

EUROPEAN PARLIAMENT



Directorate General for Research

WORKING PAPER

**THE PRICE OF NON-PEACE:
THE NEED FOR A STRENGTHENED ROLE FOR THE
EUROPEAN UNION IN THE MIDDLE EAST**

Political Series

POLI 116 EN

09 - 1999



This publication is only available in English

This study was drawn up for the European Parliament by Dr Simonetta DELLA SETA and Dr Janiki CINGOLI (Italian Centre for Peace in the Middle East, Milan, Italy). The authors accept sole responsibility for the views expressed in the study, which do not necessarily reflect the European Parliament's position.

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Publisher: European Parliament
Directorate General for Research
Directorate B
B-1047 Brussels
Tel: 0032 2 284 24 73
Fax: 0032 2 284 90 63

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Manuscript completed in September 1999.



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EUROPEAN UNION IN THE MIDDLE EAST**

Conversations with

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Ephraim Kleinman, Aharon Zohar, Mahdi Abdul-Hadi, Samir
Huleyleh, Hasan Abu-Libdeh, Bernard Sabella, Khalil Shikaki,
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This publication is only available in English.



We want to dedicate this work to peace in the Middle East and to all the Israeli and Palestinian children, in the hope that some day they will enjoy the results of the efforts and hard work described in this book.

The authors







**MAP OF THE
OSLO II AGREEMENT**

-  AREA A
Major Cities
-  AREA B
Clusters of Palestinian
Villages and Cities
-  AREA C
Full Israeli Control
-  Israeli
Settlements

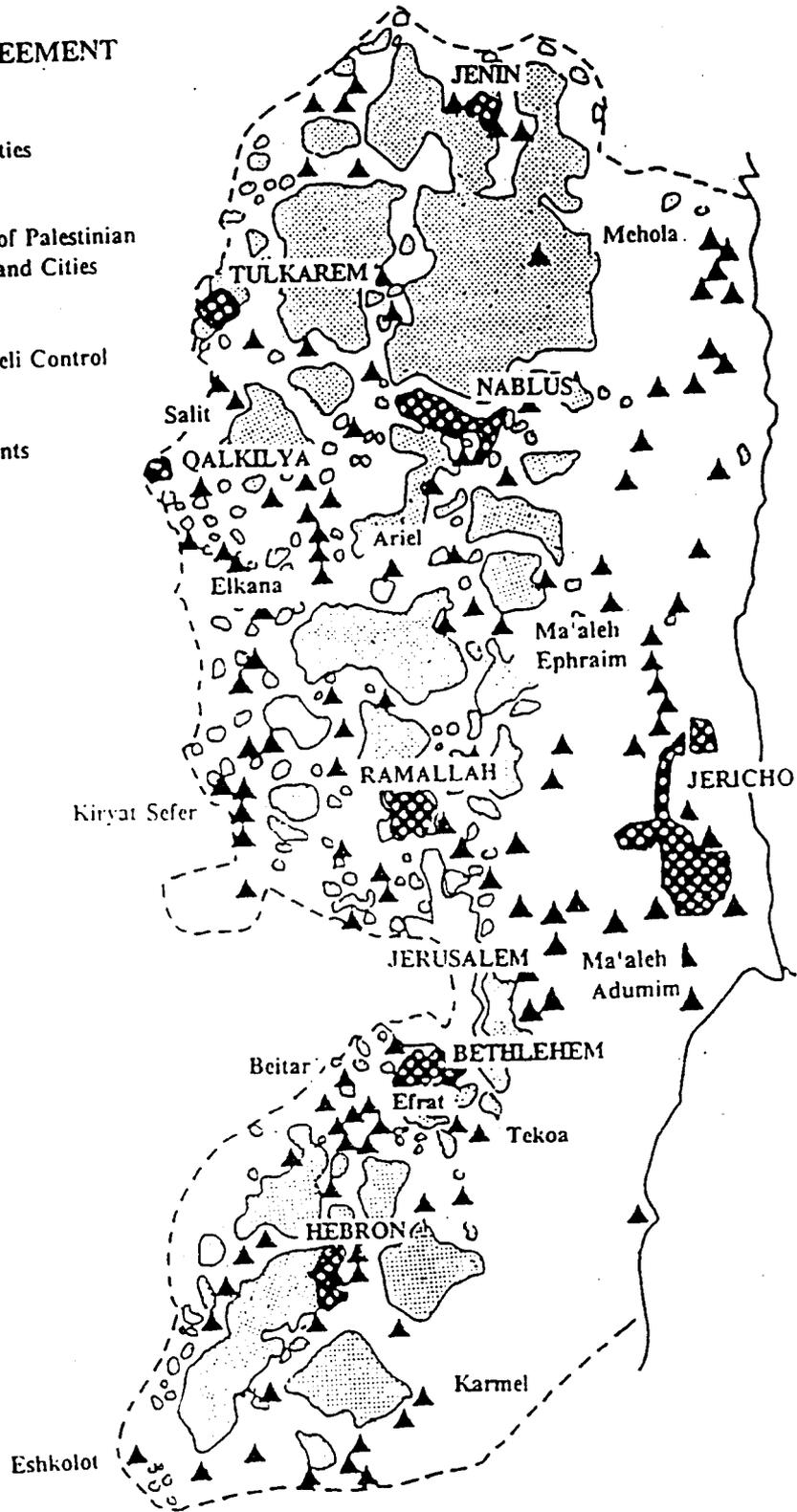




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Premise

To calculate the price of non-peace, that is, of that state of things where the thorny path toward peace unwinds or is blocked, is not an easy objective. Therefore, treating such a delicate and, in a sense, fluid topic implies a series of very specific methodological choices.

This book is the result of a long study conducted in Israel and in the Palestinian Territories. The work was conceived and accomplished in its various stages in direct contact with the sources, the experts, and mainly, with the daily reality of the confrontation between Israelis and Palestinians.

Our goal was on the one hand to gather a serious compendium of information and data on the consequences of the ongoing process between Israelis and Palestinians from **1993** to today; on the other hand, to provide a series of analyses to help read the data and information gathered. In setting out on this path, therefore, we envisioned a report that could: 1) become a comprehension and consultation tool for the Middle East “insiders”; 2) represent a contribution to the wider information on the issue; 3) help, as much as possible, provide new starting points for understanding the present and future situation.

The aspiration—I’d say the need—to conduct a study that not only had serious and reliable bases, but also could generate precise and even original reasoning, has led us to choose the following research method. First, the study was divided on the basis of the three sources of information: the Israeli source, the Palestinian source, and the international source. The Israelis analysed the situation in Israel and the Palestinians that of the autonomous Territories; the main international organisations present in the area brought forth the testimony of their experiences of the past few years. For each of the two realities directly involved in the peace process – Israel and Palestinian Territories – the work was divided into five sectors: politics, economy, society, infrastructures and resources, and security. For the international organisations, in addition to the experts’ analyses, we decided to present a single appendix, in which we gathered, for each sector, the most significant abstracts pertaining to the peace process contained in the research projects conducted by the organisations we consulted. Throughout the work we took advantage of the consulting and assistance of prominent technicians and experts within the three sources (Israeli, Palestinian, and international) and in the five sectors (politics, economy, society, infrastructures and resources, security.) We thank them all for their availability.

The book is therefore built on analyses by seventeen prominent observers: six Israeli, six Palestinian, and five international. Their contributions are the result of long interviews, and also on the basis of the

data we gathered. Then we completely edited the interviews and translated them into Italian. For this reason, the contributions have maintained a colloquial form, without losing sharpness and interest.

During the work, not few were our dilemmas: the period to consider; the sources to evaluate; the validity of the indicators; the reading of extremely complex economic and social processes; the reliability of some information; the choice of experts itself

Regarding the period to cover, we often went back to the Declaration of Principles of the Oslo Agreements of October **1993**. Not only because since that date (if not even before, since the Madrid Conference of October 1991) the peace process in question started, but because the majority of the situations analysed are affected by dynamics that were set in motion at that time. Furthermore, it would have been misleading, in our opinion, to charge all the prices of non-peace to the Netanyahu government, formed in July 1996. The facts vouch for that a conservative Israeli leadership was much less willing to compromise with the Palestinians, particularly regarding territorial issues and the final settlement. However, numerous negative mechanisms in the peace process were already started during the previous government, with Rabin and then with Peres (just think of the bombs against Israeli civilians, of the closures of the borders between the Territories and Israel, of the Israeli military offensive in southern Lebanon).

Regarding our choice of sources, we felt it would be correct to let each of the two sides “speak for itself.” It is important to emphasise in this regard that only since 1994 have the Palestinians started to generate data on the situation on their own, and therefore, can we truly speak of “Palestinian sources.” The amount of studies and publications on the peace process is infinite, but not all of them have a scientific basis; many of these works are still today very much influenced by political judgement. We never had the intention of identifying these people or those people as responsible for the peace process slowdown. We are interested in quantifying and emphasising the costs of certain responsibilities.

To identify in the end a series of “prices of non-peace” that the two societies find themselves paying, it was necessary to study the trends, the results of polls, and the internal dimensions of each national entity. We had to consider permanent and temporary factors, contingent effects, and final situations. These are, for many aspects, more delicate and ambiguous calculations than those performed on the economic indicators, but they are just as important in order to take the pulse of the whole process. We should remember, finally, how difficult it can be to gather data on the topic of security. **A** qualified group of insiders from both sides helped us to make public important and not always accessible data. **As** we were completing the

final version of this report, Yasser Arafat and Ehud **Barak** signed in Sharm el-Sheikh a new agreement, which not only complements and enriches the Wye Plantation Memorandum signed by Arafat and Netanyahu on October 23, 1998, but for the first time binds the two parts on the path toward a final settlement of the conflict.

