on both sides who are not interested in a political compromise. The demand that Palestinians choose new leaders makes it all the more difficult to achieve that goal, as Palestinians naturally will rally around Arafat rather than submit to a foreign diktat. The notion that they will reform their institutions in the absence of Israeli steps to loosen the siege and withdraw from recently-occupied Palestinian areas is hard to imagine. And the idea that without a clear vision of the end objective the Palestinians will take significant steps on security or reform, or that the two parties will be able to advance towards a permanent solution, has been more than a little discredited by nine years of the Oslo process.

B. THE PROBLEM WITH SECURITY CONDITIONALITY

President Bush reiterated his long-held view that violence and terror are incompatible with a political process. The sequence he laid out was as follows: progress on security and a lessening of violence on the Palestinian side, to be reciprocated by Israeli steps (a withdrawal to the positions held prior to 28 September 2000; restoration of Palestinians' freedom of movement and freer access for humanitarian and international workers; a settlement freeze). The first political dividend (the creation of a provisional Palestinian state) would come only after these reforms have taken place.

Violence against Israeli civilians must stop, and it is incumbent upon the Palestinian Authority to take the necessary steps to reach that goal. Yet, the position that there ought to be no peacemaking under fire is both unrealistic and illogical. It is unrealistic because, even if temporary lulls can be achieved, the political dynamics of this conflict inexorably will lead to more violence and counter-violence until it is finally resolved. Israelis cannot afford to appear to be giving in to fear, and see no choice but to respond to every act of Palestinian violence. Each Palestinian attack both underscores the relative futility of Israeli military action and makes it all the more inevitable. For their part, Palestinians cannot afford to appear to be surrendering to force or to resign themselves to continued occupation and settlement construction, particularly when they have no faith in the political process that would follow a cease-fire. Each Israeli operation both takes a toll on radical Palestinian groups and swells their ranks.⁶

As a result, so long as the overall situation remains unchanged, partial security relaxation on the Israeli side is likely to lead to renewed Palestinian violence which will trigger tougher security measures and which, in turn, will provoke more desperate violence. Alternatively, a Palestinian-imposed "truce" would come to an end if Israel initiated pre-

⁶ After meeting with two jailed suicide bombers whose missions had failed or been aborted, Benjamin Ben-Eliezer, Israel's defence minister said: "While the I.D.F. is carrying out these necessary actions, the operations themselves become a hothouse that produces more and more new suicide bombers. The military actions kindle the frustration, hatred and despair and are the incubator for the terror to come." Quoted in *The New York Times*, 22 June 2002.

emptive incursions or targeted killings of Palestinian commanders, leading to renewed hostility and nullifying any positive step taken during the lull. In the current atmosphere and political dynamic, the anticipated virtuous cycle – in which good will gestures by one side are reciprocated by good will gestures by the other – is much more likely to turn into a vicious one. Whatever trust had been restored would rapidly be extinguished

The logical problem with the security-first approach is that it would seem to condition an effort to achieve peace on its prior attainment. Ending the violence should not be a precondition for taking the political step that has the best chance of achieving that goal. Moreover, to condition a political initiative on a return to quiet is to provide extremists both with a powerful incentive to undermine any attempt at creating a peaceful environment and with a veto power over any prospective diplomatic progress. Cases as varied as Korea, Algeria, Cambodia and South Africa illustrate that successful peace talks can and often do take place while violence continues.

Ultimately, until they know what the endgame basically will be, Palestinians are unlikely to provide Israelis with the security they need. And until they are provided with that security, Israelis are unlikely to agree to carry out the political steps the Palestinians require.⁷ The mutual suspicion that incrementalism is designed to remove is precisely the reason that it cannot work. Interestingly, increasing voices within the Palestinian community are questioning the resort to violence against Israeli civilians. A collective appeal signed in June 2002 by Palestinian intellectuals and political activists asked for the cessation of such acts on moral and political grounds.⁸ Yet, as one of its signatories explained,

"we will not be able to convince our adversaries within the Palestinian national movement through the means of this statement alone. Any rethinking of the Palestinian strategy must be based on offering the Palestinian people hope that there is a political solution."⁹

A central question left unanswered in President Bush's remarks is what will happen if the violence continues despite his approach – and how that approach can be amended if it is to bring violence to an end.

C. THE PROBLEM WITH REFORM CONDITIONALITY

In what was one of the more noteworthy messages of his remarks, President Bush squarely took the position that without a change in leadership and fundamental reform, there can be no political progress. "Peace requires a new and different Palestinian leadership, so that a Palestinian state can be born. I call on the Palestinians to elect new leaders, leaders not compromised by terror. I call upon them to build a practicing democracy based on tolerance and liberty." Detailing his vision of reform, the President mentioned "market economics," a "new constitution which separates the powers of government," a parliament, local officials and government ministers with "full authority," "transparency," "independent auditing," an "independent judiciary," a security system with "clear line of accountability and a unified chain of command" – all of which are apparent prerequisites to the establishment of a "provisional state of Palestine."

Although there is broad agreement on the need for profound reforms, to make them a precondition for movement toward a political settlement may well succeed in both preventing political progress and hindering institutional reform. Palestinians will perceive U.S. and Israeli insistence on reform – let alone on new leadership – as illegitimate meddling in their internal affairs, and it will be hard for them not to see it as a tactic to delay movement on the political front. It will

⁷ This has been described by some as the "bear-hug" dilemma, in which neither side can afford the risk of loosening its grip lest the other take advantage of it.

⁸ The communiqué was signed by 55 prominent Palestinians and published on 19 June 2002 in the Palestinian daily Al-Quds. It stated: "Out of our national responsibility, and due to the gravity of the situation the Palestinian people is in, we, the undersigned, wish to hope that those behind the military actions aimed at [harming] citizens in Israel will reconsider [their acts] and cease pushing our youth to carry out these operations, because we do not see them as leading to any results except for increased hatred, enmity, and hostility between the two peoples, deepening the chasm between them, and destroying the possibility of both peoples

living alongside each other in peace in two neighboring states."

⁹ Salim Tamari, "What Kind of Resistance?" www.bitterlemons.org, 24 June 2002.

immediately delegitimise the concept of reform and undermine those Palestinian activists who have long led the fight for domestic change. Explaining this, Mohammed Dahlan, until recently head of the Palestinian Authority's security organization in Gaza, and often regarded as one of Arafat's more promising potential successors, wrote:

Bush is now effectively demanding a coup d'état against Arafat, because the American administration says that even if he is re-elected in new elections, it will not deal with him. The result of Bush's speech is that the latest polls show nine out of ten Palestinians say they would vote for Arafat. And as long as the Israelis are against Arafat, I'm with him – whatever reservations I have about some of the decisions that have been made.¹⁰

Moreover, while democracy, the rule of law, respect for human rights and financial transparency are all desirable goals, had they been considered preconditions for Israel's peace agreements with Egypt and Jordan these countries would still be in a state of war.

Here again, there are uncertainties in the American approach that will have to be addressed: what will happen to the political track should Arafat (as is more than likely) be re-elected in free and fair elections? What will occur if radical elements prevail in the legislative elections? Who is supposed to carry out the reforms – the untrustworthy PA or hypothetical outsiders? What will happen if the reform process fails to deliver the practising democracy, free markets or independent judiciary the President called for?

D. THE PROBLEM WITH PARTIAL POLITICAL STEPS

President Bush did not ignore the need to provide a political horizon in order to transform Palestinian dynamics. He divided this horizon into two components:

- Once the Palestinians have "new leaders, new institutions and new security arrangements

with their neighbours," they will be able to establish a Palestinian state "whose borders and certain aspects of its sovereignty will be provisional until resolved as part of a final settlement in the Middle East."

- "As new Palestinian institutions and new leaders emerge, demonstrating real performance on security and reform," then he "expected Israel to respond and work toward a final status agreement." Of the content of the agreement, he explained that "the Israeli occupation that began in 1967 will be ended . . . based on U.N. Resolutions 242 and 338, with Israeli withdrawal to secure and recognized borders." The President added that the questions of Jerusalem and refugees also had to be resolved." On the timetable for such an agreement, the President mentioned that "with intensive effort by all of us, an agreement could be reached three years from now."

The problem with this approach is that the Palestinians are likely to see little of value in a state lacking territorial boundaries, a capital or basic attributes of sovereignty. They already declared their state in 1988, and like to point out that more countries have recognized it than have recognized Israel. The Palestinian Authority's official position aside, the early statehood plan is unlikely to resonate widely with the public at large. Indeed, to the extent that provisional statehood is not accompanied by any tangible changes on the ground – withdrawal of Israeli forces, removal of settlements, greater freedom of movement – it risks devaluing the very concept of statehood itself. Israelis, in contrast, will consider this a major concession on their part. In short, Palestinians will be asked to take steps on security and reform in order to achieve something that Israelis will worry about and that Palestinians will dismiss.¹¹

As for the longer-term vision, it is unlikely to have an effect on the conflict's underlying dynamic. The formulation of broad parameters to guide the permanent status talks and a rough timetable, while a step in the right direction, is insufficient. The

¹⁰ Mohammed Dahlan, "We'll Choose our Leaders," *The Guardian*, 1 July 2002.

¹¹ See Shibley Telhami, "The Case Against a Mini-Palestine," *The Washington Post*, 18 June 2002. Indeed, some Palestinians strongly object to early proclamation of a state on the ground that it would "routinise" the conflict in the eyes of the international community, turning it from a national liberation struggle to a mere border dispute. ICG interview, Ramallah, April 2002.

vague descriptions about a permanent solution will not provide the parties with the desired clarity about the ultimate outcome, and each party will continue to harbour suspicions about the other's real intent. The timetable will not be taken seriously in the absence of a process that lays out what will occur if it is not met. In short, the motivation that propels Palestinian violence is liable to remain in place, and in that context Israel is unlikely to take measures to improve the situation on the ground.

Overall, the sequentialism and conditionality inherent in President Bush's approach (no more violence, fundamental reform, and new Palestinian leadership prior to a political process) and the vagueness of the American definition of the endgame have left many wondering how the endgame would be reached and what it would look like if the parties ever got there.

As the questions left unanswered are bound gradually to come to the fore, there is a strong likelihood that the international community, and the United States in particular, will have to adapt its approach. Indeed, assuming the situation on the ground either fails to improve or, worse, deteriorates, pressure will grow to find a more immediate solution that depends neither on a theoretical new Palestinian entity nor on theoretical new Palestinian leaders.¹² It is precisely this realisation that has motivated the search for altered or alternative approaches, to which we turn in the following section.

II. MOVING FORWARD: ALTERNATIVES TO PRESENT U.S. POLICY?

A. THE BUSH PLAN 'PLUS': MORE POLITICS UP FRONT, AND MAYBE TRUSTEESHIP

In enunciating his vision of the Israeli-Palestinian conflict, President Bush established the building blocks of the U.S.'s approach over the coming period, and that approach probably will not be fundamentally altered in the short-term. Based on that conclusion, many who harbour deep scepticism regarding the President's plan – whether within or outside the U.S – have taken the position that it is better to try to amend or extend it rather than directly contest it. For them, the challenge is to work within the parameters of an approach that is premised on the absolute necessity of thoroughly restructuring the Palestinian entity in order to reach a lasting peace with Israel. The belief that the Palestinians will not be able to act in the absence of some immediate political incentive and that, in any event, they will not on their own be able to meet the President's objectives has led to two suggested supplementary approaches. In one, political incentives for the Palestinians are frontloaded. In the other, the process of ending the violence and instituting Palestinian reform is accelerated through the establishment of a temporary U.S.-led international trusteeship over Palestinian-controlled territories.

1. A Political Down Payment

Even among those most willing to support the Bush plan, many acknowledge that the absence of any immediate incentive makes it unlikely – both practically and politically – that the Palestinians will act. Practically, because institutional reform and fair elections require at a minimum an Israeli redeployment and a lifting of the siege that will allow Palestinians to move freely. Politically, because so long as there is no clear and appealing diplomatic alternative, so long as they feel they have nothing to lose, a majority of Palestinians are likely to continue to support the resort to violence.

Some argue, convinced that the Palestinians must see some movement on the ground to regain faith in the political process and to realize the cost of

¹² Yossi Sarid (Meretz), the leader of Israel's parliamentary opposition, appealed to President Bush: "You must understand that we have no time. Time here is against everyone." *Yediot Aharonot*, 26 June 2002. Former Justice Minister Yossi Beilin (Labor) echoed this view: "Israel can't wait for the President's preconditions. It is in Israel's interest to end the bloody cycle of violence, and find a solution now, and not in a few years' time." *Israeli Insider*, 26 June 2002.

continued violence, that what must be added to the Bush plan is a political “down-payment” by Israel, in advance of a total cessation of violence or of comprehensive reform. A key objective would be to have the Palestinian people experience instant improvements on the ground. Various options have been floated:

- The immediate establishment of a Palestinian state, without the many preconditions imposed by President Bush, as a step toward the rapid resumption of permanent status talks.
- An immediate Israeli withdrawal to positions held prior to the onset of the intifada in September 2000 in order to alleviate the Palestinians’ hardship.
- An additional Israeli withdrawal that would increase the amount of land under Palestinian control, enhance Palestinian contiguity, and make movement within Palestinian territory far less onerous. Such a withdrawal may well entail the evacuation of some isolated settlements, in Gaza and in the West Bank.
- An immediate freeze on settlement construction.

This general approach has many antecedents. For example, the discussions between Israeli foreign minister Shimon Peres and the speaker of the Palestinian parliament, Abu Alaa, revolved around the notion of an early proclamation of statehood followed by permanent status talks. The April 2002 proposal by German Foreign Minister Joschka Fischer supplemented this with the notion of an “international security presence” to guarantee the ceasefire. Neither was preconditioned on a change of leadership or sweeping institutional reform.

Certainly, to improve the Palestinians’ living conditions and demonstrate that the political track has some traction will help change the climate on their side and reduce support for acts of violence that would jeopardize these gains. It would increase the likelihood of reaching and sustaining a ceasefire and of creating favourable conditions for reform. Still, this type of incremental approach risks replicating the flaws of the Oslo process that, nearly a decade later, have become plain – only this time worse, given the level of animosity and mistrust that has developed over the last twenty months. Without a common vision of the endgame, both sides will be reluctant to show real flexibility, and neither will

trust the other’s ultimate intention. Palestinians will want to retain the use of violence as a last resort, and Israelis will want to hold on to the land as a last precaution. Each interim step will become a microcosm of the far larger conflict. Domestic opposition to partial steps will mobilise, making further compromises more difficult. Opportunities for missed deadlines and unfulfilled obligations will multiply. The real risk, of course, is that without a fundamentally different approach, the factors that led to the breakdown of the Oslo process ultimately would lead to the breakdown of this one as well.¹³

While some progress might be made, the concept is conditioned on a restoration of trust, contingent on reciprocal steps, and vulnerable to the actions of extremists on either side. It is premised on the hope that each side can be persuaded to take positive action in the expectation that the other will respond in kind. Given the Oslo track record and the experience of the past twenty months, that hope is uncertain at best. What is missing from the American initiative is a mechanism that will set in motion and sustain the various tracks – security, reform, and political – and that can fundamentally change the psychology and logic that are driving actions on the ground.¹⁴

2. International Trusteeship as Accelerator

One of the most common reactions to the President’s speech has been that, while it put

¹³ For a critique of the incremental method, see Hussein Agha and Robert Malley, “The Last Negotiation,” *Foreign Affairs*, May/June 2002. Reacting to suggestions for an early declaration of statehood, an Israeli commentator wrote: “American creativity has produced a new breed of Oslo agreements that has the same minefields that blew up the previous Oslo process. Once more, the international community is trying to give a small quantity of security to the Israelis and a small amount of independence to the Palestinians, while, at the same time, it is postponing discussion of the really tough issues. When the timetable’s deadline passes, the Palestinians will seek to cash the post-dated check they received and will demand the promised peace agreement, while Israel will argue that the Palestinians did not fulfil their end of the deal. The result will be that the conflict will be re-ignited.” Aluf Benn in *Ha’aretz*, 19 June 2002.

¹⁴ One triggering element that appears to have been dropped by the President is the notion of an international conference, which European countries continue to see as necessary to launch simultaneous efforts on the political, security and reform tracks.

forward laudable goals for Palestinian reform, they simply are unachievable in the short term. In the interim, and given the emphasis on sequentialism and conditionality, Palestinians and Israelis will be condemned to live with continued violence and bloodshed.

In order to accelerate the process of institutional reform and security measures, some have put forward the notion of establishing a temporary multinational “trusteeship” to either complement or substitute for the Palestinian Authority. Under this model, the multinational presence would in effect be running Palestinian-controlled territory for an initial period, helping to provide security, establishing an effective administration, helping to build new institutions and supporting capacity-building for self-government until such time that the new state of Palestine would fully take over these functions.¹⁵ If Washington is insisting on profound reform and an end to the violence, the logic goes, then it should do more than simply call for these steps but actually make them happen.¹⁶ Reform and security efforts are hard to implement while Israel’s occupation continues, and de-occupation is hard to undertake while the Palestinian security threat remains. Therefore, under this view, the United States should take responsibility away from both the Palestinian Authority and Israel, and establish a multinational body that will help build new Palestinian institutions while fighting terror.

As suggested in a prior ICG report, developments in the occupied territories may naturally lead to such a

situation in any event. Indeed, the international community may find itself in the unenviable position of having to directly assume certain functions that the Palestinian Authority no longer will be capable of satisfying: basic humanitarian needs, law and order and so on.¹⁷ Because Israel will be wary of engaging in a full reoccupation and resuming direct administration of Palestinian territories, and because the international community will be wary of becoming the civilian wing of a military reoccupation, the international community may be forced to intervene in a far more robust manner to provide security and basically run the territories currently under nominal Palestinian control.

This scenario raises many difficult questions. For example, how will a multinational military presence operate in the absence of a prior agreement between Israelis and Palestinians regarding territorial boundaries? Assuming no territorial agreement, Palestinians will continue to resist Israel’s occupation, and the trusteeship therefore will operate in a hostile environment. How many nations will agree to send troops under such circumstances? How would the multinational force interact with the remaining Israeli presence? Would its ability to operate properly require the evacuation of isolated Israeli settlements?¹⁸

Politically, too, it leaves unanswered critical questions about how negotiations will proceed, and with whom. Will Israel agree to deal with leaders of the Palestinian Authority? Or would any genuine political process be suspended until the end of the

¹⁵ There are several recent models on which such a “trusteeship” could be built (leaving aside the possible application of Chapter XII of the UN Charter, which has been more discussed than applied in recent decades), notably the UN-led administrations in Kosovo (UNMIK) and East Timor (UNTAET) and, in particular, the non-UN Office of the High Representative (OHR) model agreed for Bosnia and Herzegovina in the U.S.-led 1995 Dayton Peace Accords. Such an administration would be essentially civilian in character, but work in close coordination with the parallel international military operation as has occurred in the arrangements in Bosnia with the Stabilisation Force (SFOR) and in Kosovo with the Kosovo Force (KFOR). Less likely, it could follow the East Timor model, where UN peacekeeping troops and military observers formed the “military component” of UNTAET. The possible application of these models to a post rather than pre-agreement scenario is discussed in our second ‘Endgame’ report – see footnote 18 below.

