Is a negotiated resolution of the Israeli Palestinian conflict possible? Can the parties fashion a comprehensive permanent status agreement at the bargaining table that puts an end to the dispute? To put the question in the jargon of negotiation theory: is there a Zone of Possible Agreement, or “ZOPA”? The article seeks to determine the existence of a ZOPA in regards to the Israeli-Palestinian conflict, and if so, the manner in which it can be emphasized and utilized. The article begins by using a simple example to define ZOPA, along with other basic negotiation terms. The second part refers to the feasibility of a ZOPA in the Israeli-Palestinian conflict, and the final section identifies the barriers to an agreement.

Conventional wisdom would suggest that a Zone of Possible Agreement (ZOPA) does exist in regards to the Israeli-Palestinian conflict. More than a decade ago, at Camp David, President Clinton identified the basic parameters of a resolution that would appear to better serve the interests of most Israelis and most Palestinians, rather than continued conflict. However, repeated attempts by the Palestinian Authority and the Israeli government to reach a deal have all failed, despite mediation efforts on behalf of the Clinton, Bush, and Obama administrations, including personal efforts by Tony Blair, George Mitchell, and most recently, Secretary of State John Kerry. How can one understand this paradox?
The answer lies in recognizing two apparently contradictory ideas; on the one hand, there are a variety of ways to resolve issues that would better serve a majority of Israelis and a majority of Palestinians. Nevertheless, such a deal cannot be achieved through negotiations because of barriers that, at present, are insurmountable. In short, conventional wisdom is only partly correct; while there are deals with respect to the final status issues that would probably better serve the interests of most Israelis and most Palestinians than the long-term risks associated with a continuation of the conflict, at least in the short run, such outcomes cannot be reached through negotiation.

**Terminology**

A simple example can be used to explain the term Zone of Possible Agreement. Suppose Jim recently changed jobs and as a consequence no longer needs a car commute to work. He wants to sell his 10-year-old Honda Accord which has 68,000 miles on it. He takes the car to three different dealers to see what they would offer, and the best offer he got was $6900. Jim is going to leave for vacation in France in less than a week and he wants to sell the car before he leaves. From his research, he knows that the dealer would sell a similar used car for $9600. Jim decides to list the car for sale on eBay for $9200.

Sarah responds to the ad. She is in the market for a used car and once owned a Honda Accord and likes them, and is confident about their reliability. Based on the age and condition of Jim’s car she estimates that a dealer would charge about $10,000 for it. She has already visited several dealers and found only two other used Hondas for sale: a 2006 Honda with lower mileage than Jim’s for which the dealer’s firm price was $11,500, and a 2000 Honda Accord with much higher mileage which she could buy for $6500. Sarah would much prefer to buy Jim’s car than the 2000 car, even though it costs more.

To determine whether there is a ZOPA, one must determine the reservation value of each party. Jim’s reservation value is the least Jim would accept at the bargaining table rather than pursuing an alternative away from the table. Sarah’s reservation value is the most she would pay rather than pursue her alternatives. If Jim’s reservation value is less than Sarah’s, the Zone of Possible Agreements represents all those deals in which the price would be in between.
Let’s assume that Sarah’s best alternative, if she does not buy Jim’s car, is to buy the 2006 Honda for $11,500. This does not mean, of course, that she is willing to pay that much for Jim’s 2004 Honda. Jim’s Honda is an older model with more mileage. Instead, to determine her reservation value, Sarah would have to ask herself at what price would she be indifferent to the choice between paying Jim that amount and instead buying the 2006 Honda. Assume Sarah sets this amount at $8700. This means that if Sarah can buy Jim’s car for less than $8700 she would prefer buying Jim’s car. But if she would have to pay more, she would instead walk away.

To determine whether there is a ZOPA, we must determine Jim’s reservation value. This depends on Jim’s “no-deal” alternatives. Jim must assess the range of possible outcomes if he makes no deal. In light of that assessment he must decide the least he would accept at the bargaining table rather than pursue one of the alternatives. Assume Jim decides that if Sarah does not buy the car, he will continue to try to sell the car to another private party for four more days, and failing that, to sell it to the dealer for $6900. Once again, Jim needs to translate this alternative into a reservation value. Suppose Jim is mildly optimistic that in the next few days he is likely to find another buyer who will pay more than the $6900 by the dealer. In that case he might set a reservation value of $7200. This is the lowest price he would accept from Sarah.

