

# Between Settlement and Crisis: The Next Round of the Palestinian Issue

Ephraim Lavie

Roughly one year after talks over a permanent settlement were halted (the Annapolis process) and the IDF's operation in Gaza (Cast Lead), the Palestinians and Israel once again find themselves at a crossroads over the future of their relationship. The Palestinians, beset by political and geographic rifts, and Israel, with a right wing government, are faced with deciding between a settlement and a crisis: between renewing the political process with a view to reaching a permanent agreement, and political stagnation that could lead to the creation of a de facto state on the West Bank and the establishment of a radical Islamic entity in the Gaza Strip.

Attempts to achieve national reconciliation between Hamas and Fatah and hold Palestinian Authority (PA) presidential and Palestinian Legislative Council (PLC) elections on time (January 2010), or schedule them for a later date, have failed. The PLO leadership recently formalized the current administrative reality, including an extension of Abu Mazen's term as PA president until the elections take place. In the meantime, both the PA in the West Bank and the Hamas rule in the Gaza Strip are enjoying relative administrative and security stability.

Together with Palestinian prime minister Salam Fayyad, Abu Mazen is pursuing a two-pronged policy. The first course is an attempt to resume direct negotiations with Israel over a permanent settlement and the creation of an independent state within the 1967 borders, or alternatively, asking the UN to recognize the 1967 lines as the borders of the future

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Palestinian state. The second course is the actual establishment of a Palestinian state by mid-2011. The Hamas leadership has thus far opted to maintain its control of the Gaza Strip and has rejected the terms of the Quartet, including recognition of Israel. As such, it is in no hurry to reach any reconciliation with Fatah and participate in the elections. It strives to rebuild its military strength and consolidate its position as an Islamic entity with economic and military aid from Iran, and hopes to score gains in Palestinian public opinion from a prisoner exchange deal with Israel.

In this reality Israel is faced with the question of how to prevent a crisis that will lead to the establishment of a de facto state on the West Bank and the creation of a radical Islamic entity in the Gaza Strip. Renewing the political process and making significant progress, as suggested by Prime Minister Binyamin Netanyahu, may lead to the establishment of the Palestinian state as a result of negotiations. Pursuing the political route is expected to reinforce the PA's legitimacy in Palestinian public opinion and obviate concern that it is Israel's lackey. For its part, the Hamas administration in the Gaza Strip will appear to the international community as an obstacle to the political process. This may also grant Israel legitimacy for a military operation against Hamas in the Gaza Strip, if that proves unavoidable.

The aim of this paper is to analyze the divided Palestinian system, the balance of power and developing trends within its two parts, and evaluate the implications for Israel in the political-security sphere.

### **Internal Rifts**

Fearful of the possibility of a pro-Iranian radical Islamic entity in the Gaza Strip on its border, Egypt maintained its efforts over the last year to mediate between Hamas and Fatah with a view to achieving national reconciliation. It is currently striving to renew the political process between Israel and the PLO for the purpose of reaching a permanent settlement. It contends that the PLO is the only legitimate Palestinian party to the political negotiations with Israel, and that reconciliation between Hamas and Fatah is not a condition for renewing the political process.<sup>1</sup> Egypt's approach assesses that galvanizing the political process may provide positive content for the Fatah-Hamas reconciliation efforts, unite the Palestinian arena, and enable Abu Mazen to restore his control of the Gaza Strip through victory in the elections.

Egypt has repeatedly set new dates for completing the internal Palestinian dialogue, which is supposed to lead to Hamas, Fatah, and the other factions signing the reconciliation document it drafted.<sup>2</sup> Under Egyptian aegis and with the support of the Arab League, they are supposed to announce both agreement over an end to the rift in the Palestinian people and forthcoming presidential elections and elections to the PLC and the Palestinian National Council (PNC). According to the current document, the elections are scheduled for June 2010. A presidential decree will establish a 16 member committee of Fatah, Hamas, and representatives of independent factions and parties. The committee will be responsible for carrying out the agreement and will end its work after the elections are held and the government is formed. The committee's responsibilities will include preparing for the elections, uniting the PA institutions in both areas, restoring the NGOs, and monitoring reconstruction efforts in the Gaza Strip.

Fatah officials signed the reconciliation paper, while the Hamas leadership submitted a number of reservations regarding clauses that it feels demand clarification. Clauses acceptable to Hamas address the need to: carry out reforms in the PLO so that the organization incorporates all the Palestinian forces and factions; hold proportional representation elections<sup>3</sup> for the new PNC, which will guarantee representation of all the nationalist and Islamic forces, factions, and parties and all sectors and associations inside and outside the PA; establish security mechanisms that will protect the homeland (PA territories) and its inhabitants and honor the right of the Palestinian people to "resistance" (*muqawama*);<sup>4</sup> and consider the relay of information to an enemy that damages the homeland, its inhabitants, or the "resistance" as treason, punishable by law.