¹⁶ See, e.g., Martin Indyk, “A U.S.-led Trusteeship for Palestine,” *The Washington Post*, 29 June 2002.

¹⁷ *A Time to Lead: The International Community and the Israeli-Palestinian Conflict*, p. 26. Some Palestinians activists have suggested that the Palestinian Authority disband itself and invite Israeli administration of the territories as a means of shedding any remaining illusions about Palestinian self-government and exposing “the reality of Israeli reoccupation.” ICG interview, Ramallah, June 2002.

¹⁸ This scenario needs to be distinguished from the scenario under which a trusteeship is established for some limited time after conclusion of an Israeli-Palestinian agreement in order to facilitate and give confidence in its implementation. We suggest later in this report (and at more length in the companion report, ICG Middle East Report N°3, *Middle East Endgame II: How a Comprehensive Israeli-Palestinian Settlement Would Look*, 16 July 2002, section III A) that this might be worth considering as an alternative to the immediate establishment, post-agreement, of a new Palestinian state with a government exercising its full sovereign powers.

trusteeship and the establishment of new Palestinian-run institutions? More generally, and like the political down payment model, the trusteeship model – unless supplemented by a clear and detailed vision of where the political process will end – suffers from the defects of the incremental method. Any staged approach almost certainly will erode rather than build mutual trust, with each successive interim commitment triggering a new and potentially damaging crisis.

B. A NEW EU AND ARAB-LED COMPREHENSIVE SETTLEMENT INITIATIVE

For some time now, European and Arab leaders have called on the United States to put forward a comprehensive settlement plan as the only way to break the cycle of violence. For example, Jordan's King Abdullah II noted that "the incremental approach has run its course... We must go straight for the final prizes... That means translating the visions articulated in Madrid, Louisville, Washington and Beirut, into a detailed time-line, a plan of action that will rekindle hope and make it reality."¹⁹ Egyptian, Saudi and European officials have expressed similar views.²⁰ With Washington having made clear that, for the time being at least, it is not interested in doing so, one option would be for Arab and European countries, in concert, to take the lead.

However strongly they may feel about the wisdom of pursuing a comprehensive settlement approach, they are hesitant to do so on their own. The Europeans, particularly since the establishment of the Quartet (composed of the U.S., the EU, Russia and the office of the UN Secretary General) as a coordinating mechanism for Middle East policy, have studiously avoided any significant public disagreement with Washington for fear of once again being marginalised. Arab countries went as far as they thought they could with the Saudi initiative supporting full withdrawal in exchange for full normalisation, and with its subsequent endorsement by the Arab League.²¹ In their eyes, the

next step must come from the United States or from Israel.

Initial official reactions from European and Arab capitals to President Bush's remarks illustrate this reality. The European Union, traditionally more concerned about the need for simultaneous movement on the political, security and reform tracks, nonetheless "welcomed" the President's speech, calling it "a new step forward in the United States engagement in the search for a solution to the Middle East conflict." While individual leaders took particular issue with the insistence on Arafat's departure, and while the EU regretted the absence of any reference to an international conference,²² overall it chose to underscore elements of the President's vision that dealt with the final outcome: a two-state solution; an end to the Israeli occupation; and the "early establishment of a sovereign, and a viable and peaceful State of Palestine."²³

Rather than criticise a speech that clearly put most of the burden and blame on the Palestinians, moderate Arab governments also chose to welcome signs of a renewed U.S. commitment to help end the conflict while simultaneously seeking "clarifications" from Washington on other aspects. Egyptian President Hosni Mubarak, for example, described the speech as "balanced to a large extent."²⁴ The government of Jordan characterized it as marking "the beginning of the end of the conflict between Arabs and Israelis."²⁵ In a carefully worded statement, Saudi Arabia spoke of the initiative's "positive elements, including a clear American commitment to finding a solution to the crisis in the Middle East."²⁶

²² Javier Solana, the EU High Representative for Foreign Affairs, stated that "an early international conference . . . is more than ever necessary." *The Guardian*, 26 June 2002. Jack Straw, the British Foreign Secretary, insisted: "It is up to the Palestinians to choose their own leaders," a point also made by the French and German foreign ministers, *ibid*.

²³ Declaration by the Presidency of the European Union on the Middle East, Madrid, 25 June 2002.

²⁴ *Financial Times*, 26 June 2002.

²⁵ *The Washington Post*, 26 June 2002.

²⁶ "Statement by Saudi Arabian Government in Response to President Bush's Speech on the Middle East," 27 June 2002. Among the positive elements Riyadh noted – some of which clearly over-interpreted the President's words – are recognition of "the right of the Palestinian people to live in freedom and dignity, in their own independent state, within three years; the need for Israel's withdrawal to the pre-1967

¹⁹ Brookings Institution, Washington DC, 13 May 2000.

²⁰ ICG interviews with Arab and European officials, March-June 2002.

²¹ The full text of the resolution adopted by the Arab summit in March 2002 appears at appendix B.

Trying to put the most favourable spin is nothing new, and in this instance the parties felt they had ample reasons to do so. Europeans feared that denouncing the speech would leave them with nowhere else to go. Arab states, and in particular Saudi Arabia, Egypt and Jordan (becoming known, though not yet officially, as the "Trio"), had invested considerable time, energy and domestic political capital in an attempt to recalibrate U.S. policy and obtain greater U.S. engagement. To denounce the President's speech would have constituted a blunt admission of failure and raised serious questions at home regarding the effectiveness of their approach. More generally, by staking out a generally positive but inquisitive posture, European and Arab capitals hope to position themselves for the day when the U.S. plan runs up against realities on the ground. In other words, there is every reason to doubt that Europe or the Arab world will be prepared to offer a rival comprehensive plan.

There is a problem of capacity as well as will. A European-Arab coalition would have extreme difficulty bringing any comprehensive initiative to completion without the involvement of the U.S. An international peace initiative that lacked U.S. blessing or involvement almost certainly would be greeted with suspicion in Israel, a function both of the unique relationship between Washington and Jerusalem and of America's unmatched ability to provide logistical backing to a peace deal. Because any viable final settlement will require the dispatch of an effective military force, significant resources, and genuine political clout to ensure its precise implementation, a peace deal with the U.S. on the sidelines probably means no peace deal at all.

All of this is not an argument against greater and more independent involvement by the European and key Arab countries. Particularly if they act in a concerted fashion, they possess more leverage with Washington than they generally imagine. Without their overt support, the United States would find it highly difficult to pursue its regional objectives. In particular, the U.S. very much needs European

operational help and Arab support to promote its reform and security agenda with the Palestinians, especially insofar as it has broken off contact with the current leadership. A forceful joint initiative by the EU and moderate Arab nations, advocating comprehensive settlement plans and putting specific ideas on the table, could have an important impact on regional public opinion and, indeed, be a useful external source of pressure for change in U.S. policy itself.

C. AN ISRAELI-PALESTINIAN PEACE COALITION COMPREHENSIVE SETTLEMENT INITIATIVE

Whether intentionally or not, President Bush's speech may have the effect of a wake-up call among moderate Israelis and Palestinians. Having long counted on greater U.S. involvement to revive the peace process, they were left with the unmistakable understanding that – for now at least – they could not.²⁷ For those among them who believe that the only way forward is to try to reach a permanent status agreement, the inevitable conclusion is that they will have to do it on their own.²⁸

There is little doubt that were a broad-based coalition of Israelis and Palestinians able to produce a comprehensive agreement, credible in its content even if informal and non-governmental in its gestation, it would have a real impact on public opinion. On the Israeli side, it would help undo the damage inflicted by the generally accepted reading of Camp David and subsequent negotiations: that the Palestinians are not prepared to accept a two-state solution and Israel's right to exist. On the Palestinian side, it would offer an alternative to the current mindset that sees in violence the only possible means of ending the occupation.

The impact of such an initiative would depend on a number of factors, including the nature of the agreement and the identity of those who signed it. The more specific the agreement, the more it would demonstrate a willingness to make compromises and prepare the Israeli and Palestinian publics to

borders, in accordance with UN Security Council Resolutions 242 and 338; an end to Israeli settlements and the daily indignities suffered by Palestinian citizens . . . The initiative also recognized that East Jerusalem and the refugee situation should be part of the final settlement." Bush in fact did not mention withdrawal to the lines of 4 June 1967, and three years were mentioned as a possible target, not as a "right."

²⁷ ICG interviews, Tel Aviv and Ramallah, June 2002.

²⁸ Of course if a settlement proposal emerging from a broad-based Israeli-Palestinian peace coalition were to be simultaneously advanced by a major group of international players, the impact would be optimal: in this sense the options are cumulative rather than alternative.

accept them. In other words, there would need to be clear and unambiguous answers to fundamental questions regarding the right of return, the status of Israeli settlements, the security of the state of Israel and the future of Jerusalem.

The Israeli-Palestinian coalition should aim to be broad and attract individuals with real credibility. On the Palestinian side, ideally, it would be endorsed by significant members of the Palestinian Authority and serve as the platform on which candidates could run in the forthcoming national elections. Although the document would have no legally binding status, support from PA officials would be critical if the goal is to change the minds of those Israelis who were convinced by the failure of Camp David and subsequent negotiations that no agreement is possible with the current Palestinian leadership.

On the Israeli side, of course, any form of official endorsement is presently hardly likely, given the Prime Minister's views. But to the extent signatories included people trusted by the Israeli public the settlement platform could offer an alternative to the policies of the current governmental coalition. The agreement, around which it is possible to conceive a significant body of public support developing, could well prove to be a defining issue in the next Israeli elections.

The principal inherent limitation in relying on a domestic coalition to be the catalyst for change is that international support will be crucial in any final settlement negotiation. In the first place, a sustainable permanent status deal will require a multinational military presence, economic aid and other forms of international assistance, and acting on their own, Israelis and Palestinians can do no more than hope for the kind of international support that would be needed to actually market and implement it. Another consideration is the extreme mistrust between Israelis and Palestinians, which means that any agreement – official or unofficial – reached between them is bound to be viewed sceptically by each side. The involvement of a third party is increasingly being seen as an essential assurance of seriousness and credibility.

All that said, it is ICG's assessment that an informal Israeli-Palestinian agreement reached by a broad-based peace coalition would send a powerful signal, with the potential of positively transforming domestic political dynamics on both sides of the

Green Line. It would help revive hope in the possibility of a political agreement and improve prospects of the Palestinians pursuing a non-violent path. Indeed, should a credible agreement be reached, it could influence the behaviour of key international actors, including the United States.

D. A NEW U.S.-LED COMPREHENSIVE SETTLEMENT INITIATIVE: ICG'S PREFERENCE

The most effective way to reach the goals sketched out by President Bush – an end to the violence, fundamental Palestinian reform and a final status agreement – would be for the United States to present a detailed, comprehensive Israeli-Palestinian settlement plan, in coordination with, and with the full backing of other key members of the international community. Such an initiative could decisively shift the terms of the debate within Israeli and Palestinian societies and accelerate the process of reaching a final agreement. The peace plan would need to:

- ❑ end the conflict;
- ❑ meet the two sides' core needs;
- ❑ be accompanied by guarantees of strong multinational involvement to help implement, fund and oversee it; and
- ❑ be promoted through a concerted international effort, involving Americans, Europeans and Arabs, to reach out to the Israeli and Palestinian people so that they, in turn, can pressure their leaders to accept it.

The point would not be to impose the plan on either party; rather, it would be to persuade the parties themselves to embrace it. We do not seek to identify a precise timetable to reach an agreement, or to argue at this stage that the international community should set one: in the current political context that would be to take a step too far. Rather, ICG argues for the international community, led by the U.S., laying on the table as soon as possible a comprehensive settlement plan which presents with great clarity, and in substantial detail, the international community's strong view of what the final outcome ultimately should look like. ICG also believes this ought to be followed up with active and sustained public diplomacy to secure the plan's

acceptance and implementation.²⁹

ICG agrees that promotion of a comprehensive final political settlement should not be at the expense or to the detriment of other urgent efforts to redress the current dreadful situation in Israel and the Palestinian territories. These necessary efforts include:

- doing everything possible to secure a cessation of all forms of violence and to address the sources of the violence. A U.S.-led international group should be dispatched to monitor the commitments that have been made;
- reforming Palestinian security, economic and political institutions to give the Palestinian people better governance and the Israeli people greater confidence in the character of the future Palestinian state;
- providing economic assistance to the Palestinians to avert a major humanitarian disaster and restore hope to the Palestinian people; and
- halting Israeli settlement construction.

However, putting forward the political plan should not be conditioned on any of the above. In fact, in the absence of a comprehensive settlement plan, it is difficult to see how major, sustainable gains can be achieved in relation to either security or governance. The notion that the Palestinians first need to change their leadership is, in this regard, particularly troubling. Arafat's likely re-election ought not put the political process on indefinite hold. Indeed, it is highly doubtful that any credible Palestinian leaders would be more accommodating than Arafat on the major substantive issues – or that any successor to Arafat would possess the same ability to sell an agreement to the Palestinian people.

The United States has just laid down its preferred approach and it is a far cry from this one. But it is ICG's view that Washington will need to re-examine and adjust the approach put forward by President Bush to take account of realities on the ground – for example the anticipated continued violence, inadequate institutional reforms, and re-election of

the existing Palestinian leadership. At that point, Washington will again be in a position to take advantage of the almost unprecedented propensity on the part of the international community – including key Arab countries – to rally around American ideas.³⁰ Such a remarkable situation has, to date, been used by the administration to achieve broad agreement on modest proposals, even by some countries that are sceptical these proposals can work. But it also can be used to present bold, far-reaching plans whose success depends precisely on the kind of international consensus that currently exists.

What is most illogical about going down an incremental, long-drawn-out path that has, at the very least, a substantial chance of failing is this: *majorities on all sides appear ready now to accept a final deal that will end their conflict.* The problem, as so many have noted, is not so much what the deals will be, but how to get there. Postponing that final outcome – with the all too certain accompanying risk of major further death, injury, destruction and misery – cannot be the right answer. Instead, a process must be devised whereby the latent aspiration on both sides to end the conflict can be given practical and political expression. Given limitations on the part of the present Israeli and Palestinian leaderships – the virtual impossibility that they will be able to negotiate a final agreement on their own – that process ought to come from the outside, and it will need to begin with the articulation of a fair and final deal that resonates with the Israeli and Palestinian people.

Even should short-term stabilisation measures succeed, the likely lack of progress in the current political environment between Israelis and Palestinians on final status issues and lack of hope as to their ultimate resolution quickly will threaten to re-ignite tensions. This can only be compensated for by the international community's efforts to provide greater clarity – and therefore greater certainty – regarding its concept of what a final settlement should be. The following sections of this report – and the two companion reports to this one³¹ – describe in considerable detail the procedural and substantive aspects of that settlement.

²⁹ Several of these ideas originally appeared in Hussein Agha and Robert Malley, "The Last Negotiation," *Foreign Affairs*, May/June 2002.

³⁰ Indeed, almost every recent U.S. Middle East initiative has triggered virtually automatic and universal endorsement. ICG interviews with U.S. and UN officials, Washington, June 2002.

III. A NEW COMPREHENSIVE SETTLEMENT INITIATIVE: ELEMENTS

A. THE ISRAELI-PALESTINIAN DIMENSION

To break the cycle of violence, bolster forces of moderation on both sides, and, most crucially, create a rallying point that can decisively transform the mindsets and affect local domestic politics, the international community, led by the U.S., should present to the Israelis and Palestinians as soon and as precisely as possible a comprehensive final settlement plan making clear what the preferred outcome ought to be. It also should actively seek to make it happen.

Some have opposed this approach by arguing that the plan is likely to be rejected by the Palestinian leadership, the Israeli leadership, or both, and that the mere act of putting a plan on the table, therefore, will not produce sustained political results or change the dynamics on either side. Israelis and Palestinians will be quick to dismiss the U.S. initiative as empty and short-lived rhetoric destined to share the sorry fate of its many shelved predecessors, from the Rogers to the Reagan plans. The international community, therefore, would then be left with nothing to work with.

There are several responses to this charge. First, this more ambitious, far-reaching political approach should not be taken up at the exclusion of the other important tracks that are being pursued – institutional reform of the Palestinian Authority; reorganization of its security apparatus; rebuilding of its economy; and measures to improve the situation on the ground for both peoples. Rather it should complement them and proceed in *parallel*. Indeed, presentation of a fair final status plan almost certainly will facilitate Palestinian implementation of these other priorities by placing them in the context of movement toward a comprehensive solution. If well-timed, the peace proposal can become an issue in the Palestinian national elections currently scheduled for January 2003, forcing Palestinian leaders to take a clear stance on the issue of a permanent status deal.

Secondly, and more importantly, the point is not for the international community to passively present a “vision,” whose rejection by Sharon or Arafat would put an end to the process. The point is to promote a full scale blueprint, and to do so actively and even aggressively by targeting public opinion on both sides. In other words, there must be creative, energetic and international public diplomacy centred on marketing and selling the comprehensive peace plans to the various constituencies.

To be clear: an Israeli-Palestinian peace plan cannot be imposed. But by the same token, it cannot simply be left unattended on the table. This is not a matter of seeking to impose a solution against the peoples’ will. Rather it is a matter of seeking to *affect* the parties’ will by virtue of forceful presentation and active diplomacy in the hope that they themselves will pressure their leaders to embrace the peace plans or will choose alternative leaders willing to do so.

Historical precedents suggest that presentation of a comprehensive agreement can work to unlock difficult diplomatic predicaments. In Northern Ireland, in March/April 1998, the British and Irish governments together worked out a peace agreement and the U.S. mediator, George Mitchell, presented it to the parties. Likewise, in Macedonia in 2001, the basics of the Ohrid Agreement had been drawn up before the end of June by the U.S. and EU negotiators, James Pardew and François Léotard, though the agreement itself was not signed until mid-August, after several weeks of negotiations about the specifics. In both cases, as a result of the international community presenting the actors with a game plan for the final outcome, the debate rapidly became a haggling over details rather than a debate over fundamentals.

B. THE ISRAEL-SYRIA AND ISRAEL-LEBANON DIMENSIONS

There is something almost counter-intuitive about discussing at this time a possible peace initiative on the Syrian or Lebanese fronts. Efforts at brokering an Israeli-Palestinian deal in 2000-2001, the outbreak of the intifada, mounting violence and human suffering and the fear of regional escalation have relegated the Syrian and Lebanese tracks to virtual obscurity. As international energy has centred on the Israeli-Palestinian conflict,

³¹ ICG Reports, *Middle East Endgame II* and *Middle East Endgame III*, op. cit.

diplomatic interest in Damascus or Beirut has been limited to the war against terrorism and pressure to restrain the radical Hezbollah organisation.

