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BEYOND THE ISRAELI-PLO PEACE AGREEMENT: THE U.S. ROLE IN CONSOLIDATING PEACE

INTRODUCTION

The Declaration of Principles signed by Israel and the Palestine Liberation Organization (PLO) at the White House on September 13 was a historic, but tentative, step toward peace. Although widely hailed as a peace agreement, the Declaration of Principles actually is an agreement to negotiate a peace agreement. It addresses the Palestinian-Israeli conflict, which is a central but subordinate part of the broader Arab-Israeli conflict. And even on the Palestinian question, the agreement constitutes more of a wish list than a blueprint.

Nevertheless, the Declaration of Principles, if successfully implemented, could become a diplomatic springboard for a comprehensive Arab-Israeli peace. As such, the agreement deserves the full and active support of the Clinton Administration. America has strong reasons to support this latest development in the peace process that transcend its natural inclination to assist Israel, its longtime ally, and its humanitarian concern over the plight of the Palestinians.

The American Stake in Peace. A peaceful resolution of the Arab-Israeli conflict would reduce the security threats not only to the United States, but to moderate Arab states aligned with the West such as Egypt, Jordan, Saudi Arabia, and the other Arab monarchies of the Persian Gulf. A peace settlement would remove a potential cause of instability and war in the region that could interrupt the flow of Middle Eastern oil to Western markets. It also would reduce international terrorism in the long run, although there probably will be an upsurge in terrorism in the immediate future as radical Palestinian and Islamic fundamentalist groups opposed to peace seek to scuttle the agreement.

A lasting peace would help diminish the appeal of radical Arab nationalists and Islamic fundamentalists who draw strength from the struggle against Israel. It would deepen the isolation and undermine the influence of radical anti-Western states opposed to peace, such as Iran, Iraq, and Libya. Ultimately, a peaceful resolution of the Arab-Israeli conflict could lead to a realignment of Middle Eastern states that would allow the U.S., Israel, and moderate Arab states to form a coalition against the chief long-term threat to Middle Eastern stability and American interests in the region—radical Islamic fundamentalism.

To collect the above peace dividends, the Clinton Administration must work to consolidate the Israel-Palestinian diplomatic breakthrough, assist the implementation of the Declaration of Principles, and help resolve the thorny issues to be considered in the second phase of negotiations on the final status of the occupied territories. Washington then must help to translate the

Palestinian-Israeli agreement into a comprehensive peace that includes the Arab states — particularly Syria, which poses the most serious threat to Israeli security.

To achieve these goals, the Clinton Administration should:

- ✓ **Serve as a low-key mediator for Israeli-Palestinian negotiations.** Israel and the PLO will need American help to consolidate their diplomatic breakthrough. But Washington should intervene sparingly and only as a last resort to break an impasse.
- ✓ **Insist that the PLO fulfill its commitment to halt the *intifada* (uprising) and suppress Palestinian terrorism.** Without this, the negotiations are doomed to failure.
- ✓ **Convince Israelis that a negotiated settlement will strengthen the U.S. commitment to Israel's security.** Washington can limit the risks inherent to a land-for-peace solution by offering increased strategic cooperation and steady levels of military aid.
- ✓ **Rule out an American peacekeeping force in the West Bank and Gaza.** If U.S. troops are deployed in Gaza and the West Bank, they surely would be drawn into Palestinian factional disputes and become targets of terrorist attacks by radical Muslim fundamentalists opposed to the negotiations. An American peacekeeping commitment in the Israeli-occupied Golan Heights would be less risky and would be an acceptable option, if necessary to facilitate a Syrian-Israeli settlement.
- ✓ **Mobilize international diplomatic support for the peace agreement.** Washington must enlist moderate Arab states to reassure Israel through diplomatic recognition, to end the Arab economic boycott, and to press the PLO to fulfill its commitments.
- ✓ **Promote Palestinian economic development through free market and free trade economic policies.** The Palestinians need to see immediate and concrete gains from the peace accord to stave off terrorism and make the hard concessions necessary to the success of the final status talks. To jumpstart their economy and assure themselves a brighter economic future, the Palestinians should rely increasingly on the private sector for economic development, and not become dependent on foreign aid.
- ✓ **Undercut opposition to the peace agreement.** Washington should seek to limit Palestinian opposition and terrorism by working with Saudi Arabia and other allies to isolate and penalize the opponents of peace.
- ✓ **Maximize Jordanian involvement in the peace process.** Jordan's King Hussein is a moderating influence on the Palestinians. Washington should seek a Jordanian-Palestinian confederation rather than an independent Palestinian state, to minimize the risks to Israel of a land-for-peace settlement.
- ✓ **Continue to seek a Syrian-Israeli peace accord.** Syria could become a potent diplomatic spoiler unless it is included in future agreements.
- ✓ **Bolster Egypt as one of the cornerstones of peace.** The U.S. cannot afford to take Egypt for granted. It must renew its commitment to Cairo by pledging continued political support, diplomatic backing, and military cooperation. Washington also should press Cairo for continued free market economic reforms and prepare it for a gradual reduction in U.S. economic aid.