At the same time, the Hamas leadership has requested clarification on other issues in the reconciliation document. These include the issue of returning members of the previous security systems (around 3,000 people) to the Gaza Strip, a move that ensures the PA's security presence in the Strip but does not ensure a similar Hamas presence in the West Bank; the prohibition of military bodies outside the agreed-on security mechanisms, a move that implies a demand to disarm Hamas' security mechanisms, including members of the "operational force" (around 11,000 personnel);<sup>5</sup> cooperation between the PA's security mechanisms

and “friendly states,” which Hamas interprets as legitimizing defense cooperation with Israel; and the contradiction between one clause that recognizes the right of “resistance” and another that prohibits the existence of “resistance” elements.

Other factors impeding Hamas from signing the Egyptian reconciliation proposal are connected to internal power struggles in the movement between the “inside” and “outside” leaderships, and the concern over the election results. Ismail Haniyeh and Mahmoud al-Zahar, understanding that Hamas is currently perceived by the international community as “the bad guy” blocking reconciliation, support signing the agreement provided the aforementioned reservations are included. They fear that Egypt will pressure Hamas with closing the Rafah crossing and restrict freedom of movement of its leaders. Khaled Mashal, who had supported the document with the reservations, today dictates Hamas’ refusal, and by doing so demonstrates his control of the movement. In addition, the Hamas leadership is concerned that the agreement may lead to elections in June 2010 that it will lose, and will thereby cede its gains in the Gaza Strip. It estimates that if the political process is renewed and yields tangible progress, victory by Abu Mazen will be assured in the elections in both regions.<sup>6</sup> Hamas is also concerned that the elections will be rigged in favor of Abu Mazen and Fatah.

Abu Mazen and Fayyad may be able to present Israel as a rigid country that continues to employ jaded arguments of a struggle against terror in order to avoid fulfilling its commitments towards the Palestinians and keep the occupation intact.

The Hamas leadership does not attribute the possibility of losing the elections to the “resistance” approach that has caused destruction, or to its inability to lift the embargo on the Gaza Strip and promote Gaza’s rehabilitation following Operation Cast Lead, or to the Islamic nature of the regime it established there. Nevertheless, one may assume that these considerations also underlie its preference not to hold the elections. Alternatively, it is likely that the movement leadership will change its stance on the reconciliation issue and the elections if the context does not include a political process, if it is able to present Abu Mazen and Salam Fayyad as collaborating with Israel, and

if it makes the most of a prisoner exchange. Either way, the leadership is laying the groundwork for a situation in which it will not be possible

to bridge the disputes and elections will not be held in the foreseeable future. To this end it is laying the legal groundwork for portraying the Gaza Strip as a stronghold (*ard el-ribbat*)<sup>7</sup> that will serve as a base for reestablishing the Islamic caliphate that unites the Islamic world into a single state. In other words, there is religious justification for Hamas control of the Gaza Strip, even at the cost of the national division of the Palestinian people.<sup>8</sup>

### **The Palestinian Authority: Striving for a Full Permanent Settlement**

Abu Mazen continues to work towards an overall political settlement with Israel, while opposing partial agreements and the creation of a state within temporary borders. He still views bilateral negotiations with Israel as the preferred way of reaching a permanent settlement that will result in the establishment of a Palestinian state alongside Israel based on the 1967 borders. His working premise is that in the wake of progress made in the Annapolis talks (in 2008) he is very close to reaching a desirable framework for a political agreement with Israel.<sup>9</sup> On the other hand, while demands for a complete halt to construction in settlements and East Jerusalem and for a renewal of negotiations based on the Roadmap were only partially agreed to by Prime Minister Binyamin Netanyahu, Abu Mazen has adopted an alternative approach: he is leading a drive to enlist international support that will enable the Palestinian leadership to ask the UN to recognize the 1967 borders as the borders of the future Palestinian state. Concomitantly, he is working to put together a united Arab position that will demand definition of the agreement's framework as a condition for renewing the negotiations. This framework will include the creation of a state with the 1967 borders with East Jerusalem as its capital, consensual exchange of territories, and a complete freeze on construction in settlements, including in Jerusalem and including for purposes of natural population growth.