Yet several strong arguments can be made that movement on the Syria/Lebanon tracks is vital to all current efforts to restore peace in the Middle East. To begin with, the border between Israel and Lebanon counts among the most volatile in the world. U.S. and UN officials have confided to ICG that, in their view, the risk of a large-scale regional conflagration is greater in the Syrian/Lebanese theatre than in the Palestinian one.³² Hezbollah is said to be accumulating an impressive arsenal that is capable of reaching deep into Israeli territory.³³ To date, it has restricted most of its activity to the region of the Israeli-occupied Shebaa farms (which Israel along with the UN and most of the international community deems to be part of Syria, and which Beirut and Damascus claim to be Lebanese). But a miscalculation on its part or on Israel's rapidly can expand the theatre of operations and trigger a dangerous chain reaction. The intifada and Israel's military attacks in the West Bank have increased pressure on Hezbollah to demonstrate its solidarity with the Palestinians and its effectiveness in continuing the struggle.

Convinced that Israel's deterrent power has been eroded by Israel's unilateral withdrawal from Lebanon and by the intifada, Prime Minister Sharon may well believe he must retaliate forcefully against Hezbollah attacks. Probable targets would be Lebanese, but also Syrian, given the powerful influence Damascus exerts over Hezbollah via its logistical and political support. For his part, young, still untested, and arguably still beholden to harder-line members of the regime, President Bashar al-Asad of Syria may be unable or unwilling to fully control the situation. Some members of the international community who recently met him came away with the impression that he might see some advantage in a limited confrontation with Israel should the status quo remain.³⁴

More generally, one of the key lessons of the past few years has been the interconnectedness of the Palestinian with the Syrian/Lebanese tracks. Hezbollah's apparent success in South Lebanon almost certainly emboldened young Palestinians and convinced them of the merits of armed struggle. Hezbollah training and other assistance to Palestinian groups have heightened their ability. Support for and harbouring of Palestinian radical groups by Damascus limits the Palestinian Authority's ability to act against them and increases the risk of violent acts against Israeli civilians.

Indeed, many Israeli-Palestinian permanent status issues are directly linked to the Syrian and Lebanese tracks. Israel's basic acceptance of the lines of 4 June 1967 in the context of its negotiations with Syria³⁵ might well have served to harden the Palestinian position. The lingering refugee problem in Lebanon is one of the most difficult for the Palestinians to solve.³⁶ Palestinian negotiators often state that the refugees in Lebanon must be given priority and express the fear that failure to address their claims could destabilise any agreement. And on the security front, Israel's enduring feeling that it is threatened by an Iranian/Syrian alliance will make it more difficult for it to concede on some of the more intrusive security demands it has presented to the Palestinians, such as the request for a residual Israeli presence and emergency deployment areas in the Jordan Valley. In other words, for as long as the Israeli-Syrian conflict endures, Damascus and its allies in the region can and will seek to undermine prospects for progress on the Palestinian track.

In addition, it is difficult to imagine that the kind of normalisation evoked by Crown Prince Abdullah and the Arab League's Beirut

³² ICG interviews in Beirut, April 2002; Washington, June 2002.

³³ U.S. officials claimed that new weapons shipments from Iran to Hezbollah included longer-range rockets capable of reaching deep into Israel. *The New York Times*, 15 June 2002.

³⁴ ICG interview, Washington, June 2002.

³⁵ This is further discussed in *Middle East Endgame III*, op. cit. Prime Minister Rabin made it clear in the course of his talks with President Clinton that he was prepared to accept the 4 June 1967 lines as the basis for an agreement, subject to Israel's needs being met; Prime Minister Barak offered a map showing some variations to the 1967 lines, principally in order to meet Israel's water needs.

³⁶ According to the United Nations Relief and Work Agency for Palestinian Refugees in the Near East (UNRWA), there are 382,000 registered Palestinian refugees in Lebanon. Refugees International, 31 May 2002. Actual figures are almost certainly significantly lower.

Declaration³⁷ – and which is critical to the Israeli people – can materialise without resolution of that conflict. In the aftermath of Abdullah's initiative and in anticipation of the Beirut Summit, Syrian leaders quickly travelled the region to obtain clarification that normal relations with Israel were dependent on Israeli withdrawal from all Arab lands, Syrian included.³⁸ In other words, a separate Israeli-Palestinian settlement is unlikely to lead to peace treaties, diplomatic recognition, and normal peaceful relations with the rest of the Arab world.

Finally, the basic issues regarding the Syrian and Lebanese tracks are far less complex than those involved in the Palestinian one. Many observers concur that an Israeli-Syrian agreement was within reach and that its stumbling blocks (basically on the question of whether Syria's boundaries would reach up to the shores of Lake Tiberias) could have been removed through creative third-party diplomacy.³⁹ With the Syrian issue out of the way, there is little doubt that Lebanon (which in terms of a final peace deal does not have sharp areas of disagreement with Israel) would quickly follow.

C. CONTENT OF THE COMPREHENSIVE FINAL SETTLEMENT PLANS

For some time now, a number of observers have commented that the content of what ultimately will constitute the Israeli-Palestinian, Israeli-Syrian, and Israeli-Lebanese permanent status deals is familiar, and known to all – the parties most directly concerned included. In the Syrian case, the observation generally draws on the talks that took place between 1992 and 1996, the Israeli/Syrian/U.S. summit at Shepherdstown in January 2000 and the Clinton/Asad meeting in Geneva in March 2000. In the Palestinian case, it draws on the negotiations that began at Camp David in July 2000 and ended inconclusively at Taba⁴⁰ in January 2001 and in particular on the

parameters put forward to the two parties by U.S. President Clinton⁴¹ on 23 December 2000.⁴²

But while the broad outlines may be well known, to date there have been no real efforts by any of the key players to present more detailed plans to the public. Going from the general to the more specific is critical in order to persuade the various constituencies that a deal is possible, clarify the essential trade-offs it will entail, and demonstrate that the parties' core interests can be protected. On the Syrian side, the notion of full Israeli withdrawal, without an accompanying map, has obscured as much as it has clarified the end result. In terms of substance, President Clinton's attempt to broker a peace deal between Israel and Syria principally stumbled on the two sides' divergent views of where the border would lie along Lake Tiberias.

Likewise, to say that the borders of the State of Palestine should be based on the lines of 1967 with modifications is one thing – allowing both parties considerable room to manoeuvre, and therefore considerable room to doubt whether the ultimate deal genuinely will meet their needs. It is quite another thing to clarify which settlements would be annexed to Israel - something far more tangible and therefore meaningful to the two sides. Similarly, to speak of a fair and agreed solution to the refugee problem that does not affect Israel's demographic interests will not reassure the Israeli people as much as an agreement making clear that there will be no return to Israel on the basis of a general right of return and that those Palestinian refugees who will be returning to Israel will do so under existing or newly established family reunification and humanitarian programs. Nor will a vaguely defined international presence answer either Israelis' concerns about their security or Palestinians' concerns about monitoring implementation of the accord. In short, and given the utter lack of mutual confidence, ambiguity must be avoided. This clearly is one lesson of the Israeli-Palestinian Oslo process. The plans put forward by the international

³⁷ The text of the Beirut Declaration of 28 March 2002 is attached at Annex B.

³⁸ ICG interview with Arab diplomat, Cairo, April 2002.

³⁹ ICG interviews with former U.S. diplomats, Washington, June 2002.

⁴⁰ The 'Moratinos Document' – the EU non-paper prepared by the EU Special Representative to the Middle East Process, Ambassador Miguel Moratinos, summarising the outcome of the Taba negotiations – is attached as Annex C. It originally was published in the Israeli daily *Ha'aretz* on 14 February 2002..

⁴¹ The 'Clinton Parameters' are attached as Annex D. They originally were published in the Israeli daily *Ha'aretz* on 31 December 2000.

⁴² For a good discussion of what transpired at Shepherdstown, Geneva, Camp David and Taba, see Charles Enderlin, *Le Rêve Brisé*, Fayard: 2002. The case of Lebanon has been the object of far less diplomatic and analytic interest of late because the issues are judged to be relatively straightforward and the politics almost entirely dependent on the Syrian track.

community, led by the United States, must be detailed, unequivocal and comprehensive.

Equally vital, crafting of these plans must involve intensive consultations by the U.S. with a range of other governments, particularly Arab and European. The challenge for the U.S. will be to put together plans that will enjoy their public support while meeting the core interests and vital needs of the parties. Indeed, the United States should make clear from the outset that public unveiling of the various plans is contingent on commitments from members of the coalition to support them in multiple ways: through public diplomacy and strong action on the ground in order to sell them; and through guarantees of financial, military and logistical assistance in order to implement them. This support must be unambiguous and independent of any extraneous development – such as rejection by either side or resistance by their own domestic opinion.

On the basis of lengthy discussions over recent months with a large number of Israelis, Palestinians and Arabs, ICG has made its own assessment of the elements of viable peace agreements. Because the Israeli-Palestinian agreement is designed to meet the two sides' core interests and, most importantly, be accepted by their respective publics, our draft naturally draws on past negotiations that have taken place between them. However, and based on the lessons of those negotiations and of the ensuing twenty months of violence, it differs in three important respects:⁴³

- *It relies on a far more substantial multinational presence than previously had been contemplated.* This would serve to lessen Israeli fears about the character of the Palestinian State and its ability to threaten Israel and to assuage Palestinian concerns about Israel's faithful implementation of the accord.
- *It provides more clarity on the territorial issue,* ensuring that, with mutual modifications, the Palestinians recover the equivalent of 100 per cent of the land lost in 1967.

- *It provides more clarity on the refugee issue,* ensuring that no Palestinian will be returning to Israel proper on the basis of the right of return – though some would be returning, under Israel's sovereign discretion, through family reunification or other humanitarian programs.

Israeli-Palestinian Bilateral. In very broad summary – these points are elaborated in much more detail in a companion report issued simultaneously with this one⁴⁴ – the key components of a bilateral Israeli-Palestinian agreement would be:

- Two states, Israel and Palestine, will live side by side, recognised by each other and by the international community.
- The borders of the state of Palestine will be based on the lines of 4 June 1967 with modifications. Israel will annex no more than 4 per cent of the West Bank to accommodate a majority of its settlers while dismantling the majority of its settlements, and Palestine will be compensated by the transfer of Israeli land of equal size and actual or potential value. Borders will be drawn to protect the contiguity of the West Bank, minimise the number of Palestinians brought within Israel or relocated, and ensure Palestinian access to water resources and sovereignty over international borders with Jordan and Egypt.
- Palestine will have control over a corridor linking the West Bank and Gaza.
- Palestine will be a non-militarised state.
- Both parties will request the establishment of a U.S.-led multinational force to monitor implementation of the agreement, take the place of Israeli forces as they withdraw, patrol Palestine's international borders and crossing points and, by its presence, serve to deter any hostile act against either party.
- Israel will have sovereignty over the Jewish neighbourhoods of East Jerusalem, which, together with West Jerusalem, will constitute the capital of the State of Israel. Palestine will have sovereignty over the Arab neighbourhoods of East Jerusalem,

⁴³ The text also draws from ideas formulated in the context of recent Israeli-Palestinian track II discussions, in some of which ICG has been involved. Because of the sensitivity and hitherto private nature of these efforts, they cannot be specifically referenced in this report.

⁴⁴ *Middle East Endgame I, op. cit.*

which will constitute the capital of the State of Palestine.

- There will be a special regime governing the Old City, which would remain open, and sites of special significance in Jerusalem's Historic Basin. Both parties will request the establishment of an international presence to guarantee security and help preserve their unique character. There will be firm, internationally-backed guarantees against any excavation of or building on the Haram al-Sharif (Temple Mount) without the parties' express consent.
- The special regime will take the form of an international protectorate over the Old City and Historic Basin sites; or alternatively a divided sovereignty regime in which the Jewish quarter, parts of the Armenian quarter, and the Kotel (Wailing Wall) will be under Israeli sovereignty while the Muslim, Christian and parts of the Armenian quarters, as well as the Haram al-Sharif, will be under Palestinian sovereignty.
- The refugee issue will be resolved in a way that addresses Palestinians' deep sense of injustice without affecting Israel's demographic balance. Refugees will receive financial compensation and resettlement assistance, and subject to the sovereign decisions of the various states, will have the choice between relocation to Palestine, relocation to lands within Israel proper that will be swapped with the state of Palestine, rehabilitation in host countries or relocation in third countries. Israeli family reunification and humanitarian programs will continue, together with any other program upon which the two parties agree.
- Appropriate security arrangements will be made to enable Israel to establish early warning stations on the West Bank and to have necessary access to Palestinian airspace and electro-magnetic spectrum.
- The agreement will mark the end of the conflict. The only claims either party can raise that arise out of their historic conflict will be those related to implementation of the agreement.

Israeli-Palestinian Multilateral. There would need to be also a multilateral agreement supporting the

bilateral agreement, including the following key elements (again spelt out in much more detail in our companion report):

- At the diplomatic level, broad international recognition of the States of Israel and of Palestine, with Arab states formally recognising the State of Israel, ending any continuing state of war with it, and committing to fully normalised diplomatic, economic and cultural relations with it.
- At the political level, a high-level Contact Group and an-on-the-ground civilian administration⁴⁵ to oversee implementation of all aspects of the bilateral agreement and provide dispute-resolution mechanisms in the event of a disagreement.
- At the military level, a fully mandated and capable U.S.-led multinational force to monitor compliance with all militarily relevant aspects of the bilateral agreement, patrol and monitor Palestine's international borders, and deter by its presence attacks against either party.
- For Jerusalem, an international police presence and civilian administration specially adapted to the circumstances in the Old City to assist in the policing, protection and preservation of this area. Under the international protectorate option for the Old City and Historic Basin sites, the governing body of the protectorate would assume sovereign powers, while to the extent possible allowing Palestinian authorities to administer Arab neighbourhoods and Christian and Muslim holy sites, and Israeli authorities to administer Israeli neighbourhoods and Jewish holy sites.
- On refugee rehabilitation, an international commission would be in charge of implementing all aspects of the bilateral

⁴⁵ This could go so far as to involve the creation of a temporary international 'trusteeship', involving both civilian and military elements. Under this model, the multinational presence would in effect be running the state of Palestine for an initial period, helping to provide security, establishing an effective administration, helping to build new institutions and generally supporting capacity-building for self-government until such time that Palestine would fully take over these functions. See further *Middle East Endgame II*, op. cit., section III A.

agreement, including verification of refugee status, resettlement and compensation.

- At the economic level, major commitments by the international donor community to assist in the reconstruction and development of Palestine in all relevant aspects.

As made clear above, ICG also believes that it will be necessary to address outstanding issues between Israel on the one hand and Syria and Lebanon on the other if a comprehensive Israeli-Palestinian settlement is to be finally bedded down. Just as with the Palestinian issue, it seems highly unlikely in the present environment that these issues will be constructively addressed in the absence of a major initiative taken by the international community, led by the U.S. To help focus attention on what is required here, ICG has again developed comprehensive settlement proposals, in the form of detailed draft negotiating texts, which we have issued simultaneously as a further companion report to this one.⁴⁶

Israel-Syria. Our proposal for an Israel-Syria settlement, in summary, is as follows:

- The guiding principle is that Syria gets the land, and regulated access to Israeli water adjoining it, while Israel gets the water, and regulated access to Syrian land adjoining it.
- The boundary between Israel and Syria will be the line of 4 June 1967. A commission headed by the Chief Cartographer of the United Nations would demarcate the precise line. The final boundary line would correspond to the Chief Cartographer's determination of the extent of Syrian control as of 4 June 1967.
- Israel would have sovereignty over the Kinneret/Lake Tiberias.
- The Parties will establish a "Jordan Valley Nature Preserve" under Syrian administration. The Preserve will extend eastward from the boundary. Syrian border and customs posts would be east of the Preserve so that visitors from Israel would be free to enter. In other words, visitors from Israel would continue to have 360 degree access to Kinneret/Lake Tiberias.

- The parties will establish a Joint Water Consultative Committee that will safeguard the water resources of the Jordan River watershed.
- There will be provisions to fully accommodate Israel's concerns about the quantity and quality of water flowing to it after its withdrawal. In return, Israel will make available to Syria water from the Jordan River and the lake sufficient to the needs of the Jordan Valley Nature Preserve.
- Both parties will agree to the establishment of demilitarised zones. "Areas of Limitation in Armament and Forces" in Syria and in Israel would further insulate the demilitarised zones.
- Within the demilitarised zone and the Areas of Limitation in Armament and Forces, a U.S.-led multinational "monitoring, inspection and verification mechanism" will verify implementation of the security arrangements.
- There will be a U.S.-operated early warning station on Mount Hermon.
- The parties will rapidly establish diplomatic ties once the treaty has come into effect and will systematically implement steps that characterise peaceful, normal relations between neighbours.

Israel-Lebanon. The outline of our proposal for an Israel-Lebanon settlement is as follows:

- The boundary between Israel and Lebanon will be the 1923 boundary as confirmed by the armistice demarcation line of 23 March 1949.
- The Parties will establish a bilateral Boundary Commission to review the "Line of Withdrawal" demarcation of the United Nations and identify any adjustments required to bring the UN's demarcation in compliance with the agreed boundary. Pending any mutually agreed adjustment to the UN demarcation, the Parties will agree that the "Line of Withdrawal" is their de facto boundary.
- The Parties will agree to provisions to protect Lebanon's interest in developing water resources in the frontier zone and Israel's interest in receiving into the Jordan

⁴⁶ *Middle East Endgame III*, op. cit.

River water of sufficient quantity and quality from the Hasbani River, a source of the Jordan River arising in Lebanese territory.

- The Parties will establish a “frontier zone” consisting of southern Lebanon and northern Israel within which each side will exclude irregular armed groups and individuals bearing weapons and would maintain sufficient official forces to implement the exclusion.
- The Parties will each prevent the operation within their respective territories of any group that threatens the security of the other.
- The Parties will authorise an extension of the UN Interim Force in Lebanon (UNIFIL) to ease the transition to a new, cooperative frontier security regime.

As to the Shebaa Farms issue, our proposal assumes that Israel would withdraw from the land in question in the context of its treaty with Syria, and that the ultimate disposition of the land would then be up to Syria and Lebanon.

D. PRESENTATION AND PROMOTION OF THE PLANS

Once the U.S. and members of the international community have reached a consensus, they should establish a Contact Group that would have overall responsibility for presenting and following through on the proposed agreements. Core members should be the United States, the European Union, Russia, the United Nations Secretary-General (the ‘Quartet’), together with Egypt, Saudi Arabia and Jordan (the ‘Trio’).

For several reasons, the United States should unveil the plans flanked by these and other members of the international community: an international conference of the kind proposed earlier this year by the U.S. would be an appropriate, but not necessary, occasion for such unveiling. A joint presentation would make clear that there exists between them no daylight that would encourage the parties to play one country against the other in the hope of improving their bargaining position. It will help make up for the fact that the United States’ credibility in much of the Arab world – and particularly among Palestinians – has been seriously damaged. And it will allow the United States to share the burden

associated with the effort, making it harder for others to blame Washington if it goes awry.