- ✓ **Maintain a favorable regional balance of power.** The PLO was forced to negotiate on Israel's terms by a balance of power that favored Israel and the moderate Arab states. The U.S. must maintain its military strength in the Persian Gulf, contain Iran and Iraq, and foster a coalition of Israel, Turkey, and moderate Arab states against radical Muslim fundamentalism.

THE ISRAEL-PLO DECLARATION OF PRINCIPLES

The landmark accord signed by Israel and the PLO at the White House on September 13 set forth a two-stage negotiating framework for Palestinian self-government in the Israeli-occupied West Bank and Gaza strip. The accord, called the Declaration of Principles, establishes a five-year interim period of Palestinian self-government, with negotiations on the final status of the occupied territories to begin no later than the beginning of the third year of the interim period.

The Israeli-PLO declaration essentially is an agreement to agree. Its vague principles represent an effort to create an atmosphere in which future negotiations can succeed. It cannot stand alone, but must be followed up with a series of other agreements. Consideration of the most contentious issues—the question of Palestinian statehood, demarcation of borders, security arrangements, the status of Jerusalem, the status of Israeli settlements, and the question of the right of return of most Palestinian refugees—is postponed until the final status negotiations. In the meantime, the two sides are to conduct a two-year experiment in coexistence designed to prove good faith and build confidence in each other.

By October 13, one month after the signing of the agreement, Israel is scheduled to transfer authority for education, culture, health, social welfare, taxation, and tourism to Palestinian authorities jointly designated by Israel and the PLO. Following this “early empowerment,” the two sides will have until December 13 to negotiate another interim agreement setting forth the terms for Israeli withdrawal from Gaza and the West Bank town of Jericho. By April 13, 1994, Israeli military forces are scheduled to have completed their withdrawal and Israel will transfer authority for those areas to the PLO, which will establish its own police force to maintain order. This “Gaza and Jericho first” provision poses a minimal threat to Israeli security interests because those areas have few Israeli settlements and are not strategically important for the defense of Israel's coastal heartland.

Within nine months after the agreement goes into effect, by July 13, 1994, the Palestinians will hold elections for the Palestinian Council, which will then become the governing authority for the West Bank and Gaza. The Israeli military government will transfer government authority to the Palestinian Council, whose structure and powers will be set forth in another interim agreement. Israeli military forces will be redeployed away from population centers in the territories. The Palestinian Council will assume responsibility for most government functions, excluding foreign affairs and defense, but will not have jurisdiction over East Jerusalem (occupied by Israel in the 1967 Arab-Israeli war), Israeli military bases, Israeli settlements, or Israeli nationals travelling in the territories.

After the terms of the interim arrangement have been hammered out, the two sides will have a breathing space before beginning grueling negotiations on a permanent settlement. Those talks, set to begin by December 13, 1995, will address the thorny issues which the two sides cannot agree upon now. These issues are:

- ✘ **The question of Palestinian statehood.** Prime Minister Yitzhak Rabin's government remains adamantly opposed to a Palestinian state, which it regards as a destabilizing threat to Israeli security. Jerusalem prefers that the Palestinians instead form a confederation with Jordan. PLO Chairman Yasser Arafat insists on gaining a Palestinian state, although he remains open to the idea of then joining a confederation with Jordan.
- ✘ **The demarcation of borders.** Israel insists that Jerusalem remains its "indivisible and eternal capital" and that some modifications of the 1967 border are necessary to assure Israeli security. The PLO demands the return of all territories gained by Israel in the 1967 Arab-Israeli war, including East Jerusalem.
- ✘ **Israeli security arrangements.** To assure its security against surprise attack through the historic invasion routes from the east, Israel requires security precautions such as early warning facilities and military bases along the Jordan River and West Bank ridges; restrictions on the size and armament of Palestinian security forces; prohibitions on the basing of foreign troops inside Palestine; and undisputed control of Palestinian airspace.
- ✘ **The status of Israeli settlements.** Israel opposes the removal of its 120,000 settlers, while the PLO insists that the settlers must be expelled from Palestinian land.
- ✘ **The status of Palestinian refugees.** Although the accord permits the return of an unspecified number of Palestinian refugees from the 1967 war, the return of refugees from the 1948 war is a point of contention. Israel seeks to minimize the number of returning Palestinians while the PLO seeks to maximize the number of returnees and to gain compensation for those who lost property or are not permitted to return.
- ✘ **Economic and natural resource arrangements.** The two sides must work out trade, transit, and labor arrangements. A particularly nettlesome issue will be the disposition of scarce water resources. Israel currently draws approximately one-third of its water supplies from the territories.