The Palestinian position on a settlement freeze is not only a result of the position assumed by the American administration when it entered office.<sup>10</sup> It is based on a number of arguments: first, a fundamental demand that facts are not established on the ground in an area that is a subject of negotiation, especially given the concern that continued construction will lead to a substantial increase in the clusters of

settlements that Israel will demand for itself; second, the Roadmap, which obliges the PA to combat terror,<sup>11</sup> explicitly determines that Israel must stop construction in settlements; and third, the lack of trust in the right wing Israeli government's willingness to recognize the right of the Palestinians to establish their state within the 1967 borders. This is the backdrop to the Palestinian effort to find alternative channels for direct talks with Israel for the purpose of achieving their objective: whether by means of active American mediation, which may ensure that a Palestinian state is established within the 1967 borders or that the size of the state's territory will be equal to the territories occupied in 1967,<sup>12</sup> or by means of the international community, which will adopt the Palestinian demand and take a decision on the issue at the UN.

The other course in Abu Mazen's policy is advancing the practical establishment of a Palestinian state, based on the plan of Prime Minister Salam Fayyad.<sup>13</sup> The intention is to establish government institutions and reinforce the economic, social, and security foundations of the PA so that the Palestinian state can become a reality by mid-2011 (a de facto state).<sup>14</sup> In so doing, the PA and the Palestinian people will show Israel and the international community they can take responsibility for the area under their control. This will obviate grounds for Israel to claim that the Palestinians are not ready to establish a state, or that they do not

constitute a partner to a political agreement and to fulfilling agreements and commitments.<sup>15</sup>

Abu Mazen and Salam Fayyad's steps to create a well managed Palestinian state expresses a sober policy designed to advance Palestinian interests independently, should the talks with Israel not be renewed.<sup>16</sup> In the last two years Fayyad has started a process of rehabilitating the PA's institutions and security systems, restoring law and order through the police and courts, eradicating corruption, and maintaining a stable day to day life for the population of the West Bank.<sup>17</sup> Fayyad is currently working to make the government ministries

and PA institutions more efficient and promote the private sector.<sup>18</sup> He intends to develop a Palestinian economy that is not dependent on work in Israel,<sup>19</sup> even if it continues to rely on outside aid. He is working to

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develop jobs and reduce unemployment,<sup>20</sup> improve the public's level of performance in terms of work practices and tax payments,<sup>21</sup> and reduce the PA's dependency on outside aid for ongoing expenses.<sup>22</sup> He has begun to use the government's investment fund<sup>23</sup> differently from in the past: first, the fund's profits are no longer used for ongoing expenses and instead are channeled to investments, and second, the focus of the fund's activity has been shifted from outside companies to local Palestinian companies.<sup>24</sup> In addition, an amendment has been made to the income tax law designed to advance registration of foreign companies in the PA.<sup>25</sup>

Fayyad's plan needs a geographic domain that will, among other things, make it possible to construct a seaport and an airport, and political freedom that will, for example, enable the signing of agreements for economic cooperation with the countries of the region and independent tax collection. Yet even given these existing constraints, Fayyad's activity has elicited positive responses both at home and from the international community.<sup>26</sup> For example, the PA and the banks that operate on the West Bank enjoy relations of trust and cooperation, which makes it possible to provide credit to the private sector to help growth; there are good working relations today between employees, employers, and the government, after various salary-related problems were addressed, such as a cost of living increment because of inflation. In the international arena various parties (including the UN secretary general) praise the Palestinian achievements vis-à-vis security, the economy, and financial reforms. The donor countries have continued to transfer the aid they promised in a regulated manner, as part of the three year (2008-10) development program. Representatives of the World Bank and the World Monetary Fund (WMF) are monitoring the current deficit in the PA budget (about \$400 million), but it appears that in the present circumstances the donor countries are willing to finance this deficit.

The primary designation of the current three year development program, which will run until the end of 2010, is to develop the government institutions. Salam Fayyad intends to devise a three year plan (2011-13)

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that will focus on national development of infrastructures and aid for disadvantaged groups.

In contrast with the political and socioeconomic agenda currently advanced by Abu Mazen and Fayyad, the struggle against Israel is still discussed in the Fatah ranks, fueled by the continued occupation and construction of settlements and the absence of a political process. For now, the discourse of struggle is taking precedence over the efforts of Abu Mazen and Fayyad, and it also reflects the leadership's faltering control of the activists in the field and the opposition elements within Fatah. There is ongoing factionalism in the movement, and the sixth convention in the summer of 2009 did not extricate Fatah from its continuing decline. Fatah's intermediate generation, which integrated into the PLO and Fatah leadership institutions following the convention, still lacks internal cohesion and guiding leadership, and the movement as a whole lacks public support. Salam Fayyad's position – he does not come from the Fatah rank and file – is a thorn in the side of most senior members of Fatah, as his economic and social achievements are not credited to their movement. In their minds, the fact that the leaders of the security system do not come from Fatah ranks also detracts from their standing and power as a leading national movement.