In putting the plans forward, the U.S. should make clear that the international community is speaking in one voice not to the leaders alone but principally to their people, and that ultimately it is their endorsement they are seeking. It also should make clear that this is neither an imposed solution nor an ultimatum: there would remain many details to be fleshed out in the negotiations that followed. The plans presented would simply represent the international community’s best judgment of what fair, final and comprehensive peace settlements should look like. And they reflect its hope that the peoples of the region will embrace them and persuade their leaders to do the same. In other words, regardless of whether the leaders initially reject the plans, the international community will continue to promote them and reach out to the Israeli, Palestinian, Syrian and Lebanese people.

While ICG argues strongly for the final status political issues to be addressed now, in all the ways we have suggested, neither relegated to some uncertain future nor made subject to the fulfilment of other conditions, we do not suggest that these political issues are the *only* ones that should be put on the table by the international community at this time. There are three other issues – or baskets of issues – which President Bush covered in his remarks that demand consideration, not sequentially but in parallel with the political ones. They are *interim security* issues, *governance* issues and *economic* issues, and we discuss each of them briefly in the next section.

The presentation of the plans should be followed by intense international efforts to promote and win public support for them. There should be a reliance on “a means of waging diplomacy that is independent of the will and whims of the parties’ leaderships.”⁴⁷ In effect, there should be a division of labour between various members of the coalition, with each reaching out to different constituencies or pledging to take different steps to help implement the agreement.

Several steps will be necessary – and should be agreed upon prior to unveiling the plans:

⁴⁷ Agha and Malley, “The Last Negotiation,” op. cit, p. 17.

Endorsement by key multinational bodies. The Quartet and the Arab Trio should seek immediate endorsement of the plans by the United Nations Security Council and by other important regional bodies, such as the Arab League, the Organization of the Islamic Conference and the African Union.⁴⁸ The goal should be to turn the plans into the new international benchmarks for resolution of the Arab-Israeli conflict.

Public statement by key leaders. Members of the core group, and particularly European and Arab leaders, should express their public and unambiguous support for the plans. These statements should be made regularly and for a sustained period of time. They also should be targeted at specific audiences: for instance, the U.S. should focus on the Israeli people, using not only government officials but also unofficial surrogates with real credibility in Israel. For their part, Egypt, Saudi Arabia and Jordan should target the Palestinian, Syrian and Lebanese people and in particular the Palestinian refugee communities. However, they also should reach out to the people of Israel to make clear that agreements will bring about real normalisation and acceptance of the State of Israel.

There is no doubt that, if it could be achieved, the most powerful impact of all would be made by the appearance together of President Bush, King Abdullah, Crown Prince Abdullah, and President Mubarak to address the Israeli Knesset and the Palestinian, Syrian and Lebanese parliaments. As demonstrated by the precedent of President Sadat's address to the Knesset, such a gesture could be expected to have an extraordinary influence on Israeli public opinion.

Strong confidence-building gestures. As part of the effort to promote the plans and to encourage acceptance by the parties, members of the international community should take powerful steps to build confidence on all sides. In particular, Arab countries should cut off all support for radical groups engaged in or promoting violent action against Israel, cease harbouring them and strongly denounce their activities. They also should seek to ensure a fundamental change in their media and public rhetoric to expunge them of all traces of anti-Semitism. The United States, the EU and other

countries should show strong support for the Palestinians, including through economic assistance. The United States in particular will need to deal directly with the elected Palestinian leadership.

Pledges of future action: Relevant parties also should vow to take concrete steps to help implement the agreements once they have been reached. For example, the U.S. and others could publicly commit to participate in multinational military forces in Palestine and Syria; the U.S., the EU, Japan, the Gulf States and others could pledge both to provide significant financial assistance to compensate the refugees and to help resettle them in their countries; the donor community could promise to contribute major funds to help rebuild the Palestinian, Syrian and Lebanese economies; the United States could commit to entering into a defence treaty with Israel; the European Union could promise the establishment of special relations with Israel and Palestine; and Arab nations could pledge to normalise their relations with Israel, sign peace treaties, exchange ambassadors and open embassies, and promote trade and commercial relations.⁴⁹

The principal objective should be to make up for the lack of trust between the two sides with a vigorous international role. Israelis are unlikely to trust that the new State of Palestine will act decisively against radical groups and put an end to acts of violence – and, after the last twenty months, who can blame them? Palestinians are unlikely to trust that Israel will actually withdraw from the occupied lands and allow them to live their lives without undue Israeli interference – and, given the track record of the Oslo process and the recent period, who can blame them? Instead, under this plan, Israel initially will be turning over territory to the multinational force – not to the Palestinians – and the force will help strengthen Israel's security by patrolling the Israeli-Palestinian border and Palestine's other international borders and crossing points. There will also be an

⁴⁸ The African Union is the successor to the Organization of African Unity.

⁴⁹ Another option that has been canvassed would be for Israel to be invited to join NATO: because of the additional security confidence this would bring Israel it is an idea worth pursuing, notwithstanding counter-arguments that such membership would undermine both NATO's European, and Israel's Middle East, identity.

international presence helping police the Old City and guarantee security on and preservation of the Temple Mount/Haram al-Sharif.

Likewise, multinational involvement will provide the kinds of political guarantees the Palestinians have long asked for. A senior level Contact Group and an on-the-ground Civil Affairs Commission will help monitor implementation of the agreement. It also will establish a dispute resolution mechanism to address differences in the interpretation or implementation of the agreement. And the presence of an effective multinational force will minimise the need for Israeli military prerogatives in sovereign Palestinian territory.

All these pledges would be formalised in the multilateral agreement that, in the final settlement process, would be signed alongside the Israeli-Palestinian and other bilateral agreements. But there is no reason why the relevant pledges should wait until then, and every reason why they should be made as soon as possible. If a clear alternative to the present course is to be seen by the relevant publics, it is critical that the potential benefits of the agreements be made real and concrete to them.

E. PARALLEL EFFORTS ON OTHER TRACKS

While the political track is an essential one, it should not be undertaken to the detriment of other significant priorities. These will be important both to help stabilise the immediate situation and to foster the establishment of a more democratic and prosperous state of Palestine further down the road. In parallel to its efforts to promote comprehensive settlements, the international community should work on the following areas:

1. Interim Security

The steps the Palestinians need to take are known and long overdue. Yet, as argued in ICG's April 2002 Middle East Report, diminished capacities of the Palestinian Authority limit the extent to which, even if it has the will to do so, it can effectively police its areas and prevent violent attacks against Israel. Intensified Israeli military actions and the virtual re-occupation of several West Bank cities have further crippled the PA's capacity and reduced its political ability to crack down on violent groups. A high-level Palestinian official

characterized Chairman Arafat's capability to influence events in a context of almost complete isolation and physical pressure as "nil."⁵⁰ A Palestinian political analyst predicted that an alliance of radical nationalist and Islamist militias was on the verge of exercising effective control of the street.⁵¹

However, launching the international settlement plan should facilitate the implementation of long-overdue security measures on the Palestinian side. It will offer the Palestinian leadership and its people an incentive to end the violence, among other things to influence Israeli public opinion and get it to rally around the peace plan. By restoring hope in a final settlement, it also should reduce the support radical groups enjoy among Palestinians. Finally, it should lead to action by the Arab world to crack down on groups that plan violent attacks against Israeli citizens, cut off their financial and logistical supplies, and unequivocally condemn such acts of violence.

Action on the ground will require a degree of international involvement to restructure Palestinian security services, determine their role, missions, size and equipment so that they can maintain law and order and implement commitments to Israel. (See the discussion of 'Governance' below.) With the consent of the parties, the United States also should take the lead in dispatching a monitoring group to oversee actions taken by the two sides. In that context, the Palestinian Authority will need to take vigorous measures to:

- stop terrorist attacks against Israeli civilians;
- prohibit members of its security services from engaging in or assisting in the commission of acts of violence against Israelis;
- publicly condemn attacks against civilians and take pro-active steps through arrests and information sharing to prevent them;
- repudiate all statements, including by members of Fatah or by Palestinian officials that advocate the use of violence against Israeli civilians;

⁵⁰ ICG interview, Washington, June 2002.

⁵¹ ICG telephone interview, June 2002.

- pursue effective law enforcement action to monitor and clamp down on all illegitimate activities, such as support for attacks against civilians, of groups like Hamas that also engage in welfare and charitable activities. This should include a requirement of full transparency in these groups' financial dealings;
- establish a formal leadership structure that will assume responsibility for maintaining discipline within Fatah;
- initiate budgetary reforms to ensure that Fatah funding derives only through agreed structures;
- dismantle laboratories and facilities that produce heavy weaponry, such as mortars, rockets, and bombs; and
- initiate a program for the voluntary registration of illegally held firearms, a ban on the display of weapons and incentives for people to turn in illegally held firearms.

Together with these steps, the government of Israel will need to take parallel measures to:

- end incursions into Palestinian-controlled territory;
- withdraw from land within Area A that has been reoccupied over the past several months;
- lift the siege imposed on Palestinian territories;
- halt all settlement construction;
- halt provocative military operations against PA facilities;
- halt extra-judicial killings; and
- generally contribute to the establishment of an environment in which free and fair elections can take place within the Palestinian territories.

2. Governance

One of the more significant developments to have taken place in the recent period has been the consensus formed over the need to reform Palestinian institutions. In the wake of continued

Palestinian terrorist attacks against Israeli civilians and of the ensuing large-scale Israeli military response that has devastated the Palestinian Authority, the international community has recognised the importance of a robust global effort to help rebuild Palestinian political, economic and social institutions. This, in turn, has generated support for reforming the Palestinian Authority that has come from all sides – Israeli, American, European, Arab and, principally, Palestinian. This rare show of unanimity offers a real opportunity to promote greater transparency, accountability, democratic rule, judicial independence and the rule of law.⁵²

Motivations differ, of course. Among Palestinians, polls suggest that over 90 per cent favour fundamental changes in the Palestinian Authority.⁵³ Support for reform cuts across political lines, and comes from radical members of the younger generation who demand a greater share of power, long-time democracy activists, and even veteran members of Fatah who have concluded that joining the call for reform may be the key to their political survival. More generally, angered by years of inefficient and undemocratic rule, the PA's feeble record in terms of the peace process, the speed with which the PA disintegrated under Israeli attacks and its inability to resist them, many Palestinians have joined the call for reform. Importantly, though, it is perceived as a domestic matter that should have no bearing on the pace or scope of the peace process.

For Israel, reforming the Palestinian security services, its financial system and its power structure all are necessary before a meaningful political settlement that entails risks for Israel can be contemplated. The multiplicity of security services and armed groups, together with the absence of a clear chain of command, is believed to have helped blur the lines between security organisations and violent militias; the lack of transparency and widespread corruption are said to have fuelled illicit weapons procurement and the financing of violent groups; and the non-separation of powers between executive, legislative and judicial branches has helped Arafat concentrate

⁵² See the report issued in 1999 by the Council on Foreign Relations entitled "Strengthening Palestinian Public Institutions."

⁵³ Poll taken by the Palestinian Centre for Policy and Survey Research, quoted in *The Jerusalem Report*, 12 June 2002.

power in his own hands. Israelis appear convinced that without a profound change in the PA and, specifically, in the Palestinian leadership, no agreement is attainable – or, if attainable, enforceable. Reform, in other words, is seen as a precondition for, rather than a supplement to, political engagement.

Finally, within the international community itself are divisions between those for whom reform should set the stage for a more effective, transparent and democratic state of Palestine and those who – in addition to that goal – harbour the desire to dilute and ultimately marginalise the influence of Chairman Arafat, viewed as a major obstacle to a political settlement.

Paradoxically, however, the unanimity also carries a real risk of undermining the internal Palestinian reform movement. Israeli and U.S. calls for reform are typically seen as motivated by the desire either to postpone the political process or to sideline Arafat. Their pressure, in other words, threatens to de-legitimize by association a powerful home-grown movement for change. The best way for the international community to promote reform, in other words, is not to seek to impose it but to accompany and facilitate it. Nor, of course, should the political plan recommended by ICG be held hostage to the pace of reform; both initiatives need to proceed in parallel, independent fashion.⁵⁴

The international community should seek to assist the reform effort in the following key areas:

- ❑ streamlining the multiplicity of security services, establish a clear chain of command and bring them under a single, civilian authority;
- ❑ transforming the budgetary process to increase transparency, and in particular ensure that monies are not provided to fund violent activities;
- ❑ strengthening the separation of powers between the executive, legislative and judicial branches;

⁵⁴ As one of the leading Palestinian proponents of reform, Khalil Shikaki, put it, without a genuine peace process, attempts at reform “won’t see the light of day.” *Jerusalem Report*, 12 June 2002.

- ❑ setting regular elections for municipal, parliamentary and presidential elections; and
- ❑ organising a constitutional convention and a referendum over the constitution.⁵⁵

3. Economy

The first ICG Middle East Report, issued in April 2002, recommended massive international assistance to help attend to urgent Palestinian humanitarian needs.⁵⁶ The situation since that time has considerably worsened due to repeated and sustained Israeli incursions in response to terrorist attacks. The military actions have virtually isolated Palestinian towns, destroyed key infrastructure, prevented commerce, economic activity and the movement of goods and persons. According to the International Labour Organisation (ILO), unemployment stands at 43 per cent and the percentage of Palestinians living on less than two dollars a day is estimated to have reached 46 per cent, with predictions that it could rise to 62 per cent by the end of the year. The ILO also estimates that economic output fell by twelve per cent in 2001.

Without rapid and massive international assistance, the humanitarian situation may reach tragic proportions, making all the more difficult the task of restoring hope and refocusing the minds of Palestinians on the political process. In other words, the international community should address this unfolding economic crisis to prevent not only a humanitarian catastrophe, but also further deepening of the despair that will swell the ranks of organisations that will resist Israeli occupation by all means. In contrast, economic revival can help, together with a political initiative, provide an

⁵⁵ Arafat has taken steps to implement several of these recommendations. He accepted the bill intended to establish an independent Palestinian judiciary; approved the Basic Law, a quasi-constitution that was passed by the Legislative Council in 1997 but had since remained unsigned by Arafat; reshuffled his cabinet; and approved a plan for streamlining his security services, allowing for the merger of a dozen separate services into four new departments (internal security force, external security force, civil police force and national security force). Arafat also has announced that elections would be held. However, these steps generally have been greeted with scepticism both among many Palestinians and abroad.

⁵⁶ *A Time To Lead: The International Community and the Israeli-Palestinian Conflict*, ICG Middle East Report N°1, 10 April 2002.

incentive to end the intifada. Substantial financial aid clearly will be needed to help with economic reconstruction.

IV. A NEW COMPREHENSIVE SETTLEMENT INITIATIVE: LIKELY RESPONSES

How critical international players will react to a comprehensive settlement plan is central to an assessment of its merits. Arguments against such an initiative tend to rely heavily on Sharon's almost certain negative answer and Arafat's likely evasive one. They also have centred on the presumed damage such responses would have on the United States' international standing and capacity to further influence events in the region. This section looks at the political dynamics within five key arenas (Israel, the Palestinian territories, the moderate Arab world, the United States and Europe) and analyses how a comprehensive settlement plan might play out in light of those dynamics.

A. ISRAEL

1. Public Opinion

Israeli public opinion clearly has been affected by the failure of Camp David and of the subsequent Israeli-Palestinian negotiations, the onset and radicalisation of the intifada, and, of course, the recourse to ever more appalling forms of attacks against civilians. Confidence in the ability to reach an agreement with the Palestinians has been severely eroded, and many prominent Israeli leaders have come to question whether the current Palestinian leadership, and Arafat in particular, has in fact accepted the two-state solution.

As a result, talk of reaching a political settlement with the Palestinian Authority is greeted with considerable disbelief. Instead, Prime Minister Sharon – backed in this by record numbers of Israelis – has focused on launching pre-emptive strikes deep within Palestinian-controlled territory. He also has insisted on the need for an end to the violence and profound changes in the overall makeup of the Palestinian entity as a pre-condition for any political negotiations. Security services must be fundamentally reorganised and effectively fight violent groups; the financial system must be revamped in order to prohibit the delivery of funds to radical organisations; all incitement to violence must end; and, perhaps most importantly, Yasser Arafat must go so that Israel can deal with a trustworthy interlocutor.

However, the Israeli public's general comfort with Sharon's course of action masks a situation of far greater anxiety. Sharon was elected on the promise that he would restore security; yet, more than a year after he came into office, Israelis feel far less safe. Terrorist attacks have continued and even intensified; indeed, Israelis have experienced the greatest surge of terrorist attacks precisely when its army was conducting its most far-reaching military operation in the heart of Palestinian-controlled territory. Tensions remain high on Israel's northern border, where Hezbollah actions could open up another dangerous front at any time. The violence is having other damaging spillover effects. Economic conditions have taken a dramatic turn for the worse, with zero growth, climbing unemployment and a plummeting shekel.⁵⁷

Support for Sharon, in other words, appears to be fuelled less by a sense that his policies are succeeding than by the feeling that there are no viable alternatives that would fare any better. But, clearly, Israelis are searching for one. Indeed, polls suggest that a majority of Israelis would favour different diplomatic and political initiatives – including by third parties – if they were to put an end to the violence. According to recent polls, 63 per cent favour the establishment of an independent Palestinian state⁵⁸ and 52 per cent accept the Saudi proposal (defined as “transferring all the territories for overall peace”).⁵⁹ The problem, as many Israelis see it, is that there is no Palestinian counterpart with which to strike such a deal.

In the absence of a visible way to end the conflict through agreement, Israelis have increasingly been drawn to solutions that rely exclusively on Israel's own decisions. The notion of unilateral withdrawal⁶⁰ falls in this category. Israel would withdraw from areas of the West Bank and Gaza, evacuate isolated and vulnerable settlements that are the hardest to protect, unilaterally set up a temporary border with the Palestinians, build a fence to minimise the risk of infiltrations, and await the emergence of a new

Palestinian leadership to negotiate the final boundary and other permanent status issues. The concept of unilateral withdrawal comes in different variants, depending on the amount of land from which Israel would withdraw and the number of settlements it would evacuate. But at bottom it is based on the idea that, if the Palestinians are not prepared to agree to a border with Israel, Israel will draw one on its own to enhance its security.

Another indication of the Israeli public's search for alternatives is the flurry of plans unveiled by members of the Labour party.