However, we don't think that this will make the path less steep or less bloody. The negotiations on the final settlement will deal with very crucial and thorny issues: the future of Jerusalem, the definition of the borders, the fate of the Jewish settlements, the return of the Palestinian refugees and, last, but not least, the independence of a Palestinian sovereign state. Yet, the Sharm el-Sheikh Memorandum marks another crucial stage in the path to peace. It signals the renewal of trust between the two partners and it gives thus expression to their strong will toward the same goal: a peaceful coexistence. In our eyes, it makes the dialogue and confrontation exercise created between the parties during the devilment of the present report even more meaningful, and it proves correct all our interviewees, who didn't hesitate to believe in the irreversibility of the peace process.

The list of thanks is long. This book wouldn't ever have been born without the idea and the promotion of Janiki Cingoli, director of the Italian Centre for Peace in the Middle East. The research was made possible thanks to a grant from the European Parliament. To three professionals I owe a specific and valuable contribution in three fields: Gavriel Orvieto, for the economic consulting; Oran Kenan for the consulting on security; and Costanza Farina for the consulting on international organisations. I also want to thank Mara Vigevani for her assistance on social and demographic aspects. To Giovanni Ca' Zorzi I owe the transcription of the long interviews and most of the transformation of the research into a book ready for publication. To Carlotta Torossi Boyd I owe the translation of this work. Finally I'm forever grateful to my husband, Massimo Acanfora Torrefranca, for editing all of the texts.

Presentation

Janiki Cingoli*

A study on the ((Price of non-peace)) between Israeli and Palestinians risks getting stuck from the start on a fundamental ambiguity.

Peace between Israelis and Palestinians remains unrealised not because of lack of knowledge of prices and sacrifices imposed on the two peoples by the continuation of the conflict, but because they (or their governments) believe that the choices that would be imposed on them by a coherent search for peace would be more onerous in terms of internal lacerations or of territorial or national renunciations.

However, putting some influential representatives from both sides and from some of the most important international organisations involved in front of a common reflection, based on common documentation bases, could perhaps help identify the priorities of the issues that need to be tackled and the risks to avoid.

We don't believe that at the end of this common path Israeli and Palestinians will be any closer or that the hatred will stop, but that the coexistence of reason, or of reasons, will find more force to assert itself.

The recent and important Israeli-Palestinian Wye-Mills accords, sponsored by the United States, give us hope that, albeit among great difficulties, the consensus for peace, in both camps, can grow and the peace process can start again and achieve substantial results.

The Italian Centre for Peace in the Middle East has been active in Milan since 1989 to create dialogue opportunities among Israelis, Palestinians, and Arabs, and to build an articulate and permanent network of common relations and projects among the different sectors of civil and social life of these countries and of the wider Euro-Mediterranean reality.

However, it is only thanks to the passion and determination that Simonetta Della Seta, together with all of the members of her team, put in this enterprise that it has seen the light.

Her will to develop in depth, and with innovative methods, the main aspects of the study has allowed her to provide a new tool—I believe of great interest—to the people who operate in and study the Israeli-Palestinians-Arab conflict.

Milan, November 1998

**Director of the Italian Centre for Peace in the Middle East*

THE PRICE OF NON-PEACE/ INTRODUCTION

Peace and non-peace

What is necessary, and how long will it be, before a land afflicted by a century of conflicts begins to perceive a sense of peace? On September 13, 1993, on the White House lawn, Yitzhak Rabin and Yasser Arafat shook hands for the first time, and the embarrassment and fatigue instinctively expressed in their gestures foretold all the difficulties that a peace between Israelis and Palestinians would bring. **And** yet, that day marked—not in vain—a historical event. It started a long and painful process that would take two former enemies to a dialogue, to a series of agreements, to experimentation with peaceful coexistence, and, perhaps, to definitive peace.

The Declaration of Principles signed in Washington, D.C., and the subsequent agreement on self-government for Gaza and Jericho, approved by the Israeli Parliament on May 4, 1994, opened a five-year period during which Israelis and Palestinians, following a series of stages, would have to commit to building peace.

Since then, fundamental steps have been marked on the calendar: Arafat's return to Gaza on July 1, 1994, and the birth of a Palestinian National Authority (PNA); the signing of a peace treaty between Israel and Jordan on October 26, 1994; the Oslo-2 Agreement of September 28, 1995, which started the Israeli withdrawal from the six main Palestinian urban centres (redeployment completed by December 1995); the direct election of the President and of the first Palestinian Legislative Council on January 20, 1996; the Agreement on the city of Hebron on January 17, 1997; the Wye Memorandum, signed by Arafat and Netanyahu in Washington, D.C., on October 23, 1998, clearing the way for the second redeployment and for a series of security agreements; and finally, the Memorandum signed in Sharm el-Sheikh, Egypt, which not only complements and enriches the Wye Memorandum, but for the first time binds the two partners toward a final settlement of the conflict.

Dialogue and negotiation dynamics have since been set in motion, at the multilateral level as well (on the themes of water, refugees, environment, regional economic development, and armament control); four important regional economic conferences have taken place (in Casablanca, Amman, Cairo, and Qatar); negotiations were started on May 4, 1996, for the final arrangement, dealing with other hot issues (Jerusalem, settlements, refugees, water, security, borders, Palestinian international relations); and finally, bilateral negotiations with Syria and Lebanon have been tackled.

Since then, however, other events have affected, and not by chance, the same path. On February 25, 1994, Baruch Goldstein, a Jewish settler from the Kyriat Arba settlement who is opposed to the peace process, commits a massacre, shooting cold-bloodedly at Palestinian worshipers praying at the Tomb of Abraham the Patriarch in Hebron. The armed branch of the Islamic movement *Hamas* takes revenge with a series of attacks against Israeli civilians.

On November 4, 1995, the young Jew Yigal Amir manages to assassinate Yitzhak Rabin in Tel Aviv. He admits doing it to destroy the peace process, along with Rabin. The Israeli leader who had chosen the path of dialogue with the Palestinians is in this way yanked from life and from the political scene. The Jewish State is in shock, but seems to be more willing than ever to proceed on the Oslo road. Foreign Minister Shimon Peres takes lead of the government without immediately calling for early elections. More difficult months follow: the completion of the Israeli withdrawal from the Palestinian urban centres by December; the killing in Gaza, on January 5, 1996, at the hand of the Israelis, of Ihyi Ayash, the so-called *Hamas* engineer, the man who built the bombs used in anti-Israeli attacks. *Hamas* takes revenge. Between February and March, four terrorist attacks hit Jerusalem buses and Tel Aviv shopping centres, the civil heart of Israel, killing dozens of people. Often Rabin had explained that peace could bring pain and acts of terror. But now the terrible wave of bloodshed not only chokes hope, but also ties to the whole process a new concept that peace creates “victims.” To this concept is inevitably linked the popular demand that the government guarantee higher security. The immediate consequence of this is a grip on the Palestinian territories. The measures of hermetic closures of border crossings between Israel and the territories, already experimented with in the past by Rabin, are automatically adopted again by the Peres government, in an even stricter form. The Palestinians, who after the liberation of their cities had started to live in a more hopeful atmosphere, find themselves choked in many enclaves, many separate and non-communicative self-governing “reservations.” So the price of terrorism also is felt indirectly on **the** Palestinian side. Month after month, the consequences of this choking are ever more tangible. The mobility impediment has ever more evident economic and social effects—on jobs, on education, on public health; it creates unemployment, poverty, frustration, desperation.

In the meantime, Israel is also busy on another front. Following the repeated launch of *katiusha* missiles from southern Lebanon against Upper Galilee, Peres decides to launch operation “Furor,” a frontal counterattack by Israeli artillery against the pro-Iranian *Hezbollah* militias stationed in Lebanon. However, the bombings by the Jewish State create enormous damage, killing and wounding hundreds of people among the Lebanese civilians, but no diplomatic success. The shock of the bombings and the

negative image of the military operation in Lebanon both leave their mark until the Israeli elections. When, on May 29, 1996, the Israelis are called to the polls, the opposition leader Benyamin Netanyahu easily rides the “peace and security” slogan, while the premier, Shimon Peres, can’t manage to gain even the vote of the 800,000 Israeli Arabs, because of the war in Lebanon. This proves to be politically fatal. By a few votes, the 47-year-old Benyamin Netanyahu, at the head of the centre-right coalition *Likud*, finds himself at the head of the Jewish State in one of the most critical moments for its history and for the destiny of the entire Middle East.

Despite the verbal declarations of commitment of the new prime minister in the face of the agreements signed with the Palestinians and the Arab countries by the previous government, Netanyahu has a hard time respecting the timing imposed by the treaty. For his government, made for the most part of centre-right ministers, the idea of further Israeli withdrawal from the occupied areas of Judea and Samaria (Jewish names for the West Bank) contradicts their personal ideology. The strengthening of a Palestinian entity, therefore, jeopardises, in their eyes, the Jewish settlements built since 1967 in those territories — colonies where, not only do Netanyahu supporters/electors live, but also that constitute, by their existence, the concrete political results of the parties now in power. The ideological difficulties and the political pressures in particular slow down the signing of an agreement on Hebron, the West Bank city where Abraham the Patriarch is buried and where, within a huge majority of Palestinians, live approximately 200 inflexible Jews. At the end of September 1996, another conflict explodes. The opening by the Israelis of an archaeological tunnel in Jerusalem next to the Dome of the Rock and the Al Aqsa Mosque (in ancient times, the Solomon Temple esplanade), is seen by the Palestinians as a provocation to their rights on the city and an outrage to Islam’s holy sites. This fact provokes violent revolts in all the territories. For the first time, the Palestinians use firearms in street clashes with the Israeli army; in support of the demonstrators intervene also Arafat’s public order forces. A climate of very high tension ensues.