### **The Emergence of a Radical Islamic Entity in the Gaza Strip**

The Hamas movement continues to adhere to its basic principles, oppose recognition of Israel, and refuse to honor the agreements that were signed by the PLO and Israel. The pragmatic stances voiced by the movement on maintaining the conflict,<sup>27</sup> in an effort to be accepted as a legitimate political player, did not translate into a tangible achievement when it was asked to recognize the demands of the Quartet and sign the Palestinian reconciliation document drafted by Egypt. The movement's leadership did not succeed in gaining formal Arab and international recognition of its administration in the Gaza Strip, and failed in its attempts to muster international pressure on Israel to lift the siege on the Strip.

Negation of the Arab peace initiative on the one hand, and its close ties with Iran on the other hand<sup>28</sup> contributed to Hamas' political isolation and distance from the Arab consensus. Saudi Arabia demanded clarification from Khaled Mashal regarding what appeared to be Hamas becoming a vassal of a non-Arab element (Iran), and demanded that it



decide “are you for us or against us?” Saudi foreign minister Saud al-Faisal conveyed the hope that Hamas would come to its senses and accept the Arab peace initiative. Egypt expressed its concern for its sovereignty and began to construct an underground steel fence along its border with the Gaza Strip. Nor did it conceal its determination to prevent Hamas from forging solidarity relations with the Islamic Brotherhood movement in Egypt in a manner that would threaten Egypt’s stability. The Hamas leadership responded angrily to the fence, considering this an indication that Egypt was joining the siege on the Strip.<sup>29</sup> Against this backdrop, the movement leadership is carefully considering its steps with regard to how to conduct the “resistance,” with a view to maintaining its achievements and ensuring its continued control of the Strip, and eventually a political revolution in the West Bank.<sup>30</sup>

After the military blow it suffered in Operation Cast Lead, the Hamas leadership reestablished its control of the Gaza Strip, openly ignoring democratic principles, and it now maintains effective absolute control and imposes law and order, as opposed to the anarchy that existed during the time when Fatah and the PA were in power. Meanwhile, Hamas is building up its quantitative and qualitative military strength. It is continuing to develop its military arm as a standing army, rehabilitating its rocket systems, and acquiring Fajr long range missiles (with a range of 75 km.). Hamas has a dual objective: to create the ability to withstand any forthcoming Israeli military operation, and to establish a deterrent against Israel so as to avoid a wide military confrontation, thereby preventing the destruction of military and government facilities from the air. The Hamas leadership estimates that if it is established, such a deterrent balance would provide long term stability and calm even without an agreement with Israel, and this will enable it to consolidate its control in the Strip and focus on its rehabilitation.

In Operation Cast Lead, the Hamas political and military leadership in the Gaza Strip experienced the IDF’s military might for the first time in the history of the movement. Hamas is now seeking to signal to Israel and the international community that it is interested in maintaining a ceasefire, in order to concentrate on civilian activity. It is dealing with the defection of Islamic organizations, the penetration of the world jihad into the Gaza Strip, and prevention of terror attacks on Israel, including rocket fire. The movement’s leaders explain that Hamas will maintain

calm as long as this serves the interests of the Palestinian people. They point to the fact that Israel is also maintaining the calm, and they believe that the Goldstone report constitutes a deterrent to Israel. On the other hand, the Hamas leadership continues to embrace its political positions. Even though it is clear that rescinding Israel's embargo from the Gaza Strip would lead to economic rehabilitation and alleviate the suffering of the public, the movement's leadership is not willing to accept the terms of the Quartet, as it considers that a far reaching ideological deviation that entails recognition of the State of Israel.

The economic distress in the Strip is increasing due to the embargo and Cast Lead: unemployment is now close to 40 percent and the annual per capita GNP is about \$1,000. On the other hand, channels to infuse funds from outside, via the Persian Gulf to Syria and Egypt and from there to the Hamas leadership, continue to operate. The arms smuggling operations through the tunnels at Rafah are also thriving, despite Israeli air strikes and the deaths of workers caused by the collapse of the tunnels. The smuggling industry slightly offsets the economic embargo, which in any event is currently not comprehensive. Israel permitted the entry of thousands of heads of sheep to the Strip in advance of the Islamic Festival of Sacrifice and allowed flower exports. The volume of goods brought into the Strip in the past year by international aid organizations grew appreciably compared with the previous year. However, without heavy mechanical equipment for removing rubble and without building materials such as concrete, iron, glass, and wood, prevented by Israel from reaching the Gaza Strip, there is no real possibility of furthering the reconstruction and reactivating the wheels of the economy in the region.