ORIGINS OF THE AGREEMENT: WHY NOW?

The September 13 accord was made possible by major policy reversals by Israel and the PLO. Israel dropped its longstanding refusal to talk to the PLO, long reviled for its terrorism, when it became clear that there was no alternative Palestinian negotiating partner with which to make peace. The delegation of Palestinian leaders from the occupied territories that participated in the November 1991 Madrid peace conference had proved unable to negotiate independently from the PLO.

Israel's abhorrence at the prospect of dealing with the PLO also was offset by a growing weariness with the *intifada*, which has convulsed the occupied territories since December 1987. The chronic turmoil fueled the rapid growth of Hamas (Islamic Resistance Movement) and other radical Islamic fundamentalist organizations vehemently opposed to peace with Israel. Israel chose to negotiate with the PLO as the lesser of two evils.

The PLO, for its part, reversed course and accepted essentially the same terms that were offered at the U.S.-sponsored Camp David peace talks in 1978. In the fifteen years since Camp David, the PLO had been gravely weakened by a series of disastrous setbacks. It lost its "state within a state" when it was expelled from Lebanon by Israel in 1982. It suffered from the collapse of pan-Arabism and the discrediting of the radical Arab cause when Iraq was defeated and isolated by the American-led coalition in the 1991 Gulf War. Arafat's pro-Iraqi tilt angered Saudi Arabia, Kuwait, and other oil-rich Arab states and resulted in the loss of his financial patrons. Finally, the PLO lost the backing of its superpower patron when the Soviet Union disintegrated in 1991.

Arafat's Desperation. By 1993 the PLO was on the verge of collapse. The loss of financial aid from

the Arab Gulf states deprived the organization of the bulk of its \$275 million annual budget.¹ The PLO was forced to slash its expenditures by more than half, close down some of its hospitals, embassies, and newspapers, and lay off up to 30 percent of its personnel.² According to a senior PLO official, the PLO fell \$96 million in arrears on payments to the families of Palestinian prisoners and "martyrs."³ The erosion of the PLO patronage network led to growing Palestinian criticism of corruption in the organization. Since Arafat tightly controlled the PLO's investment portfolio, which fell from an estimated \$7 billion in the mid 1980s to \$2.5 billion in early 1993,⁴ much of the criticism was aimed at him.

Stung by Palestinian criticism of his autocratic leadership, shunned by his former financial backers, and increasingly challenged by radical fundamentalists inside the occupied territories, Arafat urgently needed a diplomatic victory. He was desperate to renew the U.S.-PLO dialogue that was broken off in 1990 because of Palestinian terrorism. Seeing so few options, Arafat decided "to throw himself at the feet of the Americans," according to one member of the Palestinian delegation to the Washington talks.⁵



1 *The Wall Street Journal*, September 10, 1993, p. 1.

2 *The Washington Times*, August 18, 1993, p. A9.

3 *The Washington Post*, August 29, 1993.

4 "Who Pays Arafat?" Special Report, *U.S. News and World Report*, April 26, 1993, p. 49.

5 "Why the Palestinian Peace Delegates Are So Angry at Arafat," *The Jerusalem Report*, August 26, 1993, p. 6.

It remains to be seen whether Arafat's lunge into the peace process is anything more than a tactical maneuver to rescue the PLO from its self-inflicted isolation. Arafat's intentions will remain suspect until proven otherwise. Even if Arafat has been transformed by necessity into a peacemaker, the same weaknesses that forced him to the negotiating table may undermine his ability to make good on his promises. Nevertheless, Prime Minister Rabin is gambling that he can strike a deal with Arafat's weakened PLO before it is eclipsed by the burgeoning Hamas movement, and peace becomes an impossibility.

CAN THE ACCORD SUCCEED?

Israel and the PLO made an enormous psychological breakthrough when Rabin and Arafat shook hands on the White House lawn. But much needs to be done to consolidate this breakthrough and transform it into a concrete peace agreement. The September 13 accord promises much but guarantees nothing. Because the most difficult issues are postponed for future negotiations, a premium is put on the leadership abilities of the Israeli government and the PLO.