Any sale for a price between $7200 and $8700 would make both parties better off than their no-deal option. This is the Zone of Possible Agreement or ZOPA. The important point here is that a party’s reservation value depends on its perception of how well the “no deal” alternatives compare to what is being offered by the other side at the table. Each must assess the range of outcomes if no agreement is reached in terms of his or her underlying interests.

The existence of a Zone of Possible Agreement does not guarantee a deal. Rational parties may sometimes fail to reach an agreement when there are deals that could make them both better off than continued conflict. One reason negotiations fail relates to strategic opportunism. In this example, Sarah wants to pay as little as possible, and Jim wants to be paid as much as possible. Typically, neither party knows the other party’s perception of its “no deal” options or his or her reservation value. Sarah probably does
not know, for example, that Jim has to get rid of the car one way or another within the next few days. Nor does Jim know precisely what alternatives Sarah has or the extent to which she might prefer a Honda to other cars. Negotiators rarely honestly reveal the reservation value. They are often reluctant to disclose the full range of their alternatives if no deal is made.

With respect to the distributive dimensions of bargaining, a seller typically tries to assess the buyer’s highest price. Indeed, in many negotiations, parties do not know in advance whether a ZOPA even exists. If Sarah only cared about finding the answer to whether a ZOPA existed, she could offer Jim $8700, her reservation value. Even if she did, however, Jim might incorrectly assume that if he holds out she would pay more. More generally, as part of the negotiation processes each negotiator often attempts to shape the other party’s perceptions of its “bottom line.” Indeed, negotiators sometimes employ a variety of tactics to influence the other side’s perceptions—some misleading, some outright dishonest. In all events, even when a ZOPA exists, “rational” parties may fail to achieve a deal because one or both engage in hard bargaining tactics in the hope of securing an even better deal.

In short, the existence of a ZOPA is a necessary but not sufficient condition for a successful negotiation. If no ZOPA exists, it means that no matter how hard the parties try—even if neither side engaged in strategic behavior and was completely open about its underlying interests and alternatives—there could be no deal. The most the willing buyer would pay is less than the least a willing seller would take, and one or the other has a no deal alternative that is superior to the most the other party could rationally offer.

**Framework for the Resolution of the Final Status Issues**
Conventional wisdom suggests that a variety of arrangements with respect to the final status issues would probably better serve the interests of most Israelis and most Palestinians, rather than the long-term risks associated with a continuation of the conflict. The basic parameters of such an agreement would include the following:

*Two states:* the establishment of an independent and sovereign Palestinian state alongside the State of Israel engaged in peaceful security cooperation. The states of Israel and Palestine would recognize each other. The full implementation of this agreement in its entirety will mean the end of conflict
between the two states, and the end to all claims. A UN Security Council Resolution to that effect would also ensure the release of all prisoners.

*Territory:* the borders of the two states will be based on the 1967 lines with mutual agreed exchanges. Land annexed by Israel would be compensated by an equivalent land swap and a permanent corridor linking the West Bank and the Gaza Strip. Guidelines for the exchange would include a small 2-6 percent exchange in which most Israeli settlers would live under Israeli sovereignty, the least number of Palestinians would be affected, and Palestinians would have territorial continuity.²

Through a land swap, a substantial majority of the 500,000 Jewish settlers living beyond the Green Line could remain in their homes which would now be in Israel proper. Israel could be confident that the Jewish state would retain a Jewish majority and the demographic “time bomb” would be permanently diffused. The swap would not require Israel to give up vital infrastructure, nor would it jeopardize Israeli security.

*Israeli settlements:* in accordance with an agreed implementation timeline, all Israeli civilians would be evacuated from the territory of the State of Palestine. Individual Israeli citizens could apply for residency and/or citizenship in the state of Palestine. The parties would reach agreement on the disposition of all fixed assets and infrastructure within Israeli settlements, with the goal of transferring such assets and infrastructure in good condition to the state of Palestine in return for fair and reasonable compensation.