An agreement on Hebron is finally reached in January 1997, and on the 17th of that month, the Israeli troops withdraw from a great part of the city, remaining only to protect the neighbourhoods inhabited by settlers. This fact is important and seems to awaken the peace process from its torpor. However, not even a month goes by before Netanyahu takes a step that to the Palestinians sounds like a provocation for conflict: the Israeli government decides to build a Jewish neighbourhood on a hill called Har Homa (or, in Arabic, Jebel Abu Ghneim), on the road between Jerusalem and Bethlehem, which kicks up a row. Israel provides property documents for most of the land (purchased over time by Jews) and explains that it is an area under its sovereignty because it is within the Jerusalem urban district; for the Jebel Abu Ghneim Palestinians, it is considered occupied territory, and building on

it is seen as a newly built settlement in Jerusalem, whose destiny still needs to be discussed. Neither the Americans nor the Europeans are able to mediate a solution.

The atmosphere stiffens. Tension rises. Two terrorist attacks against Israeli civilians, one by Palestinian hands in Tel Aviv, the other by Jordanian hands in a border area between the two countries, inflame hearts again. What follows: a new and even tougher grip on the territories, with collective punishments that extend to the demolition of houses; an encouragement of settlement politics, even in East Jerusalem; land confiscations; project freezes. Desperation seems to lead more easily to more violence. During the summer of 1997, two terrorist attacks lacerate Jerusalem streets again. The dialogue seems to be stuck once more.

“We haven’t been able to mark a progress anymore,” laments Saeb Erekat, Arafat’s man in charge of negotiations with the Israelis. “We have nine technical working committees and not one has been able to realise a project. I’m talking not only of political agreements, but also of projects crucial for us, such as the port and the airport in Gaza. They, the Israelis, have remained clinging to their phobia of bombs, to their fears and suspicions; we Palestinians are crushed by our people’s disappointment, by our inability to bring home some positive results, by our conscience’s troubles. We are moderates, we embraced this road and convinced our people to go along. But constantly we ask ourselves: Did we make a mistake? Did we arrive too soon or too late? Why did we find ourselves so alone?”

“The psychological barriers that for years we had tried to tear down have risen again like thick walls—the same way it happened when we still defined ourselves as enemies.” Colette Avital, one of the leaders of the Israeli Foreign Affairs Ministry recalls with longing the first meetings with Arab interlocutors. “The easiest thing to do, certainly, is to accuse each other; but when we decided to open a dialogue, we understood that reciprocal accusation was a dead-end street. Rather, we needed to convince ourselves and the others that negotiations were possible, even that a sense of trust in that partner could be generated. All this has been wiped out, not only by bombs, but also by new politics of accusations and suspicions. And the price is not paid only by the Palestinians. They may have their own survival problems, but we Israelis too are going back to being isolated and, inevitably, sink again in our old attitude of people who feel under siege.”

Only an American initiative, patient, determined, and persistent, is able to keep a negotiation alive and tries to fill the gap between the two sides. An endless shuttling back and forth between Jerusalem and Gaza by Dennis Ross, U.S. State Department attache for the Middle East, ensues; repeated visits by U.S. Secretary of State Madeleine Albright, attempted summits

between Arafat and Netanyahu in the U.S. capital. Finally, the 10-day negotiation marathon at the Wye Plantation presidential estate. It is the critical point, which on October 23, 1998, gives birth, after a thousand dramatic uncertainties and many unexpected turns of events, to the new, important agreement on the second Israeli redeployment from the Palestinian areas. However, this step costs Netanyahu a decrease of popularity among the same conservative groups who had elected him. From the beginning of 1999 on, the Israeli premier finds more and more difficult to have his political decisions approved by his government and the Parliament. His majority grows thinner while a number of ministers resigns from the coalition with heavy critics on the premier's "authoritative" and "patronising" behaviour. These critics will play a crucial role in the result of the Israeli elections held on May the 17th, 1999. It is the personal lack of popularity and credibility of Netanyahu to determine the overwhelming victory of the rival Ehud Barak, the pupil and successor of the late Ytzhak Rabin, at the head of a centre-to-the-left coalition.

The election of Barak marks a new turning point. The new prime minister, who gathers around him a much larger, articulated and steady coalition, announces from his first speech his will to be back on the peace path inaugurated by Rabin as soon as possible and to accelerate the pace of negotiations on all tracks: the Palestinian, the Syrian, the Lebanese. Barak also promises to withdraw the Army from the so-called security zone of South Lebanon, occupied by Israel since 1982.

Mer two months of government, and some hard negotiations, helped by the mediation of the USA and Egypt, Barak manages to reach with Arafat a new success. With the signing of the Sharm el-Sheikh Agreement during the night between the 4th and the 5th of September 1999, the two leaders confirm their commitment to the Wye Memorandum, and in addition to that, they smooth the way for the opening of negotiations on a final settlement to the conflict. The Sharm el-Sheikh agreement provides not only for another Israeli redeployment from the Territories occupied in 1967 (which will give the Palestinians control of **42%** of those Territories), but also sets a timetable for the discussion of the most controversial issues: the future of Jerusalem, the definition of borders, the return of Palestinian refugees, and, last but not least, the independence of a Palestinian sovereign state at the side of the Jewish state.

"A great task has been completed, and even larger remains." The words of US Secretary of State Madeleine Albright at the signing of the Agreement in Sharm el-Sheikh already announce the future difficulties that the parts will have to cope with in the course of the discussions on the final status.

"It's impossible to solve a hard, bitter conflict of one century in less than a decade", says realistically Haim Ramon, Minister for Jerusalem Affairs

at the Israeli Prime Minister office. “However, we shall make any effort to succeed with a strong will and mutual comprehension, since this Land and its Peoples really want peace.”

The prices of non-peace

Separation, lack of meeting and exchange, lack of confidence. This is perhaps the highest psychological and social price paid by Israelis and Palestinians due to the frozen peace process. During our long journey through the effects of non-peace, we have found two distant societies, asymmetrical, almost impermeable to each other. Two peoples forced to live side by side, who try as much as they can to ignore each other. Two national entities whose destinies are tied and intertwined, but whose concerns remain different, mismatched, often opposite—as if the mirror in which the Israelis and Palestinians have been reflected for more than 100 years, the one into the other, were now clouded or had willingly been put aside.

For Israel, a state that has trained itself, in 50 years of existence, to grow and develop among conflicts and tensions, the peace process is a desired and necessary, but perhaps not indispensable, condition. The price to pay is high, but doesn't affect the country's survival, nor, substantially, its development. Israel is a 50-year-old state with over 5 million people. It has one of the strongest armies in the world. It is a developed country in all fields, with a highly qualified workforce. Israel is a working democratic society, at least on the inside. It has highly authoritative institutions. It is a country educated to move forward and to change, to look at the future, to make mistakes and to fix them, to self-criticise and self-praise, but to build anyway.

For the Palestinians, the peace process constitutes a crucial turn. It is the beginning of their national life on their own land. It is the potential for shaping themselves as a civil society, for becoming a realised state. The peace process means most of all the end of an occupation, the concrete retrieval not only of their identity, but of their authority. “Can the Oslo Agreements be considered a source for real peace?” many asked us. Many still are those politically opposed to the Oslo formula. Their arguments are often articulated and at times proved true by real events. That formula, however, has allowed the process to take off, to start. It has entrusted to the Palestinians a set, albeit small, of tools to transform their people into a nation, their land into a state. Even though extremely disappointed, almost desperate, by the slowness in the negotiations with the Israelis, the Palestinians remain committed to a tremendous collective effort to shape their future. **A** deed that begins at the foundations of a society. From education to public health, from human rights to communication tools, from infrastructures to cultural heritage, from legislation to the fight for democracy, the Palestinians are hard at work. **A** fight against mistakes, against the heavy baggage of an occupied people's

attitude and against demoralisation; a race against time. Dozens of institutions are working non-stop to measure and collect data; to restore the roots; to coin social, economic, and political rules, to provide behaviour codes; to institutionalise forms of civil coexistence; to ensure that freedom and controls will work; to lay, in short, the basis for a state.

Obviously, the obstacles are many in a situation where dependency on Israel is still extremely high in so many fields, ~~from~~ the political field to the economic one, from the security to the health-care sector, up to the dramatic influence of the Israeli hegemony on the Palestinians' physical mobility. The restriction of movement between different areas under the Palestinian Authority has often been added to the closure of border crossings between Israeli and Palestinian territory. The difficulty, and often the total impossibility for many Palestinians to reach Ramallah from Bethlehem, or Nablus from Hebron, not to mention the huge obstacles to entering Jerusalem or accessing the Gaza Strip (all justified by "security reasons"), not only cause great damage to the economy, to the public health sector, to education, but also become a physical barrier to personal contacts, causing a true fragmentation of the Palestinian society. When, at the beginning of this study, we started to sift through all the published material that could be of interest to us, we were stunned by the amount of information provided to us by the Palestinians over the Internet. Only as we went along did we understand that, because of the checkpoints and the logistic difficulties, electronic communication remains for the Palestinian society the only area untouchable by Israeli decisions and obstacles, and therefore one of free expression and encounter.