Yet most Israelis and many Palestinians doubt that the PLO is capable of negotiating a just and lasting peace. To achieve such a peace, Arafat must shed his slippery leadership style and prove himself to be a trustworthy negotiating partner. Moreover, he must transform the PLO from a loosely organized terrorist liberation movement into a responsible and disciplined governing authority. Both of these changes appear to be unlikely.

Building a Constituency for Peace. Recent polls indicate that about 62 percent of Israelis favor the accord,⁶ while about two-thirds of Palestinians in the occupied territories are supportive.⁷ Both Rabin and Arafat must retain their base of political support and expand upon it, if they are to make the difficult compromises that will be necessary in the final status negotiations.

The prospects for permanent peace depend on how well the interim arrangements function. A smooth transition to Palestinian autonomy would enable Israel and the PLO to build confidence in each other, which could increase their willingness to compromise on outstanding issues. For the Israelis, security against terrorist attacks and external military threats will be overriding concerns. The Israelis' biggest fear is that they are trading land for promises that cannot or will not be fulfilled.

Arafat not only must halt PLO terrorism, but also must prove that he is willing and able to suppress terrorism by other Palestinian groups, particularly Hamas. This will be very difficult. There have been upsurges of terrorism following every advance in the peace process since Israel's creation in 1948. There is sure to be an upsurge following the latest breakthrough, given that roughly 30 percent of the Palestinians in Gaza support violence against the peace agreement.⁸ In fact, four Israelis were murdered by terrorists on the day before the agreement was signed.

6 *The Economist*, September 18, 1993, p. 24.

7 Barry Rubin and Judith Colp Rubin, "Arafat's Burden," *The New Republic*, October 4, 1993, p. 17.

8 *The New York Times*, September 15, 1993, p. A18.

Continued Palestinian terrorism would sour Israeli public opinion on the interim autonomy arrangements and jeopardize the final status negotiations. Therefore, a crucial test for the future of the negotiations will be the effectiveness of the proposed Palestinian police force in preventing terrorist attacks, punishing the groups that launch such attacks, and maintaining public order.⁹ Arafat himself will need protection against attack from Palestinian, Arab, and Israeli groups opposed to the peace negotiations. Jordan's King Abdullah and Egypt's President Anwar Sadat were assassinated for their willingness to negotiate with Israel. Several radical Palestinian groups already have issued death threats against Arafat.¹⁰ If Arafat were assassinated before negotiations were concluded, it is unlikely that any other Palestinian leader would have the personal courage and political support to continue the negotiations.

Many Palestinians fear that the accord will become "Gaza and Jericho first...and last." They are concerned that the interim autonomy arrangements could become a diplomatic dead end designed by Israel to divide and weaken the Palestinians without bringing them any economic or political benefits. To combat this suspicion, Israel must demonstrate that it seeks a comprehensive peace with the Arab world, not merely a separate peace with the PLO. Most important, it must cooperate with the PLO to give as many Palestinians as possible a stake in peaceful coexistence. This means allowing the Palestinians to assume control of their daily lives and giving them greater hopes for the future by allowing a rapid infusion of foreign aid to raise their living standards.

Israel and the PLO not only must cultivate their own constituencies for peace, but must cooperate to build confidence in each other. The U.S. can and must play a role in building support for peace in both camps and building confidence between them.

CONSOLIDATING THE PEACE: HOW THE U.S. CAN HELP

The September 13 Israel-PLO accord is the first Arab-Israeli agreement not brokered by Washington. Although Washington was not involved in the secret Israel-PLO talks that led to the diplomatic breakthrough, it helped create the conditions that made it possible.

The Carter Administration laid the foundations for the present talks at Camp David in 1978. The Reagan Administration considerably strengthened Israel's military capabilities and helped negotiate the 1982 PLO withdrawal from Lebanon, which helped convince Palestinians that Israel could not be defeated on the battlefield. President Reagan also pursued a firm anti-Soviet policy that accelerated the disintegration of the PLO's superpower patron, which deflated the PLO and its radical Arab backers, and increased the pressures pushing the PLO to the peace talks. The Bush Administration diplomatically isolated and militarily defeated Iraq, striking another blow at Arab radicalism, and sponsored the Madrid peace talks, which helped to break more diplomatic ice.