The Hamas leadership is poised between its wish to advance the process of Islamization and impose Islamic religious law (*shariaa*) in the Strip, and its wish not to lose public support. There is a debate within the leadership between the camp that supports rapid progress with *shariaa*-based legislation and the camp that proposes gradual progress in that direction, so as not to generate public opposition to the Hamas administration. Those in the latter camp are concerned over a surge in claims made against Hamas that it is looking to create an Islamic state in the Gaza Strip.<sup>31</sup> In practical terms, the Hamas leadership now stresses the religious nature of the government institutions and is gradually reinforcing the religious nature of the population's everyday life. For

example, preference is given to the *shariaa* courts over civil courts; Islamic reconciliation committees have been established that work to settle disputes according to custom-based law; a modesty police force has been created; and there are now institutions such as an Islamic bank and an Islamic insurance company. Meanwhile, regulations have been introduced that require the public to close markets and stores on Fridays, men and women use separate beach areas, instructions have been issued to refrain from mixed dancing at weddings, and women have been called on to wear a hijab and long dresses. Members of the legislative council recently discussed the possibility of implementing *shariaa*-style penalties, such as cutting off a thief's hand.

### Implications for Israel

Over the last year Abu Mazen and Salem Fayyad adopted a political strategy based on the recognition of significant progress in the talks on the permanent settlement with the previous Israeli government, and the conviction that a desirable framework for a political agreement with Israel can be reached. Thus in their view, renewal of the direct political process with Israel based on the Roadmap may yield understandings that in turn will enable the Palestinians to complete a process of establishing a sovereign state. According to that strategy, if the Israeli government does not agree to freeze settlement construction and does not agree to renew the political process from the point at which it was stopped, the Palestinians will be able to advance their affairs independently: establish a *de facto* state and obtain international recognition of its borders, and if necessary, instigate a legitimate and non-violent popular uprising, like the struggle against the security fence.<sup>32</sup>

Within the framework of that political strategy Abu Mazen and Fayyad prefer to maintain security cooperation with Israel, notwithstanding the constraints involved,<sup>33</sup> thereby proving that the Palestinian side is honoring its Roadmap commitments.<sup>34</sup> For them, the relative security stability that currently exists in the West Bank and the economic development negate prior Israeli claims whereby the PA is not a partner for security and political dialogue and is not ready to assume control over territory and a population. Moreover, in their mind these changes are in line with the Israeli government's "economic peace" concept and are

gradually formulating a reality and environment that are conducive to a political settlement.

The political approach adopted by Abu Mazen and Fayyad may in fact yield results. They will be able to present Israel as a rigid country that continues to employ jaded arguments of a struggle against terror in order to avoid fulfilling its commitments towards the Palestinians in the political process, and to keep the occupation intact. One can assume that at present such an explanation would be accepted by the international community, particularly after the Goldstone report that accused Israel of war crimes in Gaza and undermined its standing in the UN. The international community is liable to stop seeing Israel as a victim that stands at the forefront of the struggle against Islamic terror elements, and deem it rather as an aggressive occupying party that uses unreasonable force against the Palestinians and continually infringes on their human rights.

As a result, dynamics may be set in motion regarding decisions in various international forums with regard to the illegality of the settlements on the West Bank, and recognition of the 1967 borders as the borders of the Palestinian state that has Arab Jerusalem as its capital.<sup>35</sup> Such decisions can suit the official positions of the United States with regard to the Israeli-Palestinian conflict, including that the settlements are an obstacle to peace, and when the time comes can be submitted for discussion at the UN for the purpose of their official adoption. Thus, within a few years, if the de facto Palestinian state is a fact on the ground, the Palestinians will be able to achieve international recognition of their country.

In addition to this political challenge for Israel there remains the military challenge. Even though the economic situation in the West Bank has improved over the last two years and Abu Mazen and Fayyad repeatedly declare that they oppose a resumption of the violent confrontation with Israel, such pronouncements do not guarantee security stability over time. Although the population's sense of economic welfare is gradually evolving, given the occupation and settlement construction, there will always be motivation to resume the confrontational approach among members of Fatah who still talk about the struggle and by nationalist and other Islamic groups that receive outside aid and support (e.g., from Iran, Hizbollah). Even the PA security services, which currently

maintain security cooperation with Israel prompted by the drive to build the Palestinian state and thwart Hamas, are liable to be less motivated without a political process.<sup>36</sup> The absence of a political process will deny the PA legitimacy to continue working intensively against Hamas on the West Bank.