It is hard for the Palestinians to work and build with an absolute lack of predictability.

What will happen next? What will the future bring? First the vision of peace and then the realisation of a series of "geographical reservations of freedom" provided by the self-governed areas had encouraged the majority of Palestinians to accept a gradual peace process. Later, a public scenario, which has gone back to being made not only of verbal hostility, but also of opposite resolutions on the table – such as the incentives for settlements, the land expropriations, and the constant putting off of military withdrawal from Palestinian agricultural areas – was seeming to be closing the horizon. Psychological condition that makes it harder to continue building. Moreover, the Palestinian society, although still following the example of the Israeli society in many areas, has never completely adopted the spirit with which the Zionists, step by step, built their national entity and then their state. Then, the Jews followed a philosophy of absolute psychological independence from adversities, a-slice-at-a-time policy of being happy with any success or result, going ahead undeterred, determined, with total faith only in their own forces,

without taking for granted the help or support of others. The Palestinian independence seems to have stemmed from as many ideals, but with different aspirations and rhythms. Worn out, almost exhausted by occupation; weakened also by a not-so-cohesive collective identity, influenced by a less pragmatic and more heroic mentality in which reality and imagination seem to continually mix, in everyday life and when conceiving future projects. The peace process has put the Palestinians, in a definitive and inalienable way, in front of their own national identity and has created for the first time some realistic conditions in which to build their own state.

In the present situation, it is clear that the peace process has been presented by its creators in light of too many expectations. Could it have been done any other way? Those who worked to weave the fabric of an agreement between Israelis and Palestinians knew very well that it wouldn't be so easy to wipe out a century of hostilities. In two societies where almost everybody has cried or is still crying for a victim of that long conflict, the transformation of the enemy into a friend or even an ally is a project that will take generations to accomplish.

“When in November 1977 in Jerusalem, Anwar Sadat, Menachem Begin, Moshe Dayan, and I sat around a table, each of us had in our heart somebody who had died, a brother or a son killed by the enemy, who was at that moment sitting at the same table,” recounted the president of Israel Ezer Weitzman, remembering Sadat's visit to Jerusalem, an event that led two years later to a peace treaty between Egypt and Israel. “That revolutionary gesture made by a few men wasn't, however, destined to be immediately followed by the two peoples. It was too early. A lot more time was needed. And still today, 20 years later, peace with Egypt remains more a diplomatic agreement than a true, genuine, and warm peace between the two nations.”

The prophetic dream of a messianic peace nourished by the Jews, or the heroic one of a fair and total peace wished for by the Muslims has still to be scaled back in reality to the more prosaic and realistic aspiration of a non-belligerent stage.

On certain focal points of history it is impossible to raise too many illusions. The desire of mankind for improvement, however, is not only legitimate, but indispensable. The Middle Eastern peace process was born as the expression of a real will of the region's peoples – Israelis and Palestinians, but also Jordanians, Lebanese, Syrians, Saudis – to change paths. Among other things, it has created a more frank and dignified relationship, even among the Arab states and the Palestinians themselves. Therefore, the will must be pursued, despite the difficulties, the oppositions, the predominance of some ideologies, the circumstance of some negative factors, of contingent unfavourable politics.

Very often, observing the Palestinians work so hard at building their civil society, it becomes clear that they continue to strive for the proclamation of a Palestinian State.

What would then happen to Israel?

The insertion of the Jewish State into the region seems to pass through a confrontation, war-like first and then at the negotiate level, not only with the Palestinians and the Arab countries, but also within Israel's long internal normalisation process. Immigration state, territory with no definite borders, multifaceted and multiethnic country—moreover, cradle of three monotheistic religions—Israel is crossed by a multitude of ideologies, currents of thought, earthly and spiritual visions. It is, in a sense, the Land of Tribes, of infinite histories, and of many truths. A reality that, converted into a state, produces a pulsating democracy and a society that is, albeit cemented by a national dream, torn apart by different and very often opposed opinions. The peace process not only has started a search and a new consolidation of the Palestinian identity, but also has provoked deep questions on the very young and multiform Israeli identity itself

The formula of a peace created sitting around a table in Norway or the United States has cut across all of these sets of ideas. In Israel too, as among the Palestinians, we've been asked many times: "Is the Oslo peace a true peace?" For the Palestinians, a peace without rights and with too many abnegations is not a fair peace. For the Israelis, a peace full of renunciations and risks is a dangerous peace. The political process concretely initiated in September 1993 marks the destiny of both. For this reason, many Palestinians and Israelis are opposed to this destiny being determined, circumscribed, and, from a certain standpoint, limited.

For a not too large slice of the Israeli society, turning over to the Arabs lands where biblical sites lay represents an unthinkable giving in, an impossible peace. However, it isn't this slice of the Israeli population, mostly represented by settlers and by some national-religious parties, that has really affected the political choices. The brakes to peace have been put on mostly by the fear of bombs, by the obsession with being blown up in the streets at any moment, by the feelings of insecurity that the repeated terrorist attacks have spread among the people, and therefore, by the pressing request to the government to pass ever more rigid legislation to control the situation. From this standpoint, the Palestinians opposed to peace have recorded a real success. The same way the Israeli settler Baruch Goldstein marked his own victory when he killed the Palestinian worshipers in the Hebron mosque, allowing the growth of Islamic revenge against the dialogue. And the same way history has paradoxically rewarded Yigal Amir himself, Rabin's killer.

The radicalisation, the growth of extremism, seem to be a direct consequence in both societies of a peace that some didn't want. A landmine for democracy itself. How can we defend ourselves?

It doesn't take much to unleash a spiral of violence whirled on a hatred-cultivated ground. It takes much more to sow trust and to dialogue. Israel probably hasn't yet got over the trauma of Rabin's death. And it is certainly impossible to come to terms with terrorism. Those who then opened a path other than war, had the courage to try to conjugate the word peace, adapting it to a complex and long process in which there would also be opposition and hotbeds of violence. Hotbeds that, within the Oslo vision, Israelis and Palestinians would slowly learn to cool together.

And this is what happened, at least for a while. One of the strongest alliances created by the peace agreements was born precisely within the security structures.

The co-ordination still holds, but has often risked unravelling. Here too, are in play the reciprocal trust, respect, and treatment of each other as equals, not as hegemonic and subservient sides. When that respect is undermined, the fruits of dialogue become dry and insignificant again. There is no doubt that the Palestinian interlocutor isn't always for the Israelis the most comfortable or efficient. But it is the unavoidable interlocutor; and vice versa.

The peace opposers have created with their actions a psychological trap into which many have inevitably fallen. The barrier of fear doesn't melt away the hatred anymore. Then the wall divides, isolates, and blinds even more. The Palestinians pay the price of non-peace day after day, with their multiple daily difficulties. The Israelis are less aware of paying it, but in the long run, the Jewish State risks facing economic and international crises, perhaps more conflicts. The closest danger always remains regional isolation, with grave, particularly economic, implications.

One of the engines of the Oslo Agreements was precisely that of economic development, of building productive and job-related channels. But how much can a country, a people, a region, and even a peace prosper without political stability? The creators of the Oslo formula perhaps have demonstrated a short-sightedness toward the impact of ideas, of reciprocal attitudes, the real danger inherent to political turns. Fortunately, though, despite being gravely slowed down, the peace process has been engineered to leave several communication channels open. Channels that, at any rate, neither of the sides was willing to give up. Even in months of a dialogue semi-freeze, the Palestinians did not miss an appointment. "They are inconclusive meetings, almost a dialogue among the deaf," was the comment

of Saeb Erekat, “but meanwhile, we continue to talk.” The Netanyahu government, too, did not exempt itself from verbal commitments, and it was researching a way to create an opening in certain positions of the Palestinians.

Meanwhile, Europe would like to be in a better position. But the path is not easy, not for us Europeans, still having a difficult time finding joined foreign politics, not for the Israelis or for the Palestinians. The Israelis, although recognising the need for new mediation, are clearly impatient in the face of a fear that Europe could come into this arena with pre-established political positions. The Palestinians, for whom Europe is the main support group, seem to be feeling a little pressure for some pre-packaged economic choices not always considered too fit for reality.

The data and the contributions gathered in this report describe and express in different ways and for different situations, all this uneasiness and dilemmas. The people interviewed have also shown very different political opinions. Some analyses deal with more specific issues, others account for wider regional scenarios. Almost all the experts – interviewed, we need to remind, during the Netanyahu government – have expressed concern. And yet, even at that time, we have perceived an underlying optimism. In the majority of our conversations, our interlocutors have declared their satisfaction in having been stimulated to think beyond the stereotypes and the news. Some said they were convinced that they had even been able to think in different, new terms. It would be reductive to summarise in an introduction the breadth and variety of reflections, conclusions, and original ideas expressed by the different report essays, whose clarity and depth can only be fully appreciated after a thorough reading.

Finally, we can feel satisfied with one result, perhaps the most consoling, of the whole work. This book, in fact, has promoted dialogue. The experts on both sides have communicated immediately, during, and after these conversations a great desire for meetings and exchanges. More than a desire – they repeated – a necessity. The Italian Centre for Peace in the Middle East (CIPMO), answering this appeal, has therefore offered a first occasion for dialogue, inviting some of these experts to Italy (July 1998) for a series of lectures. Finally, thanks to CIPMO, the European Parliament has adopted the study published in this book.