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- 9 Israeli and PLO officials have met secretly in Europe to discuss security arrangements, including the size, composition, and operational guidelines of the proposed Palestinian police force. There appears to be some disagreement over the size of the force, with some Palestinians claiming it will grow eventually to include 30,000 men, while Israel reportedly maintains it should consist of about 6,000 men.
 - 10 The Popular Front for the Liberation of Palestine-General Command, led by Ahmed Jibril, and the Fatah Uprising splinter group, led by Abu Musa, both have threatened to assassinate Arafat. Arafat, who is estimated to have survived fifty assassination attempts also is believed to be in danger from the Abu Nidal terrorist group.

The Clinton Administration now must build on these past American successes and help consolidate the recent Israel-PLO diplomatic breakthrough. It must assist the two parties to conclude negotiations on interim Palestinian self-government, mediate the problematic final status negotiations, and expand the Israeli-Palestinian agreement into a comprehensive Arab-Israeli peace that includes Arab states, particularly Israel's neighbors, Jordan, Lebanon, and Syria.

To achieve these goals, the Clinton Administration should:

✓ **Serve as a low-key mediator for Israeli-Palestinian negotiations.**

Both sides want the agreement to be concluded under American auspices. The U.S. is the only intermediary that enjoys the trust of both sides and has the diplomatic muscle and experience to help implement an agreement once it is reached. Negotiations are bound to bog down before the final treaty is completed. Moreover, Israel and the PLO do not have much experience in negotiating with each other. Egypt and Israel, by contrast, negotiated a series of cease-fire and disengagement agreements after the 1973 Arab-Israeli war that helped prepare them for the 1978 Camp David peace negotiations.

Although the burden of negotiations will fall first and foremost on Israel and the PLO, Washington must be ready to step in with bridging proposals and alternative negotiating approaches if the talks become deadlocked. American diplomatic intervention should be considered only as a last resort. Excessive American involvement will backfire by encouraging the parties to negotiate with Washington rather than with each other, a practice that impedes progress.

✓ **Insist that the PLO fulfill its commitment to halt the *intifada* and suppress Palestinian terrorism.**

Unless this happens, the negotiations are doomed to failure. Washington should underscore to Arafat that if he cannot control terrorism, then the Israelis will see little reason to continue negotiating with him.

The Clinton Administration should warn Arafat that without a good faith effort to suppress Palestinian terrorists, regardless of their organizational affiliations, it will not move to waive or repeal legislation that prohibits American aid to the PLO, PLO offices inside the U.S., or the travel of PLO officials to the U.S. Moreover, Washington should refuse to recognize the PLO as the representative of the Palestinians or resume its dialogue with the PLO until Arafat has clamped down decisively on terrorism. Washington should press friendly Arab governments, particularly Saudi Arabia, which will have enormous financial leverage over Arafat, to insist that the PLO follows through on its commitment to halt terrorism.

The U.S. also should tell Arafat that if the interim arrangements break down because of Palestinian terrorism, Washington will support Israeli measures to protect its security. This may include Israeli reintervention in the West Bank and Gaza and the suspension of final status talks. Arafat must understand that he cannot use a breakdown in the talks to drive a wedge between America and Israel. He must be convinced that he has nothing to gain and much to lose if he fails to end terrorism.

✓ **Convince Israelis that a negotiated settlement will strengthen the U.S. commitment to Israel's security.**

Israel's military strength was a key factor motivating the PLO and Arab states to abandon the military option and seek a diplomatic settlement. Maintaining Israel's military superiority is crucial to keeping Israel's negotiating partners from renegeing on their diplomatic commitments and deterring radical Middle Eastern states and movements that remain opposed to peace. Enhancing Israel's security also increases the Israeli government's willingness to consider difficult concessions, such as territorial compromise, that can advance the peace process.

Washington should assure Israel that a negotiated settlement will lead to closer Israeli-American strategic cooperation. Examples of cooperation should include the establishment of a ground facility for direct Israeli access to American satellite intelligence and the removal of restrictions on the sale of American supercomputers to Israel. A renewed American commitment to maintaining Israel's margin of technological military superiority also would help to ease Israel's security concerns. Washington should give a high priority to continuing joint Israeli-American research and development programs on anti-missile defense, particularly the *Arrow* anti-tactical ballistic missile program, the *Arrow* Continuation Experiments (ACES), and boost-phase missile defense.

To further persuade Israel that a peace settlement will enhance rather than undermine Israeli security, Washington should promise to continue military aid to Israel at the current level of \$1.8 billion per year, despite domestic pressures to shrink the overall foreign aid budget. American economic aid to Israel probably will fall gradually over time from its present level of \$1.2 billion per year. A supplemental aid package may be necessary, however, to compensate Israel for the loss of any military facilities in the West Bank and Gaza strip.