Underlying Abu Mazen and Salem Fayyad's plan are some positive components from Israel's point of view. These include the aim to find a solution for two states within the 1967 borders (not 1948 borders); assumption of practical responsibility for the fate and future of Palestinian society in the West Bank and the Gaza Strip; and construction of a regulated, lawful country with the ability to govern and uphold agreements with Israel. One can even assume that Abu Mazen will welcome any Israeli cooperation on advancing this plan if he and Israel agree on the ultimate objective of the negotiations and the time framework for them. He is determined to arrive at an overall political settlement with Israel and oppose partial settlements and the establishment of a state within temporary borders. His argument is that talks can be completed within a number of months if there is Israeli willingness, even if implementation of the agreement is gradual and takes several years.

While the rift between Hamas and Fatah and the deep political debate in Israel do not preclude the possibility of renewing the political process, success of the talks is contingent on a series of factors that for now are highly questionable. First, agreement is required between the leaders of the sides that the negotiations will focus on a solution for problems from 1967 and not on 1948 issues, and that the basis of the agreements for a settlement will be UN Resolutions 242 and 338, which are based on the principle of land for peace. Second, the leaders must enlist wide public support for the historic decisions that will be required, such as the issue of the right of return for refugees and the issue of partitioning the country, including Jerusalem.

Israel's tendency to prefer a situation of separation between the West Bank and the Gaza Strip<sup>37</sup> will prevent the chances of implementing an agreement if and when it is achieved. Progress towards ending the conflict by political means will, therefore, necessitate ending separation between the two regions, even if it happens gradually: first, by conveying the advantages that will be enjoyed by the Palestinian people from the alternative currently offered by the PA in the West Bank compared with

that offered by Hamas in the Strip with regard to achieving political independence and establishing a state and a society; second, immediate renewal of the political process based on the Roadmap and tangible progress relating to the Palestinian state that will be created on the West Bank and in the Gaza Strip;<sup>38</sup> third, elections: under these conditions, Abu Mazen will be able to announce elections even if the Hamas leadership does not respond favorably to a reconciliation process. The PA will be able to hold elections in the West Bank whereby it will be clear to all that the political solution that will be achieved will apply to both regions. In this case, Hamas will be viewed as the spoiler that is preventing progress towards ending the occupation and creating an independent Palestinian state in the two regions, while the elections will be perceived in Palestinian public opinion as a unifying move rather than a dividing one.

On the other hand, without a political process, Hamas' relevance as an alternative is liable to be reaffirmed, notwithstanding its current political isolation. The movement's leadership is using the time it has earned by the political stagnation to rehabilitate its military strength and create an Islamic entity that is subject to Iranian ideological influence, and is receiving financial and military aid from Tehran. Meanwhile, as long as the security calm is maintained, the legitimacy for Israel to carry out an extensive military operation to topple the Hamas administration is gradually receding. In the absence of another major political force in the Palestinian arena, Hamas will again be perceived as the only movement with a strong organizational and leadership base that offers a conceptual foundation and a pan-Palestinian territorial Islamic-nationalist identity.

The likelihood that within a few years "the Palestinian state" will become a fact should act as further encouragement for Israel to renew the political process and endeavor to push it along. The Israeli interest is that the creation of a Palestinian state result from negotiations and not from a development that will force Israel, under pressure from the international community, to recognize such a state within the 1967 borders. In other words, Israel has to decide whether a Palestinian state is established from a situation of conflict and confrontation, or from a situation of a process of rapprochement. This will have a decisive effect on the nature of the future relations between Israel and the Palestinian state.