*Security:* the state of Palestine would be defined as a “non-militarized state” but would have a strong security force. Both sides would agree to exercise comprehensive and complete commitment to fighting terrorism and incitement. For deterrence and border security, an international presence that could only be withdrawn by mutual consent would be deployed in Palestine. An Israeli presence would be allowed in early warning station facilities for a limited period of time. The state of Palestine would have sovereignty over its airspace but special arrangements would be made for Israeli training and operational needs. No foreign army would enter Palestine, and its government would not engage in military agreements with a country that does not recognize Israel.

Israel’s vital interest in security provides the primary justification for the continued occupation of the West Bank. The occupation provides strategic
territorial depth against the risk of invasion from the east, through the use of tanks and ground troops. However, the current serious threat to Israel comes from missile and air attacks, and from terrorism. The new Palestinian state would be non-militarized and would have no army that could conceivably threaten Israel. The deal would provide for phasing and benchmarking in terms of implementation to provide Israel with greater confidence that the internal security would be sufficient to minimize the threat of terrorist attacks emanating from the new state. Part of the deal would prohibit alliances with countries hostile to Israel and the end of incitement to violence in Palestinian schools.

Many security analysts believe that continued occupation of the West Bank is neither necessary nor effective, and that counter-insurgency rather than a counter-terrorism approach would better serve Israel’s long-term security. Critics of the occupation ask: What are the long-run security costs of not creating a viable Palestinian state? They suggest that the occupation emboldens extremists, undermines moderates, prevents regional cooperation, fuels the international campaigns to delegitimize Israel, and alienates allies, especially in Europe.

*Jerusalem:* Jerusalem would be the capital of the two states and will remain united with two municipalities and a coordination body. Arab areas in East Jerusalem would come under Palestinian sovereignty and Jewish under Israeli. Palestinians would have effective control over the Haram (Temple Mount) and Israelis effective control over the Western Wall. An international committee made up of Jordan, Saudi Arabia, the U.S., Israel, and Palestine would serve as a custodian managing matters related to holy places in the Old City and other agreed areas adjacent to the city wall. The committee would maintain the holy sites, oversee relevant cooperation and conflict resolution, and guarantee access for all religions. It would oversee the implementation of special arrangements barring excavation under the Haram and behind the Western Wall, requiring consent of all parties before any excavation can take place. International monitoring would provide mutual confidence.

Jerusalem is embedded in the narratives of three great religions, and the old city has many important religious sites. Conventional wisdom envisions that Jerusalem would become a “condominium” of sorts. It would serve as the
capital of Israel and the future state of Palestine. The Jewish neighborhoods would be part of Israel, the Arab areas would be part of the new Palestinian state, and a special regime would be established for certain areas.

At present, most Jerusalem neighborhoods have uniform ethnicity. Most of the Jewish neighborhoods in East Jerusalem are mostly contiguous with West Jerusalem. Of the 193,000 Jews who live in East Jerusalem, it is estimated that only about 1 percent would be required to move. Four Three different types of regimes for Jerusalem have been identified: 1) territorial sovereignty border models, in which effective borders would both separate and connect a divided city; 2) a special regime with either joint management by Israel and the new Palestinian state or management by an international body; or 3) a mixed regime that contains elements of both, as each has advantages and disadvantages. The regime outlined above is a “mixed regime.”

Refugees: Israel would acknowledge the Palestinian people’s moral and material suffering as a result of the 1948 war. The solution to the refugee problem would be consistent with the two-state approach: the two states as the homelands of their respective peoples. The Palestinian state would be the focal point for the Palestinians who choose to return to the area while Israel would accept some of these refugees. Refugees would have five possible homes: the state of Palestine; the areas in Israel being transferred to Palestine in the land swap; host countries; third countries; and in Israel. Right to return to the Palestinian state and the swapped areas would be granted to all Palestinian refugees. Settlement in host and third countries and absorption into Israel will depend upon the policies and sovereign decisions of those countries and would be implemented in a manner that would not threaten the national character of the State of Israel. An international body would be established to process claims and manage the process of location, resettlement, return, and compensation. The parties would agree that this implements Resolution 194.

The challenge with respect to refugees is to provide for a “just solution” for the Palestinian refugee problem while preserving Israel as a Jewish-majority state. The arrangement described above would provide refugees with options, including a right to compensation and return to the new Palestinian state. While there is no easy reconciliation of the profoundly conflicting Israeli and Palestinian narratives concerning “who is to blame” for the
refugees’ plight, some Israeli acknowledgment of the suffering of the refugees would be included. As part of the arrangement, subject to Israeli control, some Palestinian refugees may be allowed to resettle in Israel. Moreover, as the International Crisis Group suggested, “Palestinians will assess any comprehensive settlement as a package deal, and compromise on the refugee question will be facilitated if core needs are met elsewhere.” In this regard, cash or vouchers for training, and the prospect of decent housing and future employment would be of substantial importance.