Simonetta Della Seta

It is urgent to strengthen the European Union's role in the Middle East: THE PRICE OF NON-PEACE

By Janiki Cingoli,
Director of the Italian Centre for Peace in the Middle East.

1. A New Window of Opportunity.

There is a new, positive situation in the Middle East that could open new windows and opportunities for the reintroduction of the European Union's political role and initiative in favour of peace and of bilateral and multilateral co-operation among the region's countries and peoples. It looks like the ice is breaking, after the long chill of the past few years.

The May 17 elections in Israel have created a new, and in some ways unexpected, situation.

The victory of Ehud Barak, the Labour leader of the «One Israel») coalition, and the formation of a new government create the premises for a strong rekindling of the peace process, which **Barak** himself seems to be willing to complete within a year.

The new Israeli leader seems set to launch again negotiations at every table, from the Syrian to the Lebanese (these two strictly intertwined) to the Palestinian; the latter, though, will probably entail more difficult and anguished decisions for him.

However, the Labour victory also seems to be a victory for the Palestinian leadership. President Arafat's decision to remain seated at the negotiations table during the tormented years of the Netanyahu government was the right one, despite the recurrent crises and the lack of real trust between the negotiation partners—a choice that led to putting off the May 4 proclamation of a Palestinian State, to avoid interfering with the Israeli elections and to foster **as** much potential evolution and change within Israel **as** possible.

This decision to negotiate to the very end has allowed the Palestinian leader to «put in his pocket») the signed Wye River Memorandum, guaranteed by the United States, with which he has been able, in this period of time, to create a very strong relationship. Though the implementation of the

Memorandum was later frozen due to the pending Israeli elections, that result can now be considered an acquired element that only needs to be implemented. The hypothesis advanced by Barak right after the elections to defer everything until the final negotiations are complete seems to be impracticable, because of the pressures of the United States, who should guarantee in a short period of time the implementation of the agreement. It is from that line, launched at Wye River, that the negotiation for the final status will start again.

In November 1995, with the assassination of Yitzhak Rabin, the anguished protagonist of the Washington agreements, and with the victory of Benjamin Netanyahu in May 1996, a long parenthetical episode was inserted into the Middle East peace process, which seems to be closing with the return of the Labour party to government.

However, reading this whole phase as a kind of black hole, after which it would only be possible to return to the situation of five years ago, would be a mistake: these years haven't gone by in vain, the situation is now deeply changed.

Back then, the country was split in half, and the Rabin assassination came about in that climate of violent challenge and frontal opposition. It was a basic ideological clash between the concept of «land for peace») and that of a «greater Israel.))

But the government's subsequent experience has forced Likud to measure itself on the grounds of concrete negotiations for the implementation of the Washington agreements, an implementation which it had earlier fought against.

The issue is not really one of «returning or not returning the land to the Palestinians,)) but rather, of «how much») land to return. Those who implemented the withdrawal from Hebron and signed the Wye Memorandum can't come back and call those who negotiate with the Palestinians traitors. For the vast majority of Israelis, represented by 80 percent of the members of parliament, who, at the *Knesset*, approved the Wye agreements, that phase is closed and can't be reopened.

Conversely, the conviction that a peace process without security and without a joint commitment and fight against terrorism and its organisations can't happen seems to be reinforced and is codified in the Wye River Memorandum itself a conviction based on the experience suffered in these past years, and shared with equal force by the different protagonists of the Israeli and Palestinian leadership.

Obviously, all this doesn't mean that the problems have been solved and that there aren't occasions for confrontation and conflict, but that the context appears to be more favourable today than ever before.

2. The European Union's Initiative for Monitoring and Supporting the Peace Process.

The recent publication of "The Middle East Peace Process and the European Union," a study by the European Parliament's General Directorate for Research, a valuable and complete work tool and makes the repetition of a similar path within these notes useless. We also widely used that study in writing these considerations, and we warmly thank the author, Alicia Martin-Diaz.

We are therefore going to limit our work to finding a few essential traits that characterise the development of the European initiative and its potential evolution.

If we read again today the Venice Declaration, undersigned in June 1980 by the European Union's heads of state and of government, and which marked a watershed in the European approach to the Arab-Israeli conflict, we are struck by its relevance to the present and its ability to find the focal points of the issue: the recognition of the rights to existence and security for all the states in the region, Israel included, and the states' ability to live in peace within borders that are secure, recognised, and guaranteed; and the recognition of the Palestinian peoples' legitimate rights, which can't be guaranteed only with regard to the «refugees» issue. The Palestinians must be allowed, within a global peace agreement, to «fully exercise their right to self-determination.» In order to reach this global peace agreement, it is necessary to involve the PLO in the negotiations.

Other basic aspects are the emphasis on the roles of the United Nations and its Security Council in the solution of the conflict, and of the Europeans' willingness to provide the parties with the necessary guarantees in the field; the importance of Jerusalem to all the parties in conflict, with the need to avoid unilateral actions to change its status, and with guaranteed freedom of access to the holy sites; the request to Israel to end the occupation of the territories occupied in 1967 and to denounce the settlements politics advanced by the Israeli government; the denunciation of any politics of violence, and the need to give up the use of force in order to create a climate of trust in the *area*.

Certainly, several elements played in the elaboration of that Declaration: the oil crisis of the Seventies and the tool of oil boycotts adopted by the Arab countries against The Netherlands for politics considered too pro-Israel; the aspiration to create preferential co-operative relations with the Arab states, to

attract their investments and to develop an economic co-operation with them; the need, felt by several European countries, especially France, to find some ways to balance the politics of the United States, perceived as too biased toward Israel, with stands that would reinforce the Arabs' negotiating position, and particularly that of the Palestinians; the need, perceived by many member states, to carve a specific space and role for Europe within the East-West confrontation.

A confrontation that was then still a decisive factor in foreign equilibriums, and that was weighing with all its might on the Middle East reality, determining its balances, often causing its crises, and, at any rate, paralyzing its potential and hoped-for changes.

The Venice Declaration was perceived by Israel as a hostile declaration, a pro-Arab choice, but intrinsically it wasn't that, and many of the elements contained in it were used, thirteen years later, as the basis for the 1993 Washington Agreements.

However, it contained unilateral elements, such as a more explicit condemnation of terrorism, summarised in the more general request to end the violence and the politics of force («on all sides;») and the request to Israel to end the occupation of the territories conquered in 1967—a request that would have made more sense had it been included in the general context of paragraphs regarding the global peace process and as a result of that process, and not as a self-standing element.

On the other hand, the acquisition of a complex and diversified vision of all the conflict's elements has been, for the European governments, the result of a long phase of frequenting the fields of the different protagonists of the conflict. A frequenting done in many stages, and which has allowed a better understanding—apart from any total and *a priori* evaluation, and outside of persistent myths—of the reality of those countries and those peoples, and of their internal articulation and confrontation, consequently increasing the potential for the European Union's talks and influence.

Reading the European Council's Berlin Declaration of March 1999, we can see how the main elements of Venice are still alive, but also how much progress has been made. The Berlin Declaration welcomes the decision taken by the Palestinian National Council to consider null and void the dispositions of the Palestinian Charter requiring the destruction of Israel, and its commitment to recognising Israel and to living in peace with it; expresses concern for the block of the negotiation process that followed the Wye River agreements; with regard to the Madrid and Oslo Agreements and to the UN Security Council's Resolutions 242 and 338; commits the parties in conflict to accept an extension of the *interim* period provided for in the Oslo Agreements; asks for a quick restart of the negotiations on the final status and

that these not be stretched indefinitely — estimating one year to be the amount of time necessary for their completion; and asks the parties to abstain from any action that can be prejudicial to the outcome of these negotiations, including any new settlements, and to fight the incitement to hatred and violence.

A strong and novel element is the part concerning the Palestinians, for whom the «right to self-determination without reservation, included the right to create a State») is declared, and for whom the hope is expressed that this right «will become a reality in a short time.») After requesting that no vetoes be imposed in the negotiation for this right, it is stated that «the European Union is convinced that the creation, through negotiation, of a sovereign and democratic Palestinian State, viable and pacific, on the basis of existing agreements, would be the best guarantee of security for Israel and for the acceptance of Israel as an equal partner in the Region. The European Union,») it adds, «(declares that it is willing to consider the recognition of a Palestinian State at the right time, in conformity with the fundamental principles recalled in the Declaration.»)

Behind this Declaration we can see the patient weaving work of the European Union's Special Envoy for the Peace Process in the Middle East, Mr. Miguel Angel Moratinos. The assurance given about the Europeans' willingness to recognise a future Palestinian State in the context of the parties' requests, and in particular, the Palestinians' request to accept the one-year extension of the *interim* period indicated in the Oslo Agreements, are certainly among the determining elements that convinced Arafat not to immediately proclaim the Palestinian State on the May 4, 1999 deadline. On this occasion, a new ability to affect the real context of the Middle East situation was demonstrated: the European effort proved to be of great importance in defusing a potentially explosive crisis that could have had heavy repercussions on the Israeli electoral process itself.

Another, more controversial, episode has recently marked, albeit less officially, a new desire for a European presence in the crucial points of the conflict. In early March 1999, in response to a letter from the Israeli Foreign Ministry Director General, Eytan Bentsur, to foreign ambassadors, in which he stated that the visits to Orient House (the seat of the Palestinian National Authority's minister for Jerusalem) violated the Oslo and the Wye River agreements, Theodore Wallau, German Ambassador in Israel, responded, reconfirming the European support for Jerusalem's internationalisation, and rejecting any limits put by Israel on diplomatic visits to Palestinian leaders in Jerusalem.