## Notes

- 1 On this matter see a statement by Egyptian Foreign Ministry spokesman Hussam Zaki at a press conference, *al-Ayam*, January 15, 2010, <http://www.al-ayyam.ps/znews/site/template/article.aspx?did=131375&date=1/15/2010>. The headline of the article is: "Cairo: The Palestinian reconciliation will strengthen the Palestinian position but is not a condition for renewal of the talks."
- 2 *Al-Sharq* (Qatar), October 21, 2009; *al-Ayam*, October 14, 2009; *al-Hayat al-Jadida*, October 18, 2009; *al-Quds*, October 19, 2009.
- 3 The Hamas leadership opposed proportional representation elections but was forced to consent to them. In contrast with this system, the elections for the Legislative Council will be based on an integrated system: 75 percent will be elected based on lists (proportional representation) and 25 percent will be elected according to regions (constituency elections).
- 4 "Resistance" (*muqawama*) is a means of acting against an occupying power, including the use of force such as terror and guerilla activity or civil uprising.
- 5 Moreover, the document does not include any reference to the status of the security mechanisms in the West Bank – Hamas objects to their being made subordinate to General Dayton – and there is no direct reference to Hamas involvement in security matters in the West Bank.
- 6 The Hamas leadership believes that Abu Mazen will not hold elections only in the West Bank, so as not to exacerbate the rift. See an article by a Palestinian publicist from Nablus, Hanni al-Masri, *al-Quds* No. 128 (August 2009): 51-54.
- 7 According to Islamic law *ard el-ribbat* is a place to stay, live, or deploy defenses of Muslims for the purpose of protecting Islamic territory and participating in a future holy war against enemies/occupiers.
- 8 Meir Litvak, "Hamas: Between Convention and State," lecture at Tel Aviv University, November 2, 2009, <http://www.palestine-info.info/ar/default.aspx>.
- 9 See statements made by Ehud Olmert and Abu Mazen that detail and confirm the progress made in talks on the permanent settlement: "Ehud Olmert Still Dreams of Peace," *The Australian*, November 28, 2009; interview with Abu Mazen, *Haaretz*, December 16, 2009: "If there is a complete stop to construction, we will reach an agreement within six months."
- 10 On this matter Abu Mazen claimed that he adheres to the American administration's stance that demanded that Israel freeze construction on settlements, and expressed his disappointment when the administration backed off from this position.
- 11 The PA has presented its activity in this area to the international community as indication of its uncompromising commitment to implement the security clauses in the Roadmap, ahead of renewal of the political process.
- 12 According to various reports, American emissary Mitchell may present a

- basic plan on the borders in early 2010. Steven J. Rosen, "The Mideast Peace Deal You Haven't Heard About," December 18, 2009, [http://www.foreign-policy.com/articles/2009/12/18/over\\_to\\_you\\_mahmoud?pri](http://www.foreign-policy.com/articles/2009/12/18/over_to_you_mahmoud?pri).
- 13 The plan's title is: Palestine: End of the Occupation and Creating the State, the Government Plan of August 13 2009. The full version is on the PA website, <http://www.mofa-gov.ps/ar/cp/plugins/spaw/uploads/files/palestine.pdf>.
  - 14 See Prime Minister Fayyad's statement: "We'll form de facto state by 2011," <http://www.haaretz.com/hasen/spages/1109991.html>.
  - 15 On various occasions Fayyad has expressed his opinion that negotiations on the permanent settlement with Israel are less important than forming the PA's institutional infrastructure, which is a condition for establishing a Palestinian state. See, for example, Fayyad's address at al-Quds University on June 22, 2009: *Tsut Palestine*, June 23, 2009.
  - 16 *Al-Ayam*, December 12, 2009.
  - 17 For these actions and eradicating corruption as a supreme need within the framework of the struggle for national liberation, see Fayyad's statement in *al-Ayam*, December 6, 2009, <http://www.al-ayyam.ps/znews/site/template/article.aspx?did=128183&date=12/6/2009>.
  - 18 A report from the World Bank determines that the growth of the private sector in the PA is crucial to the establishment of an independent Palestinian state within two years. The report says that in order to achieve this aim, Israel has to facilitate Palestinian exports and generate growth of the private sector in the PA, which in turn will generate physical independence. See <http://ipcc.org.il/Newsletter/update3.pdf>.
  - 19 See Tani Goldstein, "The Economy in the Authority Is Flourishing, the Hamastan Economy is Plummeting," Ynet, December 4, 2009.
  - 20 In addition, the PA with German aid plans to establish a Palestinian agency for finding work for the unemployed. A delegation led by the Palestinian minister of labor went to Germany to sign a cooperation agreement on the matter with the German Federation of Workers. See *ibid*.
  - 21 Fayyad has begun to organize a system of collecting taxes from the public. His efforts include asking for a halt to payments by the government treasury for electricity and water expenses to local authorities, and to placing responsibility for collecting payment for electricity and water consumption on the authorities.
  - 22 According to forecasts of the World Monetary Fund the Palestinian budget deficit will decrease from 18.5 percent in 2009 to 17.4 percent in 2010. The PA's request for outside aid will also decline, from \$1.5 billion in 2009 to \$1.2 billion in 2010. See <http://ipcc.org.il/Newsletter/update3.pdf>.
  - 23 The Palestinian Investments Fund has capital of \$871 million and in 2008 reported profits of \$59 million.
  - 24 For example, the Palestinian cellular company al-Watania. The Palestinian Investments Fund announced the establishment of a real estate company



with initial capital of \$220 million, which will be traded on the Palestinian stock exchange. Its first project will be to construct a residential area in Jenin. Other projects will include construction of 30,000 residential units in new neighborhoods in Ramallah.