- In the fall, Chaim Ramon joined with former Foreign Minister Shlomo Ben Ami to put forward a slightly different withdrawal plan. Starting from the presumption that the chance of reaching an agreement through negotiations are slim, they argued that Israel should withdraw from the vast majority of the territories and turn over their administration to U.S.-led international management. These arrangements would remain in effect until the parties reached a permanent status agreement.
- Foreign Minister Shimon Peres has advocated a plan that calls for mutual recognition between Israel and a new Palestinian state whose boundaries would be determined through future negotiations. Those negotiations would last one year and resolve all outstanding issues (borders, settlements, Jerusalem, refugees, security). The parties would then have one year to implement their agreement. Peres is seeking the active participation of the Quartet both to help reach the agreement and endorse it.
- The Chairman of the Labour Party and current Defence Minister, Benjamin Ben-Eliezer, has come closest to presenting a full-fledged peace plan. Under his proposal, “the Palestinian state would be established on the vast majority” of the West Bank and Gaza, and “Israel will also be open to a territory swap with the Palestinians.” West Jerusalem and the Jewish neighbourhoods of East Jerusalem would form Israel's internationally recognized capital, while the Palestinians would have sovereignty over Arab areas of East Jerusalem. The Old City would fall under international sovereignty and would be administered by a special force. Neither party would have final sovereignty over the Temple

⁵⁷ The unemployment rate rose from 8.7 per cent in 2000 to roughly 12 per cent in 2002. Bank of Israel, www.bankisrael.gov.il. GDP rose by 6.4 per cent in 2000; in 2001, it declined by 0.6 per cent.

⁵⁸ Dahaf Poll, 13 April 2002.

⁵⁹ Market Watch, 12 April 2002.

⁶⁰ Within the Labour Party, Chaim Ramon, a contender for the leadership position, has emerged as the most articulate proponent of this view.

Mount/Haram al-Sharif, whose status would be worked out in the future between Israel, the Palestinians and Islamic states. Finally, there would be no right of return to Israel for Palestinian refugees.⁶¹ Ben-Eliezer made clear that in his view Arafat was not a partner for peace and that therefore the plan was not implementable but that, by presenting a clear political plan, pressure would build on the Palestinians to abandon violence and change their leadership. For the time being, he has reiterated his decision to remain in the National Unity Government.

These various plans reflect an apparent Israeli dilemma: they are prepared to make significant concessions in order to achieve peace, but display considerable scepticism regarding the desirability or possibility of making a deal with the current Palestinian leadership.

Israelis' confidence in Arafat, which never was high, has plummeted since the onset of the intifada.⁶² An agreement with him, a prospect they contemplated at the time of Camp David and even Taba, now probably strikes them as hopeless. But the initiative recommended by ICG is precisely designed to address this problem by minimising the role of the parties' governments and maximising the role of the multinational presence. Israel would, in the first instance, turn over territories not to the Palestinians but to the multinational force. Palestine's international borders would not be patrolled by Palestinian forces alone, but in conjunction with a heavy multinational presence to minimise the risk of infiltration and weapons smuggling. Likewise, Palestinian confidence in Israel's timely withdraw would be bolstered by active international supervision.⁶³

The prospect of unilateral separation, the most popular alternative to Sharon's approach at this point, best expresses the frustration of a public that feels it has no partner on the other side. But it has several flaws: such a withdrawal will not end the conflict, but will move the lines of confrontation closer to Israel proper and tend to embolden radical

Palestinians convinced of the success of their violent methods. The ICG proposal stems from the same logic but takes it one important step further: rather than withdraw without an agreement, Israel would withdraw with an internationally-sponsored one; and rather than leave the territories in the exclusive hands of the Palestinians, turn them over to an American-led force.

At the end of the day, in sum, the question for the Israeli and Palestinian publics would not be whether they trust either Arafat or Sharon, but rather whether they trust the U.S.-led multinational presence to ensure security and faithful implementation of the accord.

Recent Israeli polling suggests a significant basis of support for this type of initiative. Asked about the idea of an international peace conference "which will formulate a draft solution to the conflict – the solution to be binding only if accepted by both Israel and the Palestinians," 65.1 per cent of Israeli Jews responded that they agreed.⁶⁴ Respondents also were asked to react to the following scenario: Israel would turn over all of the Gaza strip and most of the West Bank to an outside power such as the U.S. and retain only the densely populated settlement along the Green Line, with the mandate remaining in effect until the mandatory power judged that there was a Palestinian government in place that was prepared to live in peace with Israel and capable of meeting its security commitments. Over 46 per cent of Israeli Jews supported the idea, and 44.1 per cent opposed it.⁶⁵

2. Politics

All this is not to say that Prime Minister Sharon is likely to endorse the plan. He is not. On a substantive level, it crosses too many of his red-lines: it would bring the borders close to the lines of 4 June 1967; it would include Palestinian

⁶¹ With the exception of the provisions regarding the Old City and the Holy Sites, Ben-Eliezer's plan is similar to the one put forward by President Clinton in December 2000.

⁶² Palestinians, of course, share the same feeling regarding Sharon.

⁶³ For details on the role of the multinational presence, see *Middle East Endgame II*, op. cit.

⁶⁴ 29.1 per cent of Israeli Jews responded that they totally agreed and 36 per cent that they quite agreed. The numbers were higher for Israeli Arabs, among whom 43.5 per cent responded that they totally agreed, and 20.3 per cent quite agreed. It is worth noting that, when asked about an imposed solution "by means of economic or military sanctions should [the parties] fail to accept it," the numbers dropped significantly. Only 12 per cent of Israeli Jews totally agreed and 15.3 per cent quite agreed. The poll was conducted by the Steinmetz Center of Tel Aviv University, 23-25 April 2002.

⁶⁵ Steinmetz Center of Tel Aviv University, 6 June 2002.

sovereignty over parts of Jerusalem; and it would require an Israeli withdrawal from the Jordan Valley. While Sharon has often said that he is prepared to “make painful concessions”, he has also suggested that he would not accept a return to the 1967 borders, a divided Jerusalem or withdrawal from the Jordan Valley.

Sharon, seeing this plan endorsed by virtually the entire international community and publicly supported by key Arab countries willing to sign an agreement with Israel, may be compelled to shift his views. But if he does not, then his rejection will set in motion a new Israeli political dynamic. The choice no longer would be between Sharon’s hard-headed approach and abstract alternatives, but between the continuation of the status quo and an end-of-conflict peace agreement endorsed, supported, facilitated and, to a large extent, carried out by the international community. The Israeli Left, struggling to define its own approach to deal with Israel’s predicament, probably would seize upon this issue and rally around the U.S.-sponsored plan. Segments of the Israeli centre, former generals, elements of the business, academic and other constituencies are likely to do the same. Ultimately, Israel’s national elections would turn into a de facto referendum over the peace plan.

A. PALESTINIANS

1. Public Opinion

The Palestinian public is both angry and tired after twenty months of a conflict that has left them impoverished and unable to move or to work. Bereft of hope, seeing no partner in the Israeli government, feeling betrayed by the Israeli Labour Party and living under increasingly harsh conditions, it appears torn between a strong desire to exact revenge and the aspiration to return to a more normal life. Polls suggest that a majority support suicide bombings, even against civilians within Israel proper, and 67 per cent are convinced that violence has helped achieve Palestinian national objectives in ways that negotiations could not. Yet at the same time, two-thirds support the Saudi plan defined as meaning (1) the establishment of two states, (2) Israeli withdrawal to the 1967 borders, and (3) full normalisation between Israel and the Arab states. Seventy per cent of respondents were

prepared for reconciliation between the two peoples in the context of a peace agreement.⁶⁶

These contradictory attitudes would appear to reflect the pervasive belief among Palestinians that there currently is no alternative to confrontation and that, should the violence end, all pressure on Israel to compromise would be gone. In the absence of a potential political process, one Palestinian political analyst noted, Palestinians have redefined success in terms of the extent of harm inflicted upon Israelis rather than in terms of their own achievements.⁶⁷

By demonstrating the international community’s commitment to try to resolve the conflict, the comprehensive settlement plan suggested by ICG would offer the Palestinian people an alternative path and significantly diminish support for violence and terror. Of course, those opposed to a two-state solution are likely to seek to undermine the initiative through violent means. However, past evidence suggests that if the initiative is credible, the Palestinian public’s mood will rapidly swing against rejectionist groups.⁶⁸ At that point, it will become far more difficult for these groups to continue their activities, and far easier for the Palestinian Authority to subdue or marginalise them. Concerted action by the Palestinian Authority and by Arab countries to cut off financial and logistical support for groups engaged in violent activities will further erode their capacity.

2. Palestinian Authority

Based on its track record during the 2000-2001 permanent status negotiations, it is improbable that the Palestinian Authority will provide a clear and

⁶⁶ Survey conducted by the Palestinian Center for Policy and Survey Research, 15-19 May 2002.

⁶⁷ Khalil Shikaki, June 2002.

⁶⁸ Polling taken since the onset of the Oslo by the Palestinian Center for Policy and Survey Research show that the level of Palestinian support for armed operations generally tracks the state of the peace process and popular confidence that diplomacy will yield results. During the years when Rabin was Prime Minister of Israel, support for armed operations stood roughly at 32 per cent. That number jumped to between 40 and 50 per cent during Prime Minister Netanyahu’s tenure and went back to roughly 40 per cent after Barak’s election. As confidence in the permanent status negotiations eroded and the Camp David summit collapsed, the number once again increased to approximately 50 per cent, reaching even higher levels as the conflict took its toll.

decisive response to a U.S.-led peace plan.⁶⁹ Since that time, Arafat's virtual isolation, the inability of Palestinian leaders to move and almost unprecedented infighting among members of the Palestinian political and security elite – rooted in long standing rivalry, exacerbated by their state of weakness and vulnerability and aided, no doubt, by Israeli tactics – have further paralysed the PA and eroded its decision-making ability.

Yet at the same time, there are signs that the Palestinian leadership increasingly realises the need for it to openly embrace a settlement plan. In a "Palestinian Vision" non-paper delivered to Secretary of State Powell on 12 June 2002, the Palestinians for the first time publicly and in writing detailed some of the concessions they had orally contemplated at Camp David and in Taba.⁷⁰ In particular, they agreed to:

- Land swaps: "The borders between the state of Palestine and the state of Israel will be the June 4th, 1967 Armistice Line, though the two sides may agree to minor, reciprocal, and equal boundary rectification that do not affect, among other things, territorial contiguity. The Palestinian and Israeli sides shall have no territorial claims beyond the June 4, 1967 borders."
- Israeli sovereignty over parts of East Jerusalem: "The Palestinian side will transfer sovereignty over the Jewish Quarter and the Wailing Wall section of the Western Wall in East Jerusalem to Israel."
- A solution to the refugee problem that does not entail unfettered return to Israel and that requires Israeli consent: "In accordance with the Arab Peace Initiative of March 2002, there will be a just and *agreed* solution to the

Palestinian refugee problem based on UN General Assembly Resolution 194."

- An end to the conflict: "The comprehensive permanent status agreement will mark the end of conflict between Palestine and Israel, and its complete implementation will mark the end of claims between them."

Although the ICG plan in some respects resembles the proposal put forward by President Clinton in December 2000 that the Palestinian leadership did not accept, their reaction now is likely to be different.⁷¹ To begin, it is not the same deal, despite obvious similarities. It would include a territorial exchange on a one-to-one ratio, with minimal annexation of land – removing an important obstacle from the Palestinian perspective. It also includes less intrusive security encroachments by Israel, relying instead on an effective multinational force. On the crucial issue of the refugees, on the other hand, the ICG proposal makes it clearer than did the Clinton ideas that Palestinians will not be returning to Israel on the basis of a right of return. This may be hard for the PA to accept. However, as part of a package deal that met their other core interests, and with strong Arab and international pressure, it is ICG's judgment that the Palestinians ultimately will accept this outcome.⁷²

In addition, ICG is calling for a detailed, fleshed out plan. The Clinton ideas did not include any maps and it suggested a range of percentages for the annexed and swapped areas; it also proposed several formulations for the holy sites and refugees.⁷³ The Palestinians, ever suspicious of Israel (and, more often than not, of the U.S.), feared that any ambiguity would be resolved in Israel's favour. ICG is urging the U.S. to put forward a plan that would

⁶⁹ This is not to say that Camp David and Taba demonstrate that the present Palestinian leadership can never reach a final agreement. For the debate on what actually happened, and its significance for future settlement negotiations, see Shlomo Ben Ami interviewed by Ari Shavit, "End of a Journey," *Ha'aretz*, 14 September 2001; Charles Enderlin, *Le Reve Brisé*; Akram Haniyah, *The Camp David Papers*; Robert Malley and Hussein Agha, "Camp David: The Tragedy of Errors," *New York Review of Books*, 9 August 2001. See also the exchange between Benny Morris and Ehud Barak on the one hand and Robert Malley and Hussein Agha on the other in *The New York Review of Books*, 13 June 2002 and 27 June 2002.

⁷⁰ The non-paper is attached at Annex E.

⁷¹ In fact, and in a further signal indication of the Palestinian's desire to show support for a political solution, Arafat stated in an interview to an Israeli newspaper that he accepted the proposal put forward by President Clinton in December 2000 as a framework for a peace agreement. "Arafat to Ha'aretz: I accept Clinton's plan; peace is possible," *Ha'aretz*, 21 June 2002.

⁷² Based on its discussions with Palestinian leaders, it is ICG's impression that a solution to the refugee question that did not acknowledge a general right of return to Israel could be found in the context of a wider, acceptable political settlement. ICG interviews, West Bank, May-June 2002.

⁷³ While the ICG proposal includes alternatives on some of the issues, our view is that the international community ultimately should select and present only one to the parties.

leave little room for interpretation, providing greater clarity to both parties and to their publics.

The ICG plan also entails far more active international participation in the elaboration, presentation, promotion and implementation of the agreement, especially on the part of the Arab trio. This will increase both the pressure on the Palestinians and their level of confidence in the agreement.

Finally, the plan would take place in a regional context differing markedly from the one existing at the end of 2000. Fearful of the escalating conflict and its potential spill-over effects on their own domestic stability, Arab countries have stepped up their political involvement, pressuring the Palestinians and seeking to devise possible solutions. The crucial ingredient of Arab and Muslim cover for a deal – sorely lacking in 2000-2001 – therefore may well be available this time.

B. UNITED STATES

The Bush Administration came into office determined not to get dragged into the Israeli-Palestinian conflict in the way its predecessor had. Sceptical that a deal could be reached with Yasser Arafat, chastened by Clinton's unsuccessful efforts and convinced that heavy presidential involvement had undermined the United States' international standing, the administration early on resisted calls for more energetic involvement. At the same time, however, it came under pressure from Arab and European countries to be more deeply engaged and was increasingly concerned that an escalating Israeli-Palestinian conflict might endanger its plans vis-à-vis Iraq. The outcome has been a policy of hesitant and sporadic engagement.⁷⁴ In particular, it has rejected calls to launch a bold political move. As Condoleezza Rice, the U.S. National Security Advisor, put it: "We're not going back that road [of seeking to broker a peace settlement]. And I would challenge anybody to tell us, 'yeah, you ought to go back down that road,' given where it ended up."⁷⁵

Deep internal divisions within the administration have further muddied the picture. The State Department has argued for the need to provide a

political horizon and launch a more immediate and active political process – including with Arafat – as a means of ending the violence and restoring U.S. credibility in the region. In contrast, members of the Office of the Secretary of Defense and the Vice-President's office have been far more unwilling to deal with Arafat or to launch a political process while violence persists. They have advocated that the U.S. focus on reforming Palestinian institutions, marginalising Arafat and dealing with Saddam Hussein in order to set the stage for a meaningful Israeli-Palestinian process. The administration also has had to contend with strong pressure from the Congress, which has shown considerable sympathy for Sharon's point of view.

The end-result of these various considerations was the initiative put forward by President Bush on 24 June 2002. A proposal along the lines of the ICG recommendation, therefore, is likely to be resisted by the administration, even should the current approach fail to stop the cycle of violence. U.S. officials argue that it has scant chance of success given recent history and Sharon's almost certain rejection, and they claim that an unsuccessful effort threatens to further erode American credibility: by prematurely firing the U.S.'s last shot, it would remove all hope and therefore worsen the situation on the ground. They point in particular to Bush's futile calls last April for an immediate Israeli withdrawal from Palestinian areas as evidence that U.S. demands can be ignored, at considerable cost to U.S. prestige.⁷⁶

The difference, however, is that the ICG plan would not be a one-shot deal in which success or failure would be immediately measurable. The U.S. would not be putting down an ultimatum for acceptance by either side on a date certain. Instead, and together with the international community, it would launch an intensive campaign targeted at the Israeli and Palestinian people, seeking to persuade them to accept and push for the plan. Rejection by Sharon or Arafat, in other words, would neither end the process nor put an end to all hope. At the same time, the U.S. and others would actively try to improve the situation on the ground by pressing for Palestinian and Israeli steps to lessen the violence as well as Palestinian institutional reform and by providing economic assistance to the Palestinian people.

⁷⁴ See *A Time to Lead: The International Community and the Israeli-Palestinian Conflict*, op.cit.

⁷⁵ Interview in the *San Jose Mercury News*, 16 June 2002.

⁷⁶ As a former U.S. official put it: "They [the administration] tried it once, got the fingers burned and got accused of losing their moral compass." Quoted in the *New York Times*, 21 June 2002.

As for the suggestion that rejection by either side would damage U.S. credibility, in fact it is America's reluctance to engage fully that risks undermining its image around the world: demonstrating leadership in what would be universally acknowledged to be an area where the high stakes are matched by high risk of failure, would enhance international respect and support for the U.S. As ICG conversations with European and Arab leaders made clear, there would be broad support for this type of bold initiative, even in the event that it did not encounter immediate success. In particular, the U.S. national interest in securing strong continuing cooperation from the Islamic world in its war on terrorism would be well served simply by the initiative being taken, demonstrating as it would to Muslims that while the U.S. remains strongly committed to Israel, it is also sensitive to the legitimate aspirations of the Palestinian people.

Comparisons with past U.S. efforts are misleading. Unlike what happened in 2000-2001, the U.S. would present its proposal only after it had secured unequivocal commitments from key members of the international community that they will publicly and consistently support it. Israelis and Palestinians will know that the international community stands wall-to-wall behind the plan and that they will be unable to play one of its members against the other. Arab endorsement of the plan can help sway public opinion among Palestinians; by the same token, Arab statements and gestures indicating their willingness to live in peace and to recognise and accept the State of Israel will have a profound impact on the Israeli people. That certainly would be the case if, for instance, Egyptian, Jordanian and Saudi leaders were to accompany President Bush and address the Israeli Knesset and the Palestinian parliament to present and promote their plan.

The argument that a failed U.S. effort would lead to more violence is based on a misreading of both past and present. The intifada did not erupt because Camp David failed; rather, Camp David's success probably was the only way its outbreak might possibly have been prevented, given both the mood of deep frustration with the peace process and continued settlement expansion on the part of Palestinians and intensifying political infighting

between a younger generation of Palestinians and the leaders of the Palestinian Authority.

As for today, intense violence, including Palestinian violence against civilians and Israeli military attacks, is part of the landscape. The question is not what might ignite violence but what might stop it. On its own, the incremental approach that has been attempted so far clearly has not succeeded. Putting a comprehensive proposal on the table also risks failing; but those risks can be minimised if there is broad international and local support. And, in the absence of a viable alternative, it is a risk worth taking.