In his letter, Wallau stated in particular: «We reconfirm our already established position with regard to Jerusalem as a *corpus separatum*» [a separate body], making a clear reference to the UN Partition Plan of 1947.

The Likud's attempt to exploit that letter for election purposes didn't go far, due to the quick stands taken by Barak and other electoral opponents, who all reconfirmed their attachment to the traditional Israeli position on Jerusalem as the eternal, exclusive, and indivisible capital of Israel.

A third element on which the European Union and, in particular, Ambassador Moratinos seem to have worked with some results has been the effort to reopen Israel's channels of communication with Syria and Lebanon, considering peace with these two countries to be as urgent and inalienable as peace with the Palestinians.

If these attempts remained without consequence during the Netanyahu government, the readiness with which Syrian Premier Assad gave an interview, at the end of June 1999, to the Arab daily paper «*Al-Hayat*»—published side-by-side with a similar interview with Barak—is evidence of the fact that the Syrian premier doesn't want to miss for the second time, since the negotiations developed with Rabin, the chance to regain Golan. He even defines Barak, who then had participated in the negotiations, as a «strong and sincere man, who seems seriously willing to reach peace with Syria at a well-studied pace.» Words equally warmly echoed by Barak's response. As the international press has noticed, through all of this can be seen the patient weaving and communication of the European Union's Special Envoy.

3. The European Union's Presence in the Main Stages of the Peace Process.

3.1. The Madrid Conference (October 1991).

CO-sponsored by the United States and the Soviet Union, the Madrid Conference certainly represented a fundamental step in breaking up the lack of communication among Israel, the Palestinians, and the other Arab states.

The European Community, like the Gulf Co-operation Council and the UN, participated only as an observer.

The European speech was given by Mr. van den Broek, Dutch foreign minister, then President-in-Office, who expressed very clearly and without mediation the traditional positions of the Community on the conflict, whereas the speech of the two sponsors was much more cautious.

In particular, the Israelis didn't appreciate the European requests to stop the settlements and to withdraw their forces from Southern Lebanon, although these positions were balanced by the request to the Arab states to abandon the boycott of trade with Israel.

The Conference was a great moment, and an emotional moment, as well. Those who participated were aware of being the protagonists of a historic event.

I had the privilege of assisting as a journalist, and some moments remain unforgettable; in particular, four of them:

the passage in his speech in which the Israeli premier, Yitzhak Shamir, turned to the head of the Palestinian delegation, Haidar Abdul Shafi, and recognised «the suffering of his people,») acknowledging in this way the existence of a Palestinian people and of a Palestinian issue; the one when the Palestinians decided to open bilateral talks with Israel, without waiting anymore for the decision of Syria, which was, at that point, forced to follow them (an independent representation earned in the field that the Syrian Assad has tried to make them pay for in any possible way); King Hussein's press conference, broadcast on television late at night, in which he was able to defuse with his anguished and passionate tone a grave moment of tension that had manifested itself at the opening of the work sessions between the Israelis and the Syrians; and finally, the response of United States Secretary of State James Baker during the final press conference, when the great mastermind of the Conference had already obtained from it all that he could have hoped for. At a journalist's question about what guarantee there was that now the negotiation would proceed without obstacles, he replied, «Guarantees? None. This is the Middle East.»

As is well known, the Madrid Conference ended with the activation of a double tier of negotiations: a bilateral one between Israel and the Palestinians (who were initially joined with the Jordanians in one delegation, but who were soon able to negotiate independently); and a multilateral one with Jordan, Syria, and Lebanon.

Another result was a multilateral negotiation tier on five subjects: water, refugees, environment, arms control and regional security, and co-operation for regional development. Besides the parties in conflict and the co-sponsors, the European Union and the EFTA, other important countries, such as Japan, China, Canada, and Turkey, and several Arab countries, such as Algeria, Tunisia, Morocco, Mauritania, Saudi Arabia, Kuwait, United Arab Emirates, Qatar, Oman, and Yemen, agreed to the multilateral negotiations. All of these Arab countries participated for the first time in work groups with Israel.

3.2. The European Union's Contribution to the Multilateral Negotiations.

We can say that the United States has reserved for itself a predominant and active role in the development of bilateral negotiations, while the European Union has been able to assume a priority role in the multilateral negotiations.

On the one hand, the example of the European Community itself—built on the ruins of the last World War, allowing former enemies to live in peace with open borders and close economic co-operation—was an element of attraction and reflection.

On the other hand, Europe, a main economic partner of the region's countries, also represented the natural and essential interlocutor in building any proposals for regional co-operation.

The European Community was called upon to preside over the work of the regional Economic Development Group and to co-organise the groups on water, environment, and the refugees.

Regarding the group on arms control and regional security—the most important from a political and strategic standpoint—the European Union, excluded at the beginning, achieved later the role of contributor.

As a member of the multilateral negotiations Steering Committee, the European Community has been able to follow and lead its work from a global standpoint as well.

The European Union's contribution to the formulation of many of the work groups' most important projects has been certainly essential. Let's remember, among others, the project on the environmental management of the coastal area of Western Mediterranean, and the one regarding accidental oil leaks in the upper Gulf of 'Aqaba. With regard to these issues, the related group adopted in October 1994 the Bahrain Code of Environmental Conduct for the Middle East, which also contains general action guidelines for the region.

Considerable activity was generated by the group working on water issues, studying in depth the strategies of water supply management and development (purification, desalinisation, creation of a databank, and training of qualified staff). They arrived at a point of founding a technology and research centre for desalinisation in Muscat, managed by Arab and Israeli experts.

But the highest level of activity of the European Union was in the Regional Economic Development work group over which it presided. This

activity took on a faster pace after the Declaration of Principles in Washington, D.C., which put the European Union at the head of the definition and implementation of the Copenhagen Action Plan of November 1993. It was a matter of establishing guidelines for the group's future activities, and identifying 35 different initiative areas (communications and transportation, energy, tourism, agriculture, financial markets, trade, training networks, institutions, and so on). The European Union financed the preparation of feasibility studies and the work of the group for a total of approximately 15 million dollars. During the implementation of the Action Plan, the European Union supported the realisation of studies on regional transportation and on the potential for the interconnection of the region's electrical networks. Furthermore, the various Med-Link networks (Med Urbs, Med Campus, Med Media, etc.) were put in place, among cities, media, and universities of the countries involved in the peace process (Israel, Egypt, Jordan, and the Palestinian Territories.)

Since the Action Plan, and in synergy with the United States' initiative, the sides have started the organisation of Middle Eastern/North African economic summits/conferences among the area's different countries; the first was that of Casablanca in 1994, then that of Amman in 1995, that of Cairo in 1996, and that of Qatar in 1997. After some initial success, which had opened the way to hope for the region's economic prospects, the initiative lost its energy, in parallel with the growing difficulties of the peace process.

The constant Syrian opposition (and the related Lebanese one) to the development of multilateral negotiations without any final resolution of the case with the two countries, soon led the Damascus and Beirut governments to abandon the multilateral negotiations. At the same time, the growing difficulties of the peace process, with the assassination of Yitzhak Rabin and the subsequent victory of Benjamin Netanyahu, created a situation of *impasse*, in which the multilateral negotiations themselves deteriorated.

Negotiations were officially suspended in March 1997

3.3. The Israeli-Palestinian Oslo Negotiations and the Washington (1993), Pans (1994), Cairo (1994), and Taba (1995) Agreements. The Israeli-Jordanian Peace (1995). The Palestinian Elections (January 1996). The Israeli-Syrian and Israeli-Lebanese Negotiation until the Arrival of the Netanyahu Government.

The already mentioned study by the European Parliament analyses the contents of the different Israeli-Palestinian-Arab agreements of those years, so I don't think it is necessary or useful to repeat such a detailed exposition. I'll limit myself to a few general considerations on the role of the European institutions on those occasions.

The negotiation framework initiated in Madrid had been progressively deteriorating. Israelis and Palestinians found the procedures on the table too muddled, the established negotiation modes too exposed to the pressure of public opinion and the media, and, probably, the United States' involvement in the negotiations too pressing: a condition perfect, in a way, for an autonomous European initiative.

And a European initiative took place, but—as was rightly observed in the study by the European Parliament's General Directorate for Research mentioned above—the Oslo initiative, like the others that preceded and followed it (that of Swedish Foreign Minister Andersen and that of the Austrian Bruno Kreisky), were conducted by governments that weren't members of the European Community, but rather, who stood out for their mediation capabilities and their neutral attitude, which made them appear neither pro-Israeli nor pro-PLO, as, «true or not, the member states of the European Community tended to be seen.))

It should be said that initiatives, often sponsored by the European Community, also were developed from within the Community. In Milan, in June 1993, the Italian Centre for Peace in the Middle East sponsored, with the support of the European Commission, an international conference with important Israeli parliament members and PLO officials, in which participated, among others, Mr. Dupla Del Moral, representing the European Commission. On that occasion, many complex themes were privately discussed, such as the «Gaza First») proposal and that of the PLO's recognition, which then found room in the Oslo negotiations.

The analysis of that study, however, implies the need for even more analysis and reflection maintaining certainly its strong value and an intrinsic truth.

The European Community participated in the Washington ceremony in September 1993, but its role was reduced to that of issuing a declaration in support of the agreement.