- 25 Among other things, this law will allow the Palestinian Development and Investment Company (PADICO), which is responsible for most of the PA's governmental economic activity, to be registered as a company in the PA.
- 26 For European Union support for Fayyad's plan, see "EU Backs Fayyad Plan for de Facto Palestinian State," Ma'an News Agency, August 30, 2009.
- 27 Khaled Mashal declared in the summer of 2009 that Hamas is interested in a ceasefire agreement with Israel and in a deal for release of prisoners, and is willing to establish a Palestinian state based on the 1967 borders in return for a ten-year armistice, on condition that it includes East Jerusalem, dismantlement of the settlements, and the right of return. See interview with Khaled Mashal in the *New York Times*, May 5, 2009. In addition, Ismail Haniyeh's advisor Ahmed Yousef said that Hamas is ready to work in any way possible with the US administration in order to bring about the creation of a Palestinian state. See *Haaretz*, June 18, 2009.
- 28 For the tightening of ties between Hamas and Iran, see reports about Khaled Mashal's visit to Iran in mid-December 2009, <http://www.aftabnews.ir/vdcjy8eh.uqetmzsffu.html>; <http://english.farsnews.com/newstext.php?nn=8809240788>; <http://www.irna.ir/En/View/FullStory/?NewsId=845076&IdLanguage=3>.
- 29 The Hamas leadership calls the steel fence *jaddar al-a'ar* – the fence of shame – and associates it with the Israeli fence. See Fahmi Hawidi, *al-Resalah*, December 17, 2009, <http://www.alresalah.ps/ar/?action=showdetail&seid=4647>. The Hamas leadership initiated protests against Egypt near the border and expressed fierce criticism of the "strangulation" policy on the Gaza Strip.
- 30 See statements made by Khaled Mashal at the convention of the Arab parties in Damascus, Palestine Ala'an web site, November 12, 2009. At the convention Mashal said that the curtailment of "the resistance" in the West Bank was forced on Hamas and that it would be resumed when suitable conditions arose.
- 31 See the statement by the Hamas minister of the interior, Fathi Hamad, who rejected claims that Hamas is trying to create an Islamic state in the Gaza Strip, and noted that Hamas is neither Taliban nor al-Qaeda, rather represents a moderate and enlightened Islamic stream: Nicolas Pelham, Max Rodenbeck, "Which Way for Hamas?" *New York Review of Books* 56, no. 17 (November 5, 2009).
- 32 On various occasions Abu Mazen and Fayyad have commended the idea of returning to the popular struggle approach if necessary, such as the fight against the security fence at Biliin. See "Abu Mazen Threatens: We will start an unarmed intifada and we will surround the settlements with thousands,"

- Haaretz*, November 22, 2009.
- 33 Following the incident at the end of December 2009, in which three Palestinians from Nablus who were involved in the murder of a Shavei Shomron resident were killed, Abu Mazen warned that the Palestinian Authority would reassess continuing security cooperation with Israel on the West Bank if Israel's provocative military actions continued. Palestinian Television, January 1, 2010.
  - 34 For the efficiency of the PA's security systems in dealing the military and civilian infrastructure of Hamas, as reflected by Hamas, see Matti Steinberg "Hamas' Refuge," *Haaretz*, December 13, 2009.
  - 35 For example, the European Union recently decided that Jerusalem should be the capital of both Israel and Palestine. For its part, Sweden proposed recognizing a Palestinian state with 1967 borders, with Jerusalem as its capital. The PA leaders declared they intend to enlist international support in order to submit such a proposal to the UN Security Council. See *Haaretz*, December 5, 2009.
  - 36 Hamas is pinning its hopes on the political process disintegrating so that it harms the motivation of the security authorities to maintain security cooperation with Israel and prompts them to stop their preventive activity against Hamas. See Steinberg, "Hamas' Refuge."
  - 37 GSS head Yuval Diskin said in the Knesset Foreign Affairs and Defense Committee: "The separation between the Strip and Judea and Samaria is good from the point of view of Israel's security. It would be a severe security mistake to reconnect the Strip with Judea and Samaria. This connection would make it possible to build up terror infrastructures that would harm the state of Israel." Ynet, December 29, 2009.
  - 38 Thus far Prime Minister Binyamin Netanyahu has ignored the Roadmap. According to an article by Steven Rosen, there has been a change in this position and Netanyahu is ready to accept the Roadmap as a source of authority for conducting the negotiations. See "The Mideast Peace Deal You Haven't Heard About."