Finally, it is important to note that the American public in all likelihood will stand behind this type of initiative. Various polls, included one conducted on behalf in May 2002 on behalf of ICG by Penn, Schoen and Berland Associates, shows that the American public broadly supports an assertive U.S. role along the lines advocated by ICG. Seven out of ten Americans would strongly approve a U.S.-led peace plan that includes the key initiatives we propose. And that is as true for those who sympathise primarily with Israel as those who don't: 70 per cent of Israeli sympathisers would be likely to support a peace agreement that proposes the creation of an independent Palestinian state with East Jerusalem as its capital, equitable land exchanges, and an option for Palestinians to return to the newly established Palestinian state or to resettle to third countries.⁷⁷ There are obvious risks, both domestic and international, in taking a course which is more likely than not to be resisted by the government of a major ally commanding major influence within the U.S. But those risks may be the inevitable price of a successful peace initiative. And the available evidence is that far from eroding its overall credibility in the domestic or international arenas, the administration would be bolstering its standing in both.

⁷⁷ The equivalent figure for those who primarily sympathised with the Palestinians was 81 per cent. The PSB poll was conducted among 849 Americans nationwide on 17-19 May 2002: its margin of error was +/- 3.36 per cent (greater for sub-groups). Respondents were given information about certain aspects of the proposed peace plan, and asked the following question: "Please tell me if you would be very likely to support such a peace plan, somewhat likely to support, not very likely to support or not at all likely to support the peace plan?" Their responses on two key questions are set out in the table on the next page.

Peace proposals tested in PSB poll of Americans nationwide on 17-19 May 2002	Very + somewhat likely to support	Not very + Not at all likely to support	Don't know
An Israeli-Palestinian peace agreement that made Jerusalem an open city, with Arab neighbourhoods of East Jerusalem the capital of Palestine, West Jerusalem and the Jewish neighbourhoods of East Jerusalem the capital of Israel, each side governing its holiest sites and internationally-backed guarantees for access by people of all religions to the holy sites	76%	10%	14%
An Israeli-Palestinian peace agreement to end the conflict, in which a Palestinian state in all of Gaza and most of the West Bank is established, that involves a land exchange between Israelis and Palestinians whereby Israel would incorporate a small amount of the West Bank in which most of its current settlers live and in exchange, the new state of Palestine would get an equivalent amount of land from Israel	61%	19%	20%

C. ARAB WORLD

Faulted in the past by Washington for their insufficient involvement in the peace process, moderate Arab leaders of late have actively floated a variety of political proposals. These include the Egyptian/Jordanian initiative of April 2001, Saudi Crown Prince Abdullah's proposal, its endorsement by the Arab League on 28 March 2002 and, most recently, Egyptian President Mubarak's idea of declaring a Palestinian state on the lands occupied by Israel since 1967 and then negotiating the final borders and other permanent status issues.⁷⁸ Egypt, Jordan and Saudi Arabia also have been deeply involved in attempts both to restructure the Palestinian Authority's security structure and, more recently, to reform its institutions.⁷⁹ This newfound activism appears to be driven primarily by concern about the potential regional impact of the Israeli-Palestinian conflict given the growing restlessness and anger of their own domestic public opinion. The priority, in the words of an Egyptian official, is stability.⁸⁰

Too, the activism derives to a large extent from the Arab world's perplexity regarding U.S. disengagement from, and inconsistent attitude towards the Israeli-Palestinian conflict. Aside from the impact of U.S. policy on the conflict itself, moderate Arab leaders also are anxious about having to justify to their publics their close relationship with Washington and having little to

show for it. By simultaneously pressuring Washington and demonstrating their own willingness to take risks, moderate Arab leaders hope to prod the U.S. administration to play a more assertive role.

In a sense, the administration's demonstrated readiness to step back from the conflict at a time when moderate Arab leaders are so desperate for American leadership has given the U.S. enhanced leverage. One Arab official confided to ICG that his country's expectations regarding possible U.S. action were such that its leaders would applaud and take credit even for a U.S. initiative that stood little chance of success, both to encourage greater future involvement and to have at least something to which they could point for the benefit of their public opinion.⁸¹

Such a combination of Arab activism and Arab eagerness to support America's actions means that the U.S. administration can seize the opportunity created by this new regional context to add to its current initiative and launch a major peace plan that would require the moderate Arab leaders to take real risks of their own. Arab leaders would be presented with a simple choice: a U.S. comprehensive settlement plan, including the Palestinian, Syrian and Lebanese tracks, which would require strong Arab rhetorical and practical backing, or a far less ambitious, incremental approach which, by their own estimation, is less likely to succeed.

ICG's conversations with Arab officials suggest that, while deeply sceptical that the administration

⁷⁸ *The New York Times*, 4 June 2002.

⁷⁹ ICG interview with Palestinian official, Washington, June 2002.

⁸⁰ ICG interview with Egyptian official, Washington, June 2002.

⁸¹ ICG interview with Arab official, Washington, June 2002.

will opt for the comprehensive settlement plan, they would be very likely to support it.⁸²

D. EUROPE, UNITED NATIONS, RUSSIA

Like their Arab counterparts, EU and Russian leaders and the office of the UN Secretary General are eager for a reassertion of U.S. leadership in the region, believing that only that might break the current cycle of violence. Wanting to preserve their new role in the Quartet, even at the cost of embracing U.S. policies they find wanting, they also seem prepared to endorse any U.S. initiative that would signal such renewed engagement.⁸³ In ICG's judgment, there is little doubt that they would strongly support the approach presented in this report and be prepared to take the required steps to promote it (public backing; pressuring the Palestinians; pledging necessary funds to help resolve the refugee problem and reconstruct Palestinian infrastructure; and, in the case of NATO members, supporting Israeli membership).⁸⁴ What is needed from them in the period ahead, however, is a more obviously proactive role – not just what Belgian Foreign Minister Louis Michel has called “accompanying diplomacy” – in encouraging the U.S. to take the further steps that are required.

The voice of Europe collectively, not just individual European states, should be heard more loudly. The European Union has long played a

significant role in the Middle East, as the largest donor of non-military aid to the peace process, the primary donor of financial and technical assistance to the Palestinians, the first trading partner of Israel, a major economic partner of the key Arab states, and a busy diplomatic interlocutor. It can and should play an even more significant role in the future, by all these means and more.

⁸² ICG interviews with Arab officials, Cairo, Amman, Beirut, Washington, March-June, 2002.

⁸³ A U.S. official remarked on how easily swayed were the other members of the Quartet. He referred in particular to the Madrid joint communiqué of 10 April on which the U.S. obtained consensus from the three other participants in record time. ICG interview, Washington, June 2002. See also *A Time to Lead: The International Community and the Israeli-Palestinian Conflict*, op. cit., p. 8.

⁸⁴ ICG interviews with European and UN officials, Brussels, Paris, Washington, New York, May-June 2002. Former Prime Minister Yevgeny Primakov told a Royal Institute of International Affairs conference in London on 8 July 2002 that, notwithstanding perceptions of some differences of view between President Putin and those supporting more traditional Arab-focused Russian policy on the Middle East, there would be strong political support in Moscow across the board for a comprehensive internationally-led settlement initiative. Primakov said his own preference was for an “imposed” settlement, which he claimed would be welcomed by many Palestinians and Israelis who want, but feel politically unable, to compromise.

V. A NEW COMPREHENSIVE SETTLEMENT PLAN: OBJECTIONS AND ANSWERS

It is unsurprising, given the history of the Israeli-Palestinian conflict and the current harrowing environment, that there should be scepticism and concern expressed about a number of aspects of the comprehensive settlement plan that ICG is proposing. In the earlier sections of this report we have sought to meet head on, and answer in detail, the most frequently voiced objections. In this section, without repeating any of the detail, we summarise our responses to those objections.

1. *To launch a political initiative in this context would be to reward terrorism*

- ❑ The plan is a reward only to those people on both sides who seek a fair and lasting deal: it will be an equitable agreement that meets both sides' needs.
- ❑ For those responsible for suicide bombings who want the elimination of Israel, not a negotiated peace, a call for comprehensive settlement negotiations based on full Arab acceptance of Israel is hardly a victory. The plan will make clear that the Palestinians must unambiguously recognise Israel's right to exist, end the conflict and not further pursue a general right of return of Palestinian refugees to Israel.
- ❑ The plan will directly help *combat* terror: it will include commitments from the Arab world and Palestinians to cut off all financial, logistical and political support for violent groups.
- ❑ No alternative approach, presently being pursued or in contemplation, seems to offer any greater hope of an end to violence.

2. *There should be no political process under fire*

- ❑ The plan is designed to end the fire: the security-first approach has failed because it is illogical to insist on peace in order to achieve peace. There should not be an insistence on an end to the violence as a prerequisite for the step that has the best chance of realising that goal.
- ❑ To precondition a political initiative on a return to quiet would provide extremists with veto power over diplomatic progress.
- ❑ History is replete with precedents in which successful peace negotiations proceeded while fighting continued (Korea, Algeria, Cambodia, South Africa among many others).

3. *Trust must be restored before seeking to achieve a lasting peace*

- ❑ Trust will follow the end of the conflict, it cannot be a precondition for it: parties do not trust each other largely because of the objective conditions of their relationship. Those need to change first.
- ❑ The effective implementation of the ICG plan does not depend on mutual trust: Israelis and Palestinians principally will be dealing with the multinational presence and counting on international monitoring.

4. *You cannot impose a peace settlement*

- ❑ The plan is not about imposition but persuasion: it involves the international community seeking to persuade leaders, and above all public opinion. Imposition entails implementation by overriding the parties' will; this plan entails implementation by changing their will.

- Implementation of the plan will require the acceptance of both sides: unless and until leaders have endorsed it, or have been replaced through democratic means, it will not be carried out.

5. *Putting a plan on the table has been tried before – and has failed*

- Twenty months into the intifada, there is a radically different regional context. Particularly since Crown Prince Abdullah's initiative, there has been unprecedented Arab involvement and readiness to stake out public positions. This will increase both the pressure on the Palestinians and the level of confidence in any agreement signed.
- The ICG plan involves active participation by the international community: it would be presented by the U.S. only after it had secured commitments from key members of the international community to publicly and consistently back it and to pledge to actively support its implementation.
- The target audience is not so much leaders as people: the initiative would be accompanied by highly active public diplomacy aimed at the publics on both sides and conducted not only by countries with particular credibility with one party or the other.
- Unlike the 23 December 2000 Clinton parameters, this is a detailed plan: it would leave little room for ambiguity.

6. *A failed effort will once again bring about a violent reaction*

- Intense violence already exists: the challenge is to stop it. All other attempted approaches have failed; violence has only intensified. In the absence of a viable alternative, it is a risk worth taking.
- The intifada did not erupt because Camp David failed: if anything, Camp David's success probably was the only way its outbreak might have been prevented given the mood on the ground.

7. *Rejection by either side would seriously damage U. S. credibility and render it ineffective in the future.*

- U.S. passivity in the Middle East, not leadership, is damaging its credibility: there would be considerable international support for this plan.
- The plan is not a one-shot deal: immediate rejection of the plan by the leaders will not mean failure. U.S. and international diplomacy will continue to reach out to the Israeli and Palestinian publics.
- U.S. national interests will be advanced internationally by putting the plan forward, whatever its immediate reception by the parties: U.S. capacity to win international support and cooperation, not least from the Islamic world in waging ongoing war on terrorism, will be enhanced.

8. *The U.S. already has put its own plan on the table. It will not change course now.*

- True, probably, in the immediate term, but the stated U.S. position will need adjustment as it runs into stubborn realities on the ground. The present U.S. approach, heavy on conditionality and vague on rewards, is unlikely to succeed in ending the violence and launching peace talks.
- Coordinated and constructive pressure from the EU and from moderate Arab countries can help modify the U.S. approach.
- By putting a comprehensive peace settlement plan on the table, the U.S. can promote its self-proclaimed goals of fundamental reform and an end to violence.

9. Presentation of the plan will do nothing to change the situation on the ground

- ❑ The plan is not to the exclusion of simultaneous effort on other tracks: interim security steps, reform of Palestinian institutions, and economic recovery objectives should all be pursued in parallel.
- ❑ The plan will facilitate these other efforts, in particular in relation to security: it will give Palestinians incentive and Palestinian leaders new political capacity, to take these steps and reduce support for violent groups.
- ❑ The plan will give moderate Israelis leverage to counter extremist, maximalist plans that could seriously worsen the situation on the ground.

10. Without a deadline for implementation of the plan, international support for it will just be hollow rhetoric

- ❑ In fact setting deadlines would be hollow: given the character of the two leaderships and the impossibility of imposing a solution, new deadlines in present circumstances would not be credible. Israelis and Palestinians have seen too many come and go. What matters is changing the underlying dynamics, and the political will to reach a settlement.
- ❑ The impact of the plan will derive from the level, breadth and vigour of the international support for it. If Israelis and Palestinians are convinced that the international community will continuously advocate the substance of the plan as their strongly preferred outcome, the political dynamics on the ground will change.

11. Even if it were accepted by the Palestinian Authority, the plan would be rejected by Hamas and the Islamic Jihad, who would continue their campaigns of violence

- ❑ A credible initiative will rapidly turn Palestinian public opinion against the extremists: it will make it harder for them to operate and easier for the Palestinian Authority to subdue or marginalise them.
- ❑ The initiative will revive divisions between moderate and radical Palestinians that have been put aside for the sake of the common struggle against Israel.
- ❑ Under the plan, Arab signatories will take action to cut off all financial and logistical support to groups that resort to violence.

12. Israelis – from Right and Left – will not make a deal with the Palestinians so long as Arafat is their leader

- ❑ The plan seeks to take the identity of the leadership off centre stage: it minimises the role of the parties and maximises the role of the multinational presence in creating a secure environment and ensuring the full implementation of the agreement.
- ❑ It should not be assumed, on the basis of the much debated events at Camp David in 2000, and especially Taba in 2001, that Palestinians led by Arafat could never be a peace partner. But even if that view was appropriate then, the context now is quite different, with much more pressure and support from the Arab world for an equitable settlement following Crown Prince Abdullah's initiative and the Beirut Arab League Declaration.
- ❑ It is an illusion to think that any of Arafat's successors will be more accommodating on issues fundamental to the Palestinians. Nor will his successors possess Arafat's ability to sell a deal to the Palestinian people.
- ❑ An advantage of putting the plan on the table well before the Palestinian national election is that it will become an issue in that election: if it is not embraced by the current leadership, the Palestinian people may well feel that the time has come to elect themselves a new one.

13. The U.S. public has been chastened by the experience of the last few years. They will not support such active engagement by the administration

- Polling shows broad support for an assertive U.S. role: seven out of ten Americans would strongly approve a U.S.-led peace plan of the general kind ICG is proposing.
- Polling also shows broad support for some key specifics of the ICG plan: creation of an independent Palestinian state with East Jerusalem as its capital, equitable land exchanges, and an option for Palestinians to return to the newly established Palestinian state or to resettle to third countries.

MAP 1: ISRAEL AND ITS NEIGHBOURS



MAP 2: WEST BANK ISRAELI SETTLEMENTS



APPENDIX A

PRESIDENT BUSH'S MIDDLE EAST ADDRESS 24 JUNE 2002

For too long, the citizens of the Middle East have lived in the midst of death and fear. The hatred of a few holds the hopes of many hostage. The forces of extremism and terror are attempting to kill progress and peace by killing the innocent. And this casts a dark shadow over an entire region. For the sake of all humanity, things must change in the Middle East.

It is untenable for Israeli citizens to live in terror. It is untenable for Palestinians to live in squalor and occupation. And the current situation offers no prospect that life will improve. Israeli citizens will continue to be victimized by terrorists, and so Israel will continue to defend herself.

In the situation the Palestinian people will grow more and more miserable. My vision is two states, living side by side in peace and security. There is simply no way to achieve that peace until all parties fight terror. Yet, at this critical moment, if all parties will break with the past and set out on a new path, we can overcome the darkness with the light of hope. Peace requires a new and different Palestinian leadership, so that a Palestinian state can be born.

I call on the Palestinian people to elect new leaders, leaders not compromised by terror. I call upon them to build a practicing democracy, based on tolerance and liberty. If the Palestinian people actively pursue these goals, America and the world will actively support their efforts. If the Palestinian people meet these goals, they will be able to reach agreement with Israel and Egypt and Jordan on security and other arrangements for independence.

And when the Palestinian people have new leaders, new institutions and new security arrangements with their neighbors, the United States of America will support the creation of a Palestinian state whose borders and certain aspects of its sovereignty will be provisional until resolved as part of a final settlement in the Middle East.

In the work ahead, we all have responsibilities. The Palestinian people are gifted and capable, and I am confident they can achieve a new birth for their nation. A Palestinian state will never be created by terror -- it will be built through reform. And reform

must be more than cosmetic change, or veiled attempt to preserve the status quo. True reform will require entirely new political and economic institutions, based on democracy, market economics and action against terrorism.

Today, the elected Palestinian legislature has no authority, and power is concentrated in the hands of an unaccountable few. A Palestinian state can only serve its citizens with a new constitution which separates the powers of government. The Palestinian parliament should have the full authority of a legislative body. Local officials and government ministers need authority of their own and the independence to govern effectively.

The United States, along with the European Union and Arab states, will work with Palestinian leaders to create a new constitutional framework, and a working democracy for the Palestinian people. And the United States, along with others in the international community will help the Palestinians organize and monitor fair, multi-party local elections by the end of the year, with national elections to follow.

Today, the Palestinian people live in economic stagnation, made worse by official corruption. A Palestinian state will require a vibrant economy, where honest enterprise is encouraged by honest government. The United States, the international donor community and the World Bank stand ready to work with Palestinians on a major project of economic reform and development. The United States, the EU, the World Bank, the International Monetary Fund are willing to oversee reforms in Palestinian finances, encouraging transparency and independent auditing.

And the United States, along with our partners in the developed world, will increase our humanitarian assistance to relieve Palestinian suffering. Today, the Palestinian people lack effective courts of law and have no means to defend and vindicate their rights. A Palestinian state will require a system of reliable justice to punish those who prey on the innocent. The United States and members of the international community stand ready to work with

Palestinian leaders to establish finance -- establish finance and monitor a truly independent judiciary.

Today, Palestinian authorities are encouraging, not opposing, terrorism. This is unacceptable. And the United States will not support the establishment of a Palestinian state until its leaders engage in a sustained fight against the terrorists and dismantle their infrastructure. This will require an externally supervised effort to rebuild and reform the Palestinian security services. The security system must have clear lines of authority and accountability and a unified chain of command.

America is pursuing this reform along with key regional states. The world is prepared to help, yet ultimately these steps toward statehood depend on the Palestinian people and their leaders. If they energetically take the path of reform, the rewards can come quickly. If Palestinians embrace democracy, confront corruption and firmly reject terror, they can count on American support for the creation of a provisional state of Palestine.

With a dedicated effort, this state could rise rapidly, as it comes to terms with Israel, Egypt and Jordan on practical issues, such as security. The final borders, the capital and other aspects of this state's sovereignty will be negotiated between the parties, as part of a final settlement. Arab states have offered their help in this process, and their help is needed.