✓ **Rule out an American peacekeeping force in the West Bank and Gaza.**

Annex II of the Declaration of Principles contains a little-noticed provision calling for a "temporary international or foreign presence" to be established to aid the Israeli withdrawal and transfer of authority in Gaza and Jericho. Such a force is bound to be caught up in the intensifying Palestinian factional struggles. American participation would exacerbate the situation by arousing terrorist attacks from radical fundamentalists opposed to the agreement. The foreign presence instead should be drawn from countries acceptable to both Israel and the PLO. Gaining the participation of Muslim states such as Egypt, Jordan, Morocco, or Turkey could demonstrate the broad support for the peace process in the Islamic world and serve to isolate the radical fundamentalists opposed to the negotiations.

American participation in a peacekeeping force for the Israeli-occupied Golan Heights, a possibility already suggested on September 12 by Secretary of State Warren Christopher, may be necessary to facilitate a Syrian-Israeli settlement. This possibility should not be ruled out. Unlike the West Bank and Gaza, the Golan Heights are sparsely settled and are not troubled by factional struggles or radical anti-American forces hostile to the peace negotiations. American peacekeeping forces therefore could make a vital contribution at minimal risk to themselves.

✓ **Mobilize international diplomatic support for the peace agreement.**

To ease Israeli security fears and bolster the PLO's support for a negotiated settlement, the Clinton Administration should vigorously press the Arab and Muslim states to support the negotiations. The most critical threats to Israeli security come from surrounding Arab states

and Iran, not from the Palestinians. Israel's latitude for making concessions to the Palestinians is directly affected by its expectations about future relations with Arab states. It could afford to take more risks for peace with the Palestinians if it is assured that it also will gain peace agreements with its Arab neighbors. Conversely, many Arab states will have more latitude to negotiate peace with Israel once visible progress is made in Israeli-Palestinian negotiations.

In addition to encouraging Arab states to make peace with Israel, Washington should press them to immediately follow the PLO's lead and establish diplomatic relations with Israel. Washington also should press them to end the economic boycott against Israel and companies that do business there. These actions would signal Israel that a comprehensive peace is possible and demonstrate to hesitant Palestinians that Arafat's initiative has broad Arab support.

✓ **Promote Palestinian economic development through free market and free trade economic policies.**

To encourage Palestinian support for a negotiated settlement, it is important to demonstrate the economic benefits of a negotiated settlement. A rapid infusion of foreign assistance can raise Palestinian living standards in the short run and give Palestinians a concrete peace dividend. But care must be taken to insure that the Palestinian economy does not become hopelessly addicted to foreign aid. It should be made clear that aid will be phased out over time and that the Palestinians should develop a free market economy that can flourish without aid.

The World Bank estimates that the Palestinians require \$3 billion over the next ten years to rebuild their crumbling infrastructure and meet their health and educational needs. Another \$2.5 billion will be needed to finance private business investment. The U.S. organized an international conference for aid donors on October 1 at which 43 countries pledged almost \$2 billion over five years.¹¹ The U.S. contribution will be \$500 million over five years.

American aid should be conditioned on the lifting of the Arab economic boycott against Israel. It makes little sense to build up the Palestinian economy while Arab states still wage economic war against Israel. American aid should be targeted to promote free market economic growth and free trade. For example, Washington should aid the building of free market economic institutions such as stock markets, and promote private sector development by lending money to credible Palestinian entrepreneurs.

To make sure that the aid is quickly and effectively disbursed, Washington should assist the PLO and Jordan in identifying and training Palestinian administrators who are untainted by PLO corruption. Aid should be funneled through Palestinian and other non-governmental organizations wherever possible, rather than slow-moving multilateral institutions such as the World Bank, to speed its impact on the daily lives of the people.

Foreign aid is a necessary but not a sufficient condition for Palestinian economic growth. Washington should encourage the PLO to adopt free market economic policies that rely on the private sector as the engine of economic growth. In the long run, Palestinian economic development must be based more on free trade than aid. While aid creates dependence, trade

11 Aside from the U.S., the top pledges were \$600 million from the European Community, \$200 million from Japan, \$100 million from Saudi Arabia, \$150 million from the Scandinavian states, and \$75 million from Israel.

improves the economic situation more quickly, lasts longer, and does more to create local entrepreneurs who can generate future economic growth.¹²

Despite the benefits of free trade, there is a danger that the PLO will make the mistake of cutting the Palestinian economy off from Israel for political reasons. The \$3 billion Palestinian economy is a stunted Siamese twin that will collapse if separated from the \$60 billion Israeli economy. Approximately one-third of Palestinian GNP is derived from workers commuting to jobs inside Israel. Washington should press Israel to permit Palestinians to work inside Israel in roughly the same numbers that they did before the *intifada* (about 110,000).¹³ Washington also should press Israel and the Palestinians to adopt free trade policies, forming a free trade area that could include Jordan, and eventually perhaps Lebanon, Syria, and Egypt.