An important moment was the signing, in April 1994, of the Paris protocol between the Israelis and the Palestinians, to regulate the economic relationship between the two sides, from the issues regarding the circulation of freight and people, to the issue of customs and the use of Israeli ports for Palestinian imports, to those regarding the payment of social security and public-health taxes collected from Palestinians working in Israel to the Palestinian Authority, to other matters of fundamental importance. These issues directly implicated the European Union, always attentive to the area's economic issues and directly involved with the problem of exporting Palestinian and Israeli goods to Europe.

Subsequently, the European Commission's representatives limited themselves to attending and issuing support declarations for the signing of the Israeli-Palestinian Cairo agreements of May 1994. On that occasion, the Commission's vice-president, Mr. Marin, informed Arafat of a 10 million ECU contribution for the training of Palestinian police.

And still, at the signing of the Israeli-Jordanian peace treaty in October 1994, the European Union was represented by the *troika*, led by then-President-in-Office, Klaus Kinkel. With regard to security, because the treaty referred to the European CSCE, the European Union's presidency made known its willingness to share the European experience and expertise in that field.

An important development of the European Union's role occurred with the signing of the Israeli-Palestinian Taba Accords, also called Oslo II, in September 1995.

These are perhaps the most important agreements after those signed in Washington, D.C., the last accomplished by Rabin before his assassination. With them, the Israeli troops withdrew from six of the most important Israeli cities, except for Hebron, and moved a large part of the remaining rural municipalities under the Palestinian civil administration.

At the signing of the agreements, the European Union representative, then-President-in-Office Felipe Gonzales, signed **as** a witness of the agreements, with the same status as that accorded to Russia, co-sponsor with the United States of the peace process.

But later, the European Union's role grew even more, due to practical needs tied to the expansion of the area under the Palestinian National Authority's control to include the major West Bank cities, and to the organisation of elections for the Palestinian Council, provided for by the same agreement.

3.3.1. The European Union's Contribution to the Organisation of the Palestinian Elections (January 1996).

The European Union had a central role in the Palestinian elections held in January 1996, in following their preparation and carrying out, and ~~w~~aranteeing their regular outcome, despite the boycott proclaimed by Islamic groups.

The elections led to Arafat's triumphal election as president with **88.1** percent of the votes, and to the success of his group, *Fatah*, which, in the

distribution of Legislative Council seats, got 50 seats, compared to the 37 seats won by the independents, of which many were sympathisers of *Fatah* anyway.

The European commitment, during the whole preparation phase, was massive. Since June and September 1995, the European Council adopted two joint actions, as part of its Joint Actions Under the Common Foreign and Security Policy, which laid the basis for a deeper political and financial involvement of the European Union in the preparation, observation, and co-ordination of the activity of the international monitors for the Palestinian elections. The total financing amounted to 17 million ECU.

Approximately 7 million were spent preparing for the elections, on equipment and materials for the electoral polls, funding an education campaign, creating a press centre. The other 10 million were spent on monitoring activities and observer co-ordination.

Ten days before the elections, a donor conference was held in Paris to express support for the Palestinians, with the decision to allocate 1.3 billion dollars.

The European Union allocated 120 million dollars for a basic investment program (infrastructures, education, etc.) and to lower Arafat's budget deficit.

The European Union's team of observers, led by former Swedish Justice Minister Carl Libdom, arrived in Palestine in November 1995 to take care of the regular carrying out of enrolment procedures for the Electoral Registers.

At the time of the elections, 300 European Union observers were active in 35 European Union electoral units, also were in charge of ensuring co-ordination with the other 600 observers who arrived from other parts of the world.

After the elections, Mr. Libdom, speaking for the European Union electoral units, issued a press statement saying that, even if a few irregularities had been detected in the preparation of the elections, these could be considered «even if not perfect, reasonably free.»

The European Union's *troika* of foreign ministers, led by President-in-Office Susanna Agnelli and travelling through the Middle East at the time of the elections, issued a statement congratulating the elected candidates and the Palestinian people for the proof of political maturity demonstrated in their approach to democracy.

Despite some limited cases of detected irregularities, the observer delegation sent by the European Parliament and led by Luigi Colajanni stated

that the elections had been held in acceptable conditions. The statement ended by emphasising that the European Union should pay more attention to the need for integrating vital technical assistance to the Palestinians with political content that could guarantee the European Union recognition for its efforts and not only a thank you for giving the money necessary to print the ballots.

An observation destined, as we'll see later, to have important consequences.

3.3.2. The Development of the Israeli-Syrian and Israeli-Lebanese Negotiations.

Finally, in 1994, the bilateral Israeli-Syrian negotiations, and the Israeli-Lebanese negotiations connected to them, started developing under the United States' sponsorship.

In May 1995, during meetings held in the United States at Wye River, an agreement was reached on some Aims and Principles of Security Arrangements, which defined some basic agreement principles that never materialised in a final peace treaty. In January 1996, the negotiations were suspended.

In February 1996, to encourage the resumption of negotiations among the three countries, the European **troika**, led by then-President-in-Office Susanna Agnelli, visited Damascus and met with President Assad and Syrian Foreign Minister Al-Shaara, announcing, at that occasion, the European intention of developing a more active role in the Middle East.

The Rabin assassination and the subsequent disownment by new Israeli Premier Netanyahu, winner of the May 1996 elections, of the Aims and Principles of Security Arrangements of May 1995, to which he declared he didn't feel tied, blocked negotiations for the years to come.

4. The Increased European Union Role after the Nomination of the Special Envoy for the Peace Process in the Middle East.

As we've seen, already by the end of 1995—first with its guarantor responsibilities fulfilled in the occasion of the Israeli-Jordanian treaty, then with its contribution to the Palestinian elections—the European Union's political and diplomatic role in the Middle East appeared strengthened, and not limited to the traditional economic aspects.

A relevant step was the nomination by the European Council, in November 1996, of Mr. Miguel Angel Moratinos as Special Envoy for the Peace Process in the Middle East.

Moratinos' mandate was broad from the **start**: to keep contacts with the parties in conflict, with the United States, and with all the other parties involved; to observe the development of the negotiations among the parties, being ready to offer, upon request, the European Union's opinions and suggestions; to contribute, upon request, to the implementation of international agreements reached among the parties, intervening diplomatically in case of non-observance of the terms of the agreements; to commit, in a constructive fashion, with the agreements' signatories to the strengthening of the peace process, focusing in particular on the European commitment, including the political aspects and the European Union's development projects; to monitor the various parties' actions that could jeopardise the final negotiation's results (with regard, among other things, to the issue of the Israeli settlements.)

The aforementioned study promoted by the European Parliament defines Mr. Moratinos' mission as the «pilot project») of European diplomacy, destined to open the way for the launch of joint foreign and security politics such as those seeing the light in these past few days.

Reporting directly to the European Council's president, and in permanent contact with the European Commission offices, Mr. Moratinos has certainly done, in these past few years, a fundamental job in accrediting the new European role in the region, even though, at times, with contrasting results.

The power of his effort has not been that of pursuing alternative routes to the United States' diplomatic initiative—recognised by the facts as pivotal to the development of the peace process in the Middle East—but rather, of searching, in this general framework of partnership with the United States, for specific initiatives, proposals, and imaginative spaces, which have provided a precious edge to the American ally and to the conflicted parties, even in particularly difficult times.

Mr. Moratinos has conducted his activity in close contact with Mr. Dennis Ross, his American counterpart, with whom he's been able to establish a strong relationship.

Another **key** aspect of Mr. Moratinos' experience has been that of presenting himself to the parties with a totally unbiased attitude—which obviously doesn't mean an indifferent one—as a man of goodwill in his official capacity, who first of all tries to listen and to understand, and, as much as possible, to take on the parties' problems, rather than acting as a judge who wants to assign blame, merit, or scores.

4.1. The European Union's Letter of Guarantee for the Hebron Agreement.

A first result of great relevance, obtained thanks to the indefatigable contact work of the Special Envoy, was reached at the moment of the agreement for the Israeli withdrawal from Hebron, the first agreement signed by the Palestinians with the new Likud government after the serious crisis that followed the opening by that government of the Asmoneo tunnel under Old Jerusalem.

Along with the assurance letters sent to the parties by the United States, the European Union too was invited to provide a collateral assurance letter to the Palestinians, to encourage them to accept the compromise reached on the Israeli withdrawal. Signed by the European Union President-in-Office Hans van Mierlo, the letter committed the European Union to using any political and moral efforts necessary to guarantee the full observance of the agreements. The letter, which was considered by the Palestinians to be more committed than the one from the United States, strengthened the Palestinian leadership's feeling of security, facilitating the signing of the agreement by President Arafat. Mr. Moratinos, a patient weaver during the whole negotiation, participated in the drafting of the European Union's letter and represented the European Union at the signing of the agreement.

Shortly thereafter, almost as if to counterbalance the agreement reached with the Palestinians, the Israeli government began the new Har Homa—or Jabel Abu Ghnem, the Palestinians' toponym—settlement. This caused the Palestinians to completely interrupt relations, an interruption that lasted a long time. In that situation, in March 1998, British Foreign Minister Robin Cook, in protest, visited the new buildings, meeting in the contended area with Palestinian leaders from East Jerusalem—led by their historic leader Feisal el-Husseini—and stated that Netanyahu's initiative could make the search for a final negotiated status for Jerusalem more difficult. The British initiative, which raised vehement Israeli reactions, was developed in a totally unexpected way during the subsequent British turn at the head of the European Union.