I've said in the past that nations are either with us or against us in the war on terror. To be counted on the side of peace, nations must act. Every leader actually committed to peace will end incitement to violence in official media, and publicly denounce homicide bombings. Every nation actually committed to peace will stop the flow of money, equipment and recruits to terrorist groups seeking the destruction of Israel -- including Hamas, Islamic Jihad, and Hezbollah. Every nation actually committed to peace must block the shipment of Iranian supplies to these groups, and oppose regimes that promote terror, like Iraq. And Syria must choose the right side in the war on terror by closing terrorist camps and expelling terrorist organizations.

Leaders who want to be included in the peace process must show by their deeds an undivided support for peace. And as we move toward a peaceful solution, Arab states will be expected to

build closer ties of diplomacy and commerce with Israel, leading to full normalization of relations between Israel and the entire Arab world.

Israel also has a large stake in the success of a democratic Palestine. Permanent occupation threatens Israel's identity and democracy. A stable, peaceful Palestinian state is necessary to achieve the security that Israel longs for. So I challenge Israel to take concrete steps to support the emergence of a viable, credible Palestinian state.

As we make progress towards security, Israel forces need to withdraw fully to positions they held prior to September 28, 2000. And consistent with the recommendations of the Mitchell Committee, Israeli settlement activity in the occupied territories must stop.

The Palestinian economy must be allowed to develop. As violence subsides, freedom of movement should be restored, permitting innocent Palestinians to resume work and normal life. Palestinian legislators and officials, humanitarian and international workers, must be allowed to go about the business of building a better future. And Israel should release frozen Palestinian revenues into honest, accountable hands.

I've asked Secretary Powell to work intensively with Middle Eastern and international leaders to realize the vision of a Palestinian state, focusing them on a comprehensive plan to support Palestinian reform and institution-building.

Ultimately, Israelis and Palestinians must address the core issues that divide them if there is to be a real peace, resolving all claims and ending the conflict between them. This means that the Israeli occupation that began in 1967 will be ended through a settlement negotiated between the parties, based on U.N. Resolutions 242 and 338, with Israeli withdrawal to secure and recognize borders.

We must also resolve questions concerning Jerusalem, the plight and future of Palestinian refugees, and a final peace between Israel and Lebanon, and Israel and a Syria that supports peace and fights terror.

All who are familiar with the history of the Middle East realize that there may be setbacks in this process. Trained and determined killers, as we have seen, want to stop it. Yet the Egyptian and Jordanian peace treaties with Israel remind us that with

determined and responsible leadership progress can come quickly.

As new Palestinian institutions and new leaders emerge, demonstrating real performance on security and reform, I expect Israel to respond and work toward a final status agreement. With intensive effort by all, this agreement could be reached within three years from now. And I and my country will actively lead toward that goal.

I can understand the deep anger and anguish of the Israeli people. You've lived too long with fear and funerals, having to avoid markets and public transportation, and forced to put armed guards in kindergarten classrooms. The Palestinian Authority has rejected your offer at hand, and trafficked with terrorists. You have a right to a normal life; you have a right to security; and I deeply believe that you need a reformed, responsible Palestinian partner to achieve that security.

I can understand the deep anger and despair of the Palestinian people. For decades you've been treated as pawns in the Middle East conflict. Your interests have been held hostage to a comprehensive peace agreement that never seems to come, as your lives get worse year by year. You deserve democracy and the rule of law. You deserve an open society and a thriving economy. You deserve a life of hope for your children. An end to occupation and a peaceful democratic Palestinian state may seem distant, but America and our partners throughout the world

stand ready to help, help you make them possible as soon as possible.

If liberty can blossom in the rocky soil of the West Bank and Gaza, it will inspire millions of men and women around the globe who are equally weary of poverty and oppression, equally entitled to the benefits of democratic government.

I have a hope for the people of Muslim countries. Your commitments to morality, and learning, and tolerance led to great historical achievements. And those values are alive in the Islamic world today. You have a rich culture, and you share the aspirations of men and women in every culture. Prosperity and freedom and dignity are not just American hopes, or Western hopes. They are universal, human hopes. And even in the violence and turmoil of the Middle East, America believes those hopes have the power to transform lives and nations.

This moment is both an opportunity and a test for all parties in the Middle East: an opportunity to lay the foundations for future peace; a test to show who is serious about peace and who is not. The choice here is stark and simple. The Bible says, "I have set before you life and death; therefore, choose life." The time has arrived for everyone in this conflict to choose peace, and hope, and life.

Thank you very much.

APPENDIX B

ARAB LEAGUE BEIRUT DECLARATION 28 MARCH 2002

The Arab Peace Initiative

The Council of Arab States at the Summit Level at its 14th Ordinary Session,

Reaffirming the resolution taken in June 1996 at the Cairo Extra-Ordinary Arab Summit that a just and comprehensive peace in the Middle East is the strategic option of the Arab countries, to be achieved in accordance with international legality, and which would require a comparable commitment on the part of the Israeli government,

Having listened to the statement made by his royal highness Prince Abdullah bin Abdul Aziz, crown prince of the Kingdom of Saudi Arabia, in which his highness presented his initiative calling for full Israeli withdrawal from all the Arab territories occupied since June 1967, in implementation of Security Council Resolutions 242 and 338, reaffirmed by the Madrid Conference of 1991 and the land-for-peace principle, and Israel's acceptance of an independent Palestinian state with East Jerusalem as its capital, in return for the establishment of normal relations in the context of a comprehensive peace with Israel,

Emanating from the conviction of the Arab countries that a military solution to the conflict will not achieve peace or provide security for the parties, the council:

1. Requests Israel to reconsider its policies and declare that a just peace is its strategic option as well.
2. Further calls upon Israel to affirm:
 - I- Full Israeli withdrawal from all the territories occupied since 1967, including the Syrian Golan Heights, to the June 4, 1967 lines as well as the remaining occupied Lebanese territories in the south of Lebanon.
 - II- Achievement of a just solution to the Palestinian refugee problem to be agreed upon in accordance with UN General Assembly Resolution 194.
- III- The acceptance of the establishment of a sovereign independent Palestinian state on the Palestinian territories occupied since June 4, 1967 in the West Bank and Gaza Strip, with East Jerusalem as its capital.
3. Consequently, the Arab countries affirm the following:
 - I-- Consider the Arab-Israeli conflict ended, and enter into a peace agreement with Israel, and provide security for all the states of the region.
 - II- Establish normal relations with Israel in the context of this comprehensive peace.
4. Assures the rejection of all forms of Palestinian patriation which conflict with the special circumstances of the Arab host countries.
5. Calls upon the government of Israel and all Israelis to accept this initiative in order to safeguard the prospects for peace and stop the further shedding of blood, enabling the Arab countries and Israel to live in peace and good neighbourliness and provide future generations with security, stability and prosperity.
6. Invites the international community and all countries and organisations to support this initiative.
7. Requests the chairman of the summit to form a special committee composed of some of its concerned member states and the secretary general of the League of Arab States to pursue the necessary contacts to gain support for this initiative at all levels, particularly from the United Nations, the Security Council, the United States of America, the Russian Federation, the Muslim states and the European Union.

APPENDIX C

EU NON-PAPER (THE MORATINOS DOCUMENT)⁸⁵ TABÁ, JANUARY 2001

INTRODUCTION

This EU non-paper has been prepared by the EU Special Representative to the Middle East Process, Ambassador Moratinos, and his team after consultations with the Israeli and Palestinian sides, present at Taba in January 2001. Although the paper has no official status, it has been acknowledged by the parties as being a relatively fair description of the outcome of the negotiations on the permanent status issues at Taba. It draws attention to the extensive work which has been undertaken on all permanent status issues like territory, Jerusalem, refugees and security in order to find ways to come to joint positions. At the same time it shows that there are serious gaps and differences between the two sides, which will have to be overcome in future negotiations. From that point of view, the paper reveals the challenging task ahead in terms of policy determination and legal work, but it also shows that both sides have travelled a long way to accommodate the views of the other side and that solutions are possible.

1. TERRITORY

The two sides agreed that in accordance with the UN Security Council Resolution 242, the June 4 1967 lines would be the basis for the borders between Israel and the state of Palestine.

1.1 West Bank 0

For the first time both sides presented their own maps over the West Bank. The maps served as a basis for the discussion on territory and settlements. The Israeli side presented two maps, and the Palestinian side engaged on this basis. The Palestinian side presented some illustrative maps detailing its understanding of Israeli interests in the West Bank.

The negotiations tackled the various aspects of territory, which could include some of the settlements and how the needs of each party could be accommodated. The Clinton parameters served as a loose basis for the discussion, but differences of interpretations regarding the scope and meaning of the parameters emerged. The Palestinian side stated that it had accepted the Clinton proposals but with reservations.

The Israeli side stated that the Clinton proposals provide for annexation of settlement blocs. The Palestinian side did not agree that the parameters included blocs, and did not accept proposals to annex blocs. The Palestinian side stated that blocs would cause significant harm to the Palestinian interests and rights, particularly to the Palestinians residing in areas Israel seeks to annex.

The Israeli side maintained that it is entitled to contiguity between and among their settlements. The Palestinian side stated that Palestinian needs take priority over settlements. The Israeli maps included plans for future development of Israeli settlements in the West Bank. The Palestinian side did not agree to the principle of allowing further development of settlements in the West Bank. Any growth must occur inside Israel.

The Palestinian side maintained that since Israel has needs in Palestinian territory, it is responsible for proposing the necessary border modifications. The Palestinian side reiterated that such proposals must not adversely affect the Palestinian needs and interests.

The Israeli side stated that it did not need to maintain settlements in the Jordan Valley for security purposes, and its proposed maps reflected this position.

⁸⁵ As published in *Ha'aretz*, 14 February 2002.

The Israeli maps were principally based on a demographic concept of settlements blocs that would incorporate approximately 80 percent of the settlers. The Israeli side sketched a map presenting a 6 percent annexation, the outer limit of the Clinton proposal. The Palestinian illustrative map presented 3.1 percent in the context of a land swap.

Both sides accepted the principle of land swap but the proportionality of the swap remained under discussion. Both sides agreed that Israeli and Palestinian sovereign areas will have respective sovereign contiguity. The Israeli side wished to count "assets" such as Israelis "safe passage/corridor" proposal as being part of the land swap, even though the proposal would not give Palestine sovereignty over these "assets". The Israeli side adhered to a maximum 3 percent land swap as per Clinton proposal.

The Palestinian maps had a similar conceptual point of reference stressing the importance of a non-annexation of any Palestinian villages and the contiguity of the West Bank and Jerusalem. They were predicated on the principle of a land swap that would be equitable in size and value and in areas adjacent to the border with Palestine, and in the same vicinity as the [land] annexed by Israel. The Palestinian side further maintained that land not under Palestinian sovereignty such as the Israeli proposal regarding a "safe passage/corridor" as well as economic interests are not included in the calculation of the swap.

The Palestinian side maintained that the "No-Man's-Land" (Latrun area) is part of the West Bank. The Israelis did not agree.

The Israeli side requested an additional 2 percent of land under a lease arrangement to which the Palestinians responded that the subject of lease can only be discussed after the establishment of a Palestinian state and the transfer of land to Palestinian sovereignty.

1.2 Gaza Strip

Neither side presented any maps over the Gaza Strip. It was implied that the Gaza Strip will be under total Palestinian sovereignty, but details have still to be worked out. All settlements will be evacuated. The Palestinian side claimed it could be arranged in 6 months, a timetable not agreed by the Israeli side.

1.3 Safe passage/corridor from Gaza to the West Bank

Both sides agreed that there is going to be a safe passage from the north of Gaza (Beit Hanun) to the Hebron district, and that the West Bank and the Gaza Strip must be territorially linked. The nature of the regime governing the territorial link and sovereignty over it was not agreed.

2. JERUSALEM

2.1 Sovereignty

Both sides accepted in principle the Clinton suggestion of having a Palestinian sovereignty over Arab neighborhoods and an Israeli sovereignty over Jewish neighbourhoods. The Palestinian side affirmed that it was ready to discuss Israeli request to have sovereignty over those Jewish settlements in East Jerusalem that were constructed after 1967, but not Jebel Abu Ghneim and Ras al-Amud. The Palestinian side rejected Israeli sovereignty over settlements in the Jerusalem Metropolitan Area, namely of Ma'ale Adumim and Givat Ze'ev.

The Palestinian side understood that Israel was ready to accept Palestinian sovereignty over the Arab neighbourhoods of East Jerusalem, including part of Jerusalem's Old City. The Israeli side understood that the Palestinians were ready to accept Israeli sovereignty over the Jewish Quarter of the Old City and part of the Armenian Quarter.

The Palestinian side understood that the Israeli side accepted to discuss Palestinian property claims in West Jerusalem.

2.2 Open City

Both sides favoured the idea of an Open City. The Israeli side suggested the establishment of an open city whose geographical scope encompasses the Old City of Jerusalem plus an area defined as the Holy Basin or Historical Basin.

The Palestinian side was in favour of an open city provided that continuity and contiguity were preserved. The Palestinians rejected the Israeli proposal regarding the geographic scope of an open city and asserted that the open city is only acceptable if its geographical scope encompasses the full municipal borders of both East and West Jerusalem.

The Israeli side raised the idea of establishing a mechanism of daily coordination and different models were suggested for municipal coordination and cooperation (dealing with infrastructure, roads, electricity, sewage, waste removal etc). Such arrangements could be formulated in a future detailed agreement. It proposed a "soft border regime" within Jerusalem between Al-Quds and Yerushalaim that affords them "soft border" privileges. Furthermore the Israeli side proposed a number of special arrangements for Palestinian and Israeli residents of the Open City to guarantee that the Open City arrangement[s] neither adversely affect their daily lives nor compromise each party['s] sovereignty over its section of the Open City.

2.3 Capital for two states

The Israeli side accepted that the City of Jerusalem would be the capital of the two states: Yerushalaim, capital of Israel and Al-Quds, capital of the state of Palestine. The Palestinian side expressed its only concern, namely that East Jerusalem is the capital of the state of Palestine.

2.4 Holy/Historical Basin and the Old City

There was an attempt to develop an alternative concept that would relate to the Old City and its surroundings, and the Israeli side put forward several alternative models for discussion, for example, setting up a mechanism for close coordination and cooperation in the Old City. The idea of a special police force regime was discussed but not agreed upon.

The Israeli side expressed its interest and raised its concern regarding the area conceptualised as the Holy Basin (which includes the Jewish Cemetery on the Mount of Olives, the City of David and Kivron Valley). The Palestinian side confirmed that it was willing to take into account Israeli interests and concerns provided that these places remain under Palestinian sovereignty. Another option for the Holy Basin, suggested informally by the Israeli side, was to create a special regime or to suggest some form of internationalisation for the entire area or a joint regime with special cooperation and coordination. The Palestinian side did not agree to pursue any of these ideas, although the discussion could continue.

2.5 Holy Sites: Western Wall and the Wailing Wall

Both parties have accepted the principle of respective control over each side's respective holy sites (religious control and management). According to this principle, Israel's sovereignty over the Western Wall would be recognised although there remained a dispute regarding the delineation of the area covered by the Western Wall and especially the link to what is referred to in Clinton's ideas as the space sacred to Judaism of which it is part.

The Palestinian side acknowledged that Israel has requested to establish an affiliation to the holy parts of the Western Wall, but maintained that the question of the Wailing Wall and/or Western Wall has not been resolved. It maintained the importance of distinguishing between the Western Wall and the Wailing Wall segment thereof, recognized in the Islamic faith as the Buraq Wall.

2.6 Haram al-Sharif/Temple Mount

Both sides agreed that the question of Haram al-Sharif/Temple Mount has not been resolved. However, both sides were close to accepting Clinton's ideas regarding Palestinian sovereignty over Haram al-Sharif notwithstanding Palestinian and Israeli reservations.

Both sides noted progress on practical arrangements regarding evacuations, building and public order in the area of the compound. An informal suggestion was raised that for an agreed period such as three years, Haram al-Sharif/Temple Mount would be under international sovereignty of the P5 plus Morocco (or other Islamic presence), whereby the Palestinians would be the "Guardian/Custodians" during this period. At the end of this period, either the parties would agree on a new solution or agree to extend the existing arrangement. In the absence of an agreement, the parties would return to implement the Clinton formulation. Neither party accepted or rejected the suggestion.

3. REFUGEES

Non-papers were exchanged, which were regarded as a good basis for the talks. Both sides stated that the issue of the Palestinian refugees is central to the Israeli-Palestinian relations and that a comprehensive and just solution is essential to creating a lasting and morally scrupulous peace. Both sides agreed to adopt the principles and

references which could facilitate the adoption of an agreement.

Both sides suggested, as a basis, that the parties should agree that a just settlement of the refugee problem in accordance with the UN Security Council Resolution 242 must lead to the implementation of UN General Assembly Resolution 194.

3.1 Narrative

The Israeli side put forward a suggested joint narrative for the tragedy of the Palestinian refugees. The Palestinian side discussed the proposed narrative and there was much progress, although no agreement was reached in an attempt to develop an historical narrative in the general text.

3.2 Return, repatriation and relocation and rehabilitation

Both sides engaged in a discussion of the practicalities of resolving the refugee issue. The Palestinian side reiterated that the Palestinian refugees should have the right of return to their homes in accordance with the interpretation of UNGAR 194. The Israeli side expressed its understanding that the wish to return as per wording of UNGAR 194 shall be implemented within the framework of one of the following programs:

A. Return and repatriation

1. to Israel
2. to Israel swapped territory
3. to the Palestine state.

B. Rehabilitation and relocation

8. Rehabilitation in host country.
4. Relocation to third country.

Preference in all these programs shall be accorded to the Palestinian refugee population in Lebanon. The Palestinian side stressed that the above shall be subject to the individual free choice of the refugees, and shall not prejudice their right to their homes in accordance with its interpretation of UNGAR 194.

The Israeli side, informally, suggested a three-track 15-year absorption program, which was discussed but not agreed upon. The first track referred to the absorption to Israel. No numbers were agreed upon, but with a non-paper referring to 25,000 in the first three years of this program (40,000 in the first five

years of this program did not appear in the non-paper but was raised verbally). The second track referred to the absorption of Palestinian refugees into the Israeli territory, that shall be transferred to Palestinian sovereignty, and the third track referring to the absorption of refugees in the context of family reunification scheme.

The Palestinian side did not present a number, but stated that the negotiations could not start without an Israeli opening position. It maintained that Israel's acceptance of the return of refugees should not prejudice existing programs within Israel such as family reunification.

3.3 Compensation

Both sides agreed to the establishment of an International Commission and an International Fund as a mechanism for dealing with compensation in all its aspects. Both sides agreed that "small-sum" compensation shall be paid to the refugees in the "fast-track" procedure, claims of compensation for property losses below certain amount shall be subject to "fast-track" procedures.