✓ **Undercut opposition to the peace agreement.**

The U.S. should seek to diplomatically isolate Palestinian groups opposed to peace by raising the price paid by state sponsors of such groups. Washington should warn Syria, Iraq, Libya, and Iran that supporting Palestinian rejectionists will raise tensions with the U.S. and lead to concrete responses such as enhanced American support for their own domestic opposition. Washington should urge its European and Japanese allies to penalize states that oppose the peace process by withholding economic aid.

Washington should work closely with Saudi Arabia to influence Arab states, particularly Syria, which has received substantial sums of Saudi aid. It should press Riyadh to condition future aid to Syria on continued participation in the peace negotiations. Washington also should urge Riyadh to cut the flow of private Saudi financial aid to Hamas and other fundamentalist groups. The U.S. proved itself to be a valuable ally in defending Saudi Arabia against Iraq. Now it is time for Saudi Arabia to step forward to help mold an Arab consensus supportive of peace with Israel.

✓ **Maximize Jordanian involvement in the peace process.**

Jordan's King Hussein is a moderate and realistic statesman who seeks regional stability to preserve his Hashemite dynasty. As the leader of a state whose population is roughly two-thirds Palestinian, the King can be counted on to be a restraining influence on Palestinian radicalism, which he fears could spill over into Jordan.

The U.S. should press for the "Jordanian option" or Palestinian-Jordanian confederation. Such a confederation probably would be more stable than an independent Palestinian state and less of a threat to Israel. Jordan should also play a major role in training the Palestinian police, building a Palestinian civil service by recruiting civil servants formerly paid by Jordan, and cooperating with Israel and the Palestinians to develop the Palestinian economy.

12 See: Patrick Clawson, "The Political Effect of Aid to the Palestinians," *Policy Watch # 67*, Washington Institute for Near East Policy, September 24, 1993.

13 Following a series of terrorist attacks, Israel closed its borders to Palestinian guest workers in March. The travel ban since has been eased, but only about 45,000 Palestinians now are allowed to work in Israel.

✓ **Continue to seek a Syrian-Israeli peace accord.**

Syrian dictator Hafez al-Assad, who has worked to block previous peace initiatives, has reacted coolly to the Israeli-PLO accord. Assad has indicated that it is up to the Palestinian people to decide what is appropriate and has refused to restrain the activities of ten rejectionist Palestinian groups who operate in Syria or Syrian-controlled Lebanon. Assad undoubtedly resents the fact that Arafat, a bitter rival, has stolen a diplomatic march on him by focusing the world's attention on the Palestinian negotiating track rather than on the Syrian track.

Washington should try to expand on the Palestinian-Israeli breakthrough to include Syria, which is the single greatest threat to Israeli security and a potent diplomatic spoiler. Progress on the Syrian track of the Madrid peace talks had stalled due to Syrian demands for the unconditional return of the Israeli-occupied Golan Heights. Although progress on the Syrian negotiating track may be slow as Assad gauges the success of Arafat's accord, America should encourage Israel to press on. Washington should also impress upon Assad that he has a stake in the successful conclusion of a Palestinian-Israeli peace if he hopes to regain any of the Golan Heights. Thus, the Clinton Administration should strongly warn him against supporting Palestinian opponents of peace. It also should call on Assad to fulfill his commitment to permit the emigration of Syria's small Jewish community. About 1,400 Syrian Jews have been denied permission to emigrate, despite Assad's previous promises. This would help reassure Israel that Assad can be counted on to abide by the terms of a future peace agreement.

✓ **Bolster Egypt as one of the cornerstones of peace.**

The Palestinian-Israeli accord has vindicated Egypt, the pioneer Arab peacemaker. With one-third of the population of the Arab world, Egypt remains a major Arab power whose support is vital to the peace process. If the pro-Western regime of President Hosni Mubarak is overthrown by the radical fundamentalists currently waging a terrorist war against it, then the Arab-Israeli peace process will grind to a halt. Egypt is the indispensable foundation for any lasting Arab-Israeli peace.

The U.S. therefore cannot afford to take Egypt for granted. It must renew its commitment to Anwar Sadat's successor and pledge continued political support, diplomatic backing, and military cooperation. Washington also should promise Cairo continued foreign aid, but warn it that aid levels inevitably will fall from the present level of \$2.2 billion per year due to looming U.S. budget cuts. This makes it all the more important for Washington to push for continued Egyptian free market economic reforms. Only a vigorous free market economy, released from the suffocating control of Egypt's ponderous bureaucracy, can offer the Egyptian people a hopeful economic future that will undermine the appeal of Islamic fundamentalism.