Discussion

A two-state arrangement along these lines would better serve the long term interests of most Israelis and most Palestinians than a continuation of the conflict. The Israeli occupation would end and Palestinians would have a viable and contiguous state of their own with territory equivalent to 100 percent of the West Bank and Gaza.

Polling data suggest that a deal along these lines might well be ratified by a majority of Israelis and Palestinians. On the Israeli side, recent polling suggests that 59 percent of the public supports a Palestinian state; 69 percent support a solution of “two states for two peoples.” Since 2006, a majority of the Jewish public “expressed consistent support for the establishment of a Palestinian state” and opposed ending the negotiation process despite the fact that less than a third of the population believes a negotiated settlement is possible. On the Palestinian side, polling data similarly suggest that a majority supports a peace agreement. Although approximately 70 percent of Palestinians are pessimistic about the chances for success, 53 percent of the public supports the two-state solution, two thirds oppose a one-state solution, and 57 percent believes that if [President] Abbas reaches a peace agreement with [Prime Minister] Netanyahu, a majority of the public would vote in favor of that agreement. Indeed, 50 percent of the Palestinian public supports the resumption of direct Palestinian-Israeli negotiations.

The Paradox Unraveled: Barriers to a Negotiated Resolution

If the final status issues could be resolved in a way that would better serve the long run interests of most Israelis and most Palestinians, why is a negotiated resolution not possible?
The first section of this article described how even when a ZOPA exists, strategic barriers – i.e., hard bargaining to maximize one’s own competitive gain – can lead to bargaining failures. The following section describes several other barriers that currently make a negotiated resolution along the lines described above impossible.

A variety of barriers have been discussed as causes for failed negotiations, despite deals that would make both parties better off than maintaining the status quo.16

For negotiators to establish reservation values to inform wise decision-making, they need to be able to accurately assess the value of reaching a negotiated agreement and compare that value with the value of their “no deal” options. These values are often subject to considerable uncertainty, where parties must assess the probability of a variety of possible outcomes. Research suggests that individuals routinely use decision making heuristics that are systematically biased in predictable ways. One is called the “self-serving bias,” suggesting that on average, decision makers will be too optimistic about the likelihood of favorable outcomes in the future. These misperceptions can reduce or even eliminate altogether a bargaining zone that would exist if parties had unbiased and accurate perceptions. George Lowenstein and his colleagues demonstrated the existence of self-serving assessments and how they may influence lawsuit settlement negotiations.17

A second potential barrier is characterized as “reactive devaluation.”18 A negotiator should set his reservation value, according to rational choice theory, by determining in advance the conditions for being indifferent to the choice between reaching agreement and pursuing his “no deal” alternative. There is some evidence, however, that “the very offer of a particular proposal or concession – especially if the offer comes from an adversary – may diminish its apparent value or attractiveness in the eyes of the recipient.”19

“Loss aversion” is yet another reason parties may fail to reach a deal even though there are set negotiated agreements that would better serve the underlying interests than continued conflict. Building on Kahneman and Tversky’s prospect theory,20 individuals will demonstrate a stronger preference for avoiding something they perceive to be a loss than for achieving something that appears to be a gain of the same magnitude.
An important characteristic of the Israeli-Palestinian conflict is that the deal based on the Clinton parameters would be perceived as imposing considerable losses on important stakeholders within each constituency. This proposal, for example, does not give all Palestinian refugees an individual or collective right of return that would involve a choice of whether to resume domicile within Israel proper. Refugees, in other words, would be forced to relinquish the dream of exercising their choice embedded in what they see as a legal entitlement embedded in the right of return. The proposal would also require Israelis who are national religious settlers to give up the dream of “Eretz Israel” and indeed require many of them to relocate from the West Bank to Israel proper. In short, for many on each side, territorial losses would loom large and loss aversion might as a consequence encourage risk-taking behavior at the negotiation table that gives too little weight to the potential gains of resolution.