There was also progress on Israeli compensation for material losses, land and assets expropriated, including agreement on a payment from an Israeli lump sum or proper amount to be agreed upon that would feed into the International Fund. According to the Israeli side the calculation of this payment would be based on a macro-economic survey to evaluate the assets in order to reach a fair value. The Palestinian side, however, said that this sum would be calculated on the records of the UNCCP, the Custodian for Absentee Property and other relevant data with a multiplier to reach a fair value.

3.4 UNRWA

Both sides agreed that UNRWA should be phased out in accordance with an agreed timetable of five years, as a targeted period. The Palestinian side added a possible adjustment of that period to make sure that this will be subject to the implementation of the other aspects of the agreement dealing with refugees, and with termination of Palestinian refugee status in the various locations.

3.5 Former Jewish refugees

The Israeli side requested that the issue of compensation to former Jewish refugees from Arab countries be recognised, while accepting

that it was not a Palestinian responsibility or a bilateral issue. The Palestinian side maintained that this is not a subject for a bilateral Palestinian-Israeli agreement.

3.6 Restitution

The Palestinian side raised the issue of restitution of refugee property. The Israeli side rejected this.

3.7 End of claims

The issue of the end of claims was discussed, and it was suggested that the implementation of the agreement shall constitute a complete and final implementation of UNGAR 194 and therefore ends all claims.

4. SECURITY

4.1 Early warning stations

The Israeli side requested to have 3 early warning stations on Palestinian territory. The Palestinian side was prepared to accept the continued operations of early warning stations but subject to certain conditions. The exact mechanism has therefore to be detailed in further negotiations.

4.2 Military capability of the state of Palestine

The Israeli side maintained that the state of Palestine would be non-militarised as per the Clinton proposals. The Palestinian side was prepared to accept limitation on its acquisition of arms, and be defined as a state with limited arms. The two sides have not yet agreed on the scope of arms limitations, but have begun exploring different options. Both sides agree that this issue has not been concluded.

4.3 Air space control

The two sides recognised that the state of Palestine would have sovereignty over its airspace. The Israeli side agreed to accept and honour all Palestine civil aviation rights according to international regulations, but sought a unified air control system under overriding Israel control. In addition, Israel requested access to Palestinian airspace for military operations and training.

The Palestinian side was interested in exploring models for broad cooperation and coordination in the civil aviation sphere, but unwilling to cede overriding control to Israel. As for Israeli military

operations and training in Palestinian airspace, the Palestinian side rejected this request as inconsistent with the neutrality of the state of Palestine, saying that it cannot grant Israel these privileges while denying them to its Arab neighbours.

4.4 Time table for withdrawal from the West Bank and Jordan Valley

Based on the Clinton proposal, the Israeli side agreed to a withdrawal from the West Bank over a 36-month period with an additional 36 months for the Jordan Valley in conjunction with an international force, maintaining that a distinction should be made between withdrawal in the Jordan Valley and elsewhere.

The Palestinian side rejected a 36-month withdrawal process from the West Bank expressing concern that a lengthy process would exacerbate Palestinian-Israeli tensions. The Palestinian side proposed an 18 months withdrawal under the supervision of international forces. As to the Jordan Valley the Palestinian side was prepared to consider the withdrawal of Israeli armed forces for an additional 10-month period. Although the Palestinian side was ready to consider the presence of international forces in the West Bank for a longer period, it refused to accept the ongoing presence of Israeli forces.

4.5 Emergency deployment (or emergency locations)

The Israeli side requested to maintain and operate five emergency locations on Palestinian territory (in the Jordan Valley) with the Palestinian response allowing for maximum of two emergency locations conditional on a time limit for the dismantling. In addition, the Palestinian side considered that these two emergency locations be run by international presence and not by the Israelis. Informally, the Israeli side expressed willingness to explore ways that a multinational presence could provide a vehicle for addressing the parties' respective concerns.

The Palestinian side declined to agree to the deployment of Israeli armed forces on Palestinian territory during emergency situations, but was prepared to consider ways in which international forces might be used in that capacity, particularly within the context of regional security cooperation efforts.

4.6 Security cooperation and fighting terror

Both sides were prepared to commit themselves to promoting security cooperation and fighting terror.

4.7 Borders and international crossings

The Palestinian side was confident that Palestinian sovereignty over borders and international crossing points would be recognised in the agreement. The two sides had, however, not yet resolved this issue including the question of monitoring and verification at Palestine's international borders (Israeli or international presence).

4.8 Electromagnetic sphere

The Israeli side recognised that the state of Palestine would have sovereignty over the electromagnetic sphere, and acknowledged that it would not seek to constrain Palestinian commercial use of the sphere, but sought control over it for security purposes.

The Palestinian side sought full sovereign rights over the electromagnetic sphere, but was prepared to accommodate reasonable Israeli needs within a cooperative framework in accordance with international rules and regulations.

APPENDIX D

PRESIDENT CLINTON'S PARAMETERS⁸⁶ 23 DECEMBER 2000

Territory

Based on what the president heard, he believes that a fair solution would be in the mid-90s – I.e., 94 to 96 percent of West Bank territory to the Palestinian State.

The land annexed by Israel should be compensated by a land swap of 1 to 3 percent, in addition to the arrangements, e.g., Permanent Safe Passage. The parties also should consider the swap of leased land to meet their respective needs. There are creative ways of doing this that could address Israeli or Palestinian issues or concerns.

The president thought that the parties should develop a map consistent with the criteria: 80 percent of settlers in blocks of settlements, contiguity, minimum annexation of territory to Israel, minimum number of Palestinians to be affected by the annexation.

Security

The president believes that the key lies in international presence, that would only be withdrawn by mutual consent. This presence would also monitor the implementation of the agreement by both sides.

It is the president's best judgment that the Israeli withdrawal should be phased over 36 months, while the international force is gradually introduced into the area.

At the end of this period a small Israeli presence would remain in specified military locations in the Jordan Valley under the authority of the international force for another 36 months. This period could be reduced in the event of favorable regional developments that would diminish the threat to Israel.

Early Warning Stations – Israel should maintain three facilities in the West Bank with Palestinian liaison presence. The stations should be subject to review after 10 years, with any change in status to be mutually agreed.

Emergency Deployment areas – The president understood that the parties still have to develop maps of relevant areas and routes.

Emergency means the imminent and demonstrable threat to Israel's national security of a military nature that requires the activation of a national state of emergency. The international force would need to be notified of any such determination.

Airspace – the State of Palestine would have sovereignty over the airspace but the two states should work out special arrangements for Israeli training and operational needs.

The president understood that the Israeli position is that Palestine should be defined as "demilitarised" while the Palestinian side proposed a "State of Limited Arms." As compromise the president suggests "non-militarised state." This would be consistent with the fact that in addition to a strong Palestinian security force, Palestine will have an international force for border security and deterrence purposes.

Jerusalem and refugees: General

The president's sense was that remaining gaps would have more to do with formulation than with practical reality.

Jerusalem

What is Arab should be Palestinian and what is Jewish should be Israeli. This would apply to the Old City as well.

⁸⁶ As published in *Ha'aretz*, 31 December 2000.

The President urges the Parties to work on maps that would ensure maximum contiguity for both sides.

Haram (al-Sharif)-Temple Mount – The gap is not related to practical administration but in the symbolic issues of sovereignty and to finding a way to accord respect to the religious beliefs of both sides.

The president knows that the parties discussed different formulations. He wanted to suggest two additional ones to formalise the Palestinian de-facto control over the Haram, while respecting the convictions of the Jewish people. With regard to either one, international monitoring to provide for mutual confidence:

1. Palestinian sovereignty over the Haram and Israeli sovereignty over the Western Wall a) and the space sacred to Jews of which it is a part; or b) and the holy of holiest of which it is a part.
2. Palestinian sovereignty over the Haram and Israeli sovereignty over the Western Wall plus shared functional sovereignty over the issue of excavation under the Haram or behind the wall. That way mutual consent would be required before any excavation took place.

Refugees

The president believes that the differences are with formulating the solutions rather than with what would happen on the practical level.

Israel is prepared to acknowledge the moral and material suffering caused to the Palestinian people as a result of the 1948 war and the need to assist in the international community's effort in addressing the problem.

International commission to implement all aspects that flow from the agreement: compensation, resettlement, rehabilitation, etc. The U.S. is prepared to lead an international effort to help the refugees.

The fundamental gap – how to handle the Right of Return (ROR). The president knows the history of the issue and how hard it is for the Palestinian leadership to appear to be abandoning this principle. At the same time, the Israeli side could

not accept any reference to the ROR that would imply a right to immigrate to Israel in defiance of Israel's sovereign policy on admission or that would threaten the Jewish character of the state.

Any solution must address both needs and be consistent with the two-state approach that both sides have accepted as a way to end the Israeli-Palestinian conflict: The State of Palestine as the homeland for the Palestinian people and the State of Israel as the homeland for the Jewish people.

In a two-state solution, the State of Palestine will be the focal point for Palestinians who choose to return to the area, without ruling out that Israel would accept some of these refugees.

The President believes that the Parties need to adopt a formulation on the ROR that will make clear that there is no specific ROR to Israel itself, but that does not negate the aspirations of the Palestinian people to return to the area.

In light of that, the president suggests the following two alternatives:

1. Both sides recognize the right of Palestinian refugees to return to historic Palestine;
2. Both sides recognize the right of Palestinian refugees to return to their homeland;

The agreement would define the implementation of this general right in a way that is consistent with the two-state solution. It will list the five possible final homes for the refugees: the State of Palestine, areas of Israel being transferred to Palestine in the land swap, rehabilitation in the host countries, resettlement in third countries and admission to Israel.

In listing these options the agreement would make clear that return to the West Bank and Gaza or the areas acquired through the land swap would be a right for all Palestinian refugees while rehabilitation in host countries, resettlement in third countries or absorption into Israel would depend upon the policies of these countries.

Israel could indicate in the agreement that it intended to establish a policy so that some of the refugees would be absorbed into Israel consistent with Israel's sovereign decision.

The president believes that priority should be given to the refugees in Lebanon.

The parties would agree that this implements UNGAR 194.

End of conflict and finality of claims

The president proposed that the agreement clearly marked the end of the conflict and its implementation put an end to all claims. This could be manifested through a UNSCR that notes that UNSCRs 242 and 338 have been implemented and through the release of Palestinian prisoners.

The president believes that this is the outline of a fair and lasting agreement. It gives the Palestinian people the ability to determine their future in their own land, a sovereign and viable state recognised by the international community; E1-Quds as its capital, sovereignty over the Haram and new lives to the refugees.

It gives people of Israel a genuine end of conflict, real security, the preservation of sacred religious ties, the incorporation of 80 percent of the settlers into Israel and the largest Jerusalem in history recognised by all as your capital.

Final comments

This is the best that the president can do. Brief the leaders and let the president know if they are prepared to come to discussion based on these ideas. If not, the president has taken it as far as he can. These are the ideas of the president. If they are not accepted, they are not just off the table; they go with the president as he leaves office.

APPENDIX E

PALESTINIAN NON-PAPER 12 JUNE 2002

PALESTINIAN VISION FOR THE OUTCOME OF PERMANENT STATUS NEGOTIATIONS BASED ON THE ARAB PEACE PLAN

At this critical time when the international community is seeking to formulate a comprehensive policy regarding the Middle East, the Palestinian Authority (“PA”) believes that it is important to convey the Palestinian vision for ending the Palestinian-Israeli conflict. This vision is based on the Arab initiative declared by the Crown Prince of Saudi Arabia and adopted unanimously by the Arab summit in Beirut. While many creative and constructive ideas regarding ending the current crisis are being presented, we believe that these ideas will not succeed if they are not accompanied by a clear political horizon that will rekindle hope in a permanent peace based on a negotiated solution.

The Palestinian clarifications described below had been discussed with our Arab friends, in particular Saudi Arabia, Egypt, and Jordan, all of whom share our opinion regarding the centrality of a vision of peace to the success of any efforts.

The Arab Peace Initiative of March 2002 forms our basic terms of reference. This initiative along with the vision of President Bush, Secretary of State Colin Powell’s speech of November 2001, and UN Security Council Resolutions 242, 338, and 1397, are the bases of the Palestinian vision for a permanent status agreement between Palestine and Israel. According to these bases, the following are the main elements of our vision:

- The borders between the state of Palestine and the state of Israel will be the June 4th 1967 Armistice Line, though the two sides may agree to minor, reciprocal, and equal boundary rectifications that do not affect, among other things, territorial contiguity. The Palestinian and Israeli sides shall have no territorial claims beyond the June 4, 1967 borders. These borders will be the permanent boundaries between the two states.
- There will be a permanent territorial corridor established between the West Bank and the Gaza Strip sections of the state of Palestine.
- East Jerusalem will become the capital of the state of Palestine and West Jerusalem will become the capital of the State of Israel.
- Jerusalem, which is venerated by the three monotheistic religions, will remain open to all peoples.
- The Palestinian side will transfer sovereignty over the Jewish Quarter and the Wailing Wall section of the Western Wall in East Jerusalem to Israel, while retaining sovereignty over the remainder of the Old City.
- Palestine and Israel will establish security cooperation arrangements that preserve the integrity and sovereignty of each state. International forces will play a central role in these arrangements. In addition, the two sides will strive to establish a regional security regime.
- Neither Palestine nor Israel will participate in military alliances against each other, or allow their territory to be used as a military base of operation against each other or against other neighbours. No foreign troops may be stationed in the territory of either state unless otherwise specified in the permanent status agreement or subsequently agreed to by the two parties. Palestine and Israel’s respective sovereignty and independence will be guaranteed by formal agreements with members of the international community.
- In accordance with the Arab Peace Initiative of March 2002, there will be a just and *agreed* solution to the Palestinian refugee problem based on UN General Assembly Resolution 194.
- The issue of water will be resolved in a just and equitable manner in accordance with international treaties and norms.
- Palestine and Israel will be democratic states with free market economies.

- The comprehensive permanent status agreement will mark the end of conflict between Palestine and Israel, and its complete implementation will mark the end of claims between them.

Naturally the realization of this vision requires a parallel process that will create concrete and positive developments on the ground. These will require a policy of de-escalation, de-occupation, ensuring the protection of Palestinian and Israeli peoples in accordance with the rule of law, and the gradual introduction of attributes of sovereignty to buttress and prepare the ground for a permanent status agreement.

There should be a fixed timeline for this process with guaranteed diplomatic involvement in order to ensure that the process does not stall. Part of preparing for eventual Palestinian statehood requires internal Palestinian restructuring, which we have already embarked on in the political, financial, and security fields. In the security realm, the ideas suggested by CIA Director George Tenet will be the basis for our efforts.

APPENDIX F

UN SECURITY COUNCIL RESOLUTIONS 242 AND 338

SECURITY COUNCIL RESOLUTION 242, 22 NOVEMBER 1967

The Security Council,

Expressing its continuing concern with the grave situation in the Middle East,

Emphasizing the inadmissibility of the acquisition of territory by war and the need to work for a just and lasting peace in which every state in the area can live in security,

Emphasizing further that all Member States in their acceptance of the Charter of the United Nations have undertaken a commitment to act in accordance with Article 2 of the Charter.

Affirms that the fulfillment of Charter principles requires the establishment of a just and lasting peace in the Middle East which should include the application of both the following principles:

- (I) Withdrawal of Israel armed forces from territories occupied in the recent conflict (according to the French version, des territoires occupés)
 - (II) Termination of all claims or states of belligerency and respect for and acknowledgment of the sovereignty, territorial integrity and political independence of every state in the area and their right to live in peace within secure and recognized boundaries free from threats of acts of force;
2. Affirms further the necessity
- (a) For guaranteeing freedom of navigation through international waterways in the area;
 - (b) For achieving a just settlement of the refugee problem;
 - (c) For guaranteeing the territorial inviolability and political independence of every State in the area, through measure including the establishment of demilitarized zones;

3. Requests the Secretary-General to designate a Special Representative to proceed to the Middle East to establish and maintain contacts with the States concerned in order to promote agreement and assist efforts to achieve a peaceful and accepted settlement in accordance with the provisions and principles in this resolution;

4. Requests the Secretary-General to report to the Security Council on the progress of the efforts of the Special Representative as soon as possible.

Adopted unanimously at the 1382nd meeting.

SECURITY COUNCIL RESOLUTION 338, 22 OCTOBER 1973

The Security Council

1. Calls upon all parties to the present fighting to cease all firing and terminate all military activity immediately, no later than 12 hours after the moment of the adoption of this decision, in the positions they now occupy;
2. Calls upon the parties concerned to start immediately after the cease-fire the implementation of Security Council resolution 242 (1967) in all of its parts;
3. Decides that, immediately and concurrently with the cease-fire, negotiations shall start between the parties concerned under appropriate auspices aimed at establishing a just and durable peace in the Middle East.

Adopted at the 1747th meeting.

APPENDIX G

ABOUT THE INTERNATIONAL CRISIS GROUP

The International Crisis Group (ICG) is a private, multinational organisation committed to strengthening the capacity of the international community to anticipate, understand and act to prevent and contain conflict.

ICG'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, ICG produces regular analytical reports containing practical recommendations targeted at key international decision-takers.

ICG's reports and briefing papers are distributed widely by email and printed copy to officials in foreign ministries and international organisations and made generally available at the same time via the organisation's Internet site, www.crisisweb.org. ICG 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.

The ICG Board – which includes prominent figures from the fields of politics, diplomacy, business and the media – is directly involved in helping to bring ICG reports and recommendations to the attention of senior policy-makers around the world. ICG is chaired by former Finnish President Martti Ahtisaari; and its President and Chief Executive since January 2000 has been former Australian Foreign Minister Gareth Evans.

ICG's international headquarters are at Brussels, with advocacy offices in Washington DC, New York and Paris and a media liaison office in London. The organisation currently operates eleven field offices with analysts working in nearly 30 crisis-affected countries and territories and across four continents.

In *Africa*, those locations include Burundi, Rwanda, the Democratic Republic of Congo, Sierra Leone-Liberia-Guinea, Somalia, Sudan and Zimbabwe; in *Asia*, Indonesia, Myanmar, Kyrgyzstan, Tajikistan, Uzbekistan, Pakistan and Afghanistan; in *Europe*, Albania, Bosnia, Kosovo, Macedonia, Montenegro

and Serbia; in the *Middle East*, Algeria and the whole region from Egypt to Iran; and in *Latin America*, Colombia.

ICG raises funds from governments, charitable foundations, companies and individual donors. The following governments currently provide funding: Australia, Canada, Denmark, Finland, France, Germany, Ireland, Luxembourg, the Netherlands, Norway, the Republic of China (Taiwan), Sweden, Switzerland and the United Kingdom.

Foundation and private sector donors include The Ansary Foundation, The Atlantic Philanthropies, Bill and Melinda Gates Foundation, Carnegie Corporation of New York, Charles Stewart Mott Foundation, Ford Foundation, John D. and Catherine T. MacArthur Foundation, John Merck Fund, Open Society Institute, Ploughshares Fund, Ruben and Elisabeth Rausing Trust, Sasakawa Peace Foundation, and William and Flora Hewlett Foundation.

July 2002

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* The Algeria project was transferred from the Africa Program in January 2002.

APPENDIX I

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