Egypt, in return, can function as a moderating influence on the PLO and encourage it to adopt realistic negotiating positions. Egypt can offer valuable assistance in training Palestinian teachers, doctors, and civil servants. Egyptian construction companies can help rebuild Gaza's crumbling infrastructure. And Egypt can function as a reliable ally against Iranian-supported fundamentalist movements and radical Arab states such as neighboring Sudan and Libya.

✓ **Maintain a favorable regional balance of power.**

Yasser Arafat was forced to the peace table by a Middle Eastern balance of power that favored Israel and moderate Arab states. To keep him at the negotiating table and prevent others from disrupting the negotiations, the U.S. must vigilantly maintain a balance of power conducive to peace. In addition to strengthening the security of Israel and the moderate Arab states, the U.S. must maintain a strong military presence in the Persian Gulf to contain the resurgence of Iraq and Iran. Although both have been weakened by military defeats, economic weakness, and diplomatic isolation, both are long-term threats to the moderate Arab states of the Persian Gulf. Washington must cooperate with its allies to prevent either Iraq or Iran from acquiring nuclear weapons or gaining a stranglehold on Persian Gulf oil supplies.

For Saudi Arabia and the other Arab monarchies in the Gulf, Iran and Iraq pose much greater threats than Israel ever did. Now that the PLO and Israel have taken the initial steps toward defusing the Palestinian question, the U.S. has an opportunity to build a coalition of Israel, Turkey, and moderate Arab states against Iran and Iraq. Initially, multilateral cooperation might take the form of intelligence-sharing, secret diplomatic coordination, and anti-terrorist cooperation. But if an Arab-Israeli settlement can be negotiated, the moderate Arab states would have more latitude for cooperating closely not only with the U.S., but with Israel as well.

The U.S. tried but failed to build a "strategic consensus" that united Israel and moderate Arab states against the Soviet threat in the early 1980s. The effort failed because not all the states in question perceived the Soviet threat to be paramount in their security calculations. Once the Israeli bogeyman has been dispensed with through a comprehensive Arab-Israeli peace, a new strategic consensus can crystallize. Many Arab regimes will be freed to address the most pressing threat to regional stability—the threat of radical Muslim fundamentalist movements, often supported by Iran.

CONCLUSION

The Middle East has come to a pivotal turning point, but needs patient and persistent American pressure to make the turn. Consolidating Arab-Israeli peace will be a protracted and arduous task. The Palestinian-Israeli accord, the first step in what surely will be a grueling step-by-step diplomatic process, is a calculated gamble by both sides. Israel is betting that Yasser Arafat is willing and able to impose order on the Palestinians and deliver peace. Arafat is gambling that he can overcome Palestinian opposition, bolster the weakened PLO, and gain Israel's confidence during the period of interim self-government in order to win Palestinian statehood in the final status negotiations.

The Israel-Palestinian accord is a shaky agreement based on lofty promises made by the capricious leader of an enfeebled Palestinian organization that faces strong opposition. For the agreement to work, Arafat must become a trustworthy statesman and transform the PLO into a responsible and disciplined governing authority. The U.S. must strongly pressure Arafat to make these changes and urge moderate Arab states similarly to pressure him.

Israel also needs assurances that its security will not be compromised by a peace agreement. The U.S. can help offset the risks Israel must assume by promising expanded bilateral strategic cooperation, steady levels of military aid, and diplomatic pressure on Arab states to isolate Palestinian groups opposed to peace, to recognize Israel, and to negotiate further peace agreements.

The U.S. must nurture the embryonic Palestinian-Israeli peace process and expand it to include the moderate Arab states and Syria, if possible. This could open the way for a major realignment of Middle Eastern states that would go far to advance American interests. A negotiated resolution of the Arab-Israeli conflict would allow Washington to assemble a coalition of Israel, Turkey, and the moderate Arab states to contain the threats of Iran, Iraq, and radical Islamic fundamentalism.

For many years, an Arab-Israeli peace has appeared to be an utopian goal. It still may prove to be beyond reach. But peace remains an important goal of American Middle Eastern policy rooted in a hardheaded appraisal of American interests. An Arab-Israeli peace settlement would enable the U.S., Israel, and moderate Arab states to concentrate on the most dangerous threat to their national interests—the threat posed by radical Muslim fundamentalism.

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