A final barrier relates to internal or “behind the table” conflicts among the Israelis, and among Palestinians. Among Palestinians, for example, there is a profound conflict between Fatah and Hamas about whether the Palestinians should be prepared to negotiate a two state resolution at all. Analogously, among Israelis, there are profound internal conflicts concerning the settlement project, and the extent to which Israel should aspire to have and retain West Bank settlements. A consequence of these internal conflicts is that it is extraordinarily challenging for a political leader on either side to build a sufficient consensus that a particular deal should be made. The incentives facing the leader who is responsible for carrying out the negotiations may well be different than those for a majority of his or her own constituents.

**Conclusion**

By exploring whether a ZOPA exists, the goal of this article was to provide an explanation for a seeming paradox: how is it possible that an agreement that better serves the interests of a majority of both Israelis and Palestinians exists, and yet despite repeated efforts, such a resolution cannot be achieved through negotiation?

The answer relates to the existence of a number of barriers – strategic, psychological, relational, and institutional.
Other papers in this volume suggest some of things that might be done if a resolution is not possible through direct negotiations between Israelis and Palestinians. One possibility would be to address the relational issues in the hope that over time these might diminish to the point that effective leaders arise who can manage the internal conflicts on both sides. As Bland and Ross note, a peace process may need to “focus less on reaching conclusive outcomes than on reshaping relationships to achieve more positive interactions and both the existence and awareness of shared peaceful intentions.” This approach rests on the view that “rather than agreements producing peaceful relationships, it is peaceful, trusting relationships that make agreements possible.”

A second possibility relates to unilateral initiatives. In an earlier article I suggested that the evacuation of Gaza served the interests of the Israeli government, Hamas, and Fatah but could never have been achieved through negotiations. But it was achieved unilaterally. The same may be true here. Someday there may be a way for Israel to unilaterally establish its own borders with respect to the West Bank in a way that serves the interests of a majority of Israelis and Palestinians. As Gilead Sher argues, Israeli decision makers could pursue “an independent and gradual withdrawal from Palestinian territory in the West Bank” and, in doing so, “begin a process of taking independent step towards turning the two state solution into a reality.”

Another possibility may relate to strong-armed mediation. The United States, for example, might publicly propose a deal along the lines outlined above on a “take-it-or-leave-it” basis, combined with sufficient carrots and sticks that the Israeli government and the Palestinian authority may be convinced to agree. It is worth noting that in the recent negotiations involving Secretary of State Kerry, no American framework was ever tabled.

Notes
2 David Makovsky, Sheli Chabon, and Jennifer Logan, “Imagining the Border: Options for Resolving the Israeli-Palestinian Territorial Issue,” Washington Institute for Near East Policy, 2011. This paper outlines several land-swap options that could achieve such objectives: the Geneva Initiative involved a land-swap of about 2.2 percent and included an estimated 71 percent of the Jewish settlers; the most troublesome
areas with respect to a land swap relate to Ariel and the Jerusalem envelope of settlements. For an interactive map, visit www.ispeacepossible.com.


6 Kriger, “*Is Peace Possible*.”

7 Note that the Arab Peace Initiative now uses this language.


10 The AIX group suggested the total economic costs would be from $55-85 billion, and while Israel might be expected to contribute and get credit for the value of those settlements that would be evacuated, plainly there would need to be substantial contributions from other nations. Elizabeth Dwoskin, “Trying to Put a Price on Middle East Peace,” *Bloomberg Businessweek*, August 11, 2011, http://www.businessweek.com/magazine/trying-to-put-a-price-on-middle-east-peace-08112011.html.

The Israeli-Palestinian Conflict: Is There a Zone of Possible Agreement (“ZOPA")?

peace deal. First, polling data on the question of final status negotiations tend to be highly sensitive to the questions’ exact wording. As Yehuda Ben Meir and Gilead Sher assert in their discussion of Israeli polling data, “similar questions that are formulated in different terms are likely to paint different pictures and lead to correspondingly different conclusions.” Second, caution should be exercised when drawing comparing Israeli and Palestinian polls assessing support for hypothetical peace agreements, given the number of variables subsumed in any such agreement.

12 Ibid.
15 Ibid.
19 Ibid.
21 Byron Bland and Lee Ross, “Overcoming Relational Barriers” (current volume).
22 Ibid.
23 Ibid.