4.2. The Proposals for a Joint "Code of Conduct" and for a «Permanent Security Committee.»>>

To overcome the ensuing state of non-communication, the Special Envoy, in April 1998, proposed to the parties the adoption of a joint Code of Conduct intended to facilitate the full implementation of the agreements already reached, and based on a unitary approach to the different aspects—security, but also political, economic, and cultural aspects—of the negotiation. The initiative expressly stated that it didn't want to compete in any way with others, and in particular with the United States' diplomatic initiative.

The Palestinians were to reaffirm their commitment in support of the right of the Israelis to live inside recognised and secure borders. The parties were to commit to abstaining from any unilateral action that could jeopardise the final negotiations, and to abiding by and implementing the agreements reached, in a spirit of mutual respect, reciprocity, and trust building.

Furthermore, the promotion and support for the development of a dialogue within a civil society, as well as among the different faiths, was expected.

The initiative aimed also at strengthening co-operation in security matters; from this derived the proposal for a Permanent Security Committee, committed to continuing its activity in any circumstances and intended to help the parties face together crisis management and manage jointly any security incidents, in order to avoid harming the entire peace negotiation. Besides the two parties, other participants of this Committee were expected to be the United States and the European Union.

In September 1998, the European Parliament expressed its support for the proposed Code of Conduct and Permanent Security Committee, and the following month, the European Council for General Affairs invited Mr. Moratinos to develop contacts with the parties and the United States, and to check the implementation potential of these proposals.

Even though most of the positions contained in the Special Envoy's proposals reached a wide consensus, a general agreement on them could not be reached, and therefore, they weren't implemented.

But the different concepts that were at their base were developed in other ways, through specific initiatives.

4.3. The European Union-Palestinian Co-operation in Security Matters.

In April 1997, the European Council adopted a joint action intended to guarantee an aid program to the Palestinian National Authority in matters of security and the fight against terrorism in the territories under its control—an initiative that couldn't be received unfavourably even by the Israelis.

The program provided for the training and particularly the management activities of the security and intelligence forces, not to mention the surveillance forces, with specific courses on human rights; the supply of installations, services, new technologies, and know-how; and the mandate to a European Union expert, Mr. Eriksson, to assist the Palestinian Authority in the fight against terrorism.

4.4. The European Union-Israeli Dialogue.

Following an initial British initiative, the Special Envoy also developed, since April 1998, a European Union-Israeli joint dialogue, including European and Israeli experts, to check the potential for overcoming the obstacles to Palestinian economic development.

Five workgroups were established, in the subjects of The Circulation of People and Goods, Labour Issues, Financial and Fiscal Issues, Gaza Port and Airport, and Mid- and Long-Term Economic Potential. The workgroups met every three months, and in plenary assembly every six months. It is hard to measure the impact of their work, but at the June 1998 plenary assembly the following results were identified: the number of Palestinian workers authorised to enter Israel had increased to 18,000 people; the minimum age of Palestinian workers authorised to enter Israel had been lowered to 23; permission for these workers to sleep in Israel had been granted, and, in cases where workers have a permanent job, they would be allowed to remain in Israel in the event of new closures; an improvement had been recorded in procedures for managing Palestinian imports and exports in Israeli ports and in the cargo flow through the Allenby, Erez, and Karni passages.

4.5. The Israeli-Palestinian Dialogue and the People-to-People Programs.

The European Union has developed a specific support action to promote dialogue between the two peoples.

In April 1997, at the Malta Euro-Mediterranean Conference, a joint platform was defined for the development of these activities.

On that occasion, President Arafat met for 50 minutes with the Israeli foreign minister, David Levy, in the presence of President-in-Office Van der Mierlo, the French and Egyptian foreign ministries, and Envoy Moratinos.

The same people met again, three months later, at the European Council in Brussels, in the presence of President-in-Office Mr. Jacques Poos and Mr. Moratinos.

Although no concrete results were achieved, these meetings contributed to the creation of a better atmosphere between the parties, and to a more in-depth investigation of the European Union' proposals of a joint Code of Conduct, of a Permanent Security Committee, and of the reintroduction of bilateral economic co-operation.

In the same spirit, Envoy Moratinos facilitated the implementation of joint initiatives and conferences between Israeli and Palestinian legislators: a delegation of parliament members from both sides visited, in February 1997, the European Parliament, and a similar meeting of parliament members and personalities from both sides took place in July 1998, in Rhodes, following the framework of the meetings promoted by the Athens Dialogue for Peace and Co-operation. It was decided to put together a monitoring committee to look at the adoption of confidence-building measures in the different areas, which would be composed of three members of the *Knesset*, three members of the Palestinian Legislative Council, two more people on each side, and a delegation from Greece and the European Union.

Another very important experience was the “Louisiana Process” started in January 1997. Thanks to important contribution from the Danish Government and the European Union, more than a hundred leading Egyptians, Jordanians, Palestinians, together with prominent international personalities met at the Louisiana Museum in Copenhagen to decide on joint Arab-Israel action for Peace, which was called “the International Alliance for Arab-Israeli Peace”.

It was the first time in which, together with the already existing Israeli movements for Peace, similar reality developed in the other countries, and particularly in Egypt besides Jordan and Palestinian Territories with the willing to jointly worked together. The initiative caused a lively debate in the Arabic world, with strong critics by the Arabic press against the participants involved in the project.

The Conference adopted the “Copenhagen Declaration” which established a very advanced document as base for a possible compromise for Peace.

The European Special Envoy for the Middle East, Mr. Miguel Angel Moratinos took actively part to the Conference.

During these lasts years, the participants to the “Louisiana Process” have organised dozen of meetings. In January 1999 the Israeli President Ezer Weizaman hosted Egyptian, Jordanians, Palestinians, Israelis and Danish members of the Alliance in his residence on the occasion of the twentieth anniversary of the Israeli –Egyptian peace accord.

Besides in 1999 in Cairo there was the Cairo Peace Conference, with more than 170 Egyptian, Jordanian, Palestinian, Israeli, Danish and European participants. In that occasion, the Steering Committee of the Alliance made a new statement and took stand on particular delicate aspects. The Conference had also for this time the participation of the European Union Special Envoy, Mr. Miguel Angel Moratinos.

Another experience, less known, is the one concerning the Madrid Process, which worked on a bilateral Israeli-Palestinian framework. The experience, also started under the umbrella of the Envoy Moratinos, saw the

participation of different Israeli and Palestinian representatives, engaged in discussing and examining in a private forum, the most delicate aspects related to the negotiations on the final status.

In all these years, smaller and more private activities have been developed, always with the support of the European Union. The Italian Centre for Peace in the Middle East, for example, which had already organised in May 1995 a secret seminar on the religious aspects of the Jerusalem issue—with Israeli and Palestinian experts tied to their respective political management, Vatican, Orthodox, and Anglican experts—organised another exclusive seminar in February 1998 between leading Palestinian Al-Fatah and Israeli Likud representatives, with the presence of a representative of the Special Envoy, counsellor Chris Innes-Hopkins. Then, in February 1999, it organised an exclusive seminar between the same Israeli Likud representatives and Egyptian representatives of the Cairo Peace Movement. Specific activities have been promoted, with the support of Mr. Moratinos, to create occasions for meetings among Israeli and Palestinian intellectuals, journalists, academics, and businessmen.

A very ambitious program for the development of people-to-people initiatives and for a total financing of 5 million Euros was initiated by the European Commission in the second half of 1998, but its implementation has been basically blocked by the crisis and early resignation of the outgoing European Commission. The program should now start again under the new president, Mr. Prodi.

4.6. The London Summit (May 1998).

The London Summit, promoted by Mr. Tony Blair in his capacity of European Union President-in-Office, and organised by British Foreign Minister Robin Cook, together with Special Envoy Moratinos, represents, in my opinion, a great unrecognised success, perhaps the highest political result ever achieved by the European Union in its Middle East initiative.

Mr. Cook and Mr. Moratinos' patient preparatory work had already obtained the remarkable result of breaking the wall of non-communication that had been created between Israelis and Palestinians after the crisis of the Har Homa settlement, by inducing Netanyahu and Arafat to go to London together—although without meeting directly—to take part in the negotiations. Even more important, it convinced President Arafat to propose an American mediation of an Israeli withdrawal from 13.1 percent of the West Bank, down from 30 percent as he had been requesting. This laid the conditions for a new United States-Palestinian axis, which, in the end, cornered the Israeli premier, forcing him to accept the United States' mediation.

A determining element was certainly the fact that the United States didn't perceive the European Union's initiative as competitive, but rather as a useful and positive contribution to get over the impasse that had been created. The London Summit was led by United States Secretary of State Madeleine Albright, who led the basic negotiations between the two leaders; but Tony Blair certainly caved his own space, and his contribution, together with that of Mr. Moratinos, was certainly creative and to the point, during and in preparation of the negotiation work, and not a mere testimony after the fact. Another aspect that certainly helped the British initiative was the excellent relationship between Mr. Blair and President Clinton, and the complex process of planning and confrontation initiated in the previous months between the two diplomacies.

Substantial progress was achieved in the definition of the agreement for the Gaza airport and, in terms of principle, for the port, **and** on the issue of freedom of movement Gaza and the West Bank. True, the agreement wasn't signed in London, but in the United States, at Wye River, during the October 1998 negotiation marathon led by President Clinton.

However, the success of the London Summit can be seen, through an objective evaluation and not a mere journalistic report, as the turning point that allowed the resolution of the crisis and negotiation block that had happened, as well as the creative elaboration that made possible a first close-up confrontation on the guidelines of the agreement that would then be signed at Wye River.

The contradiction occurred when, although having largely contributed to the agreement, the European Union wasn't called to participate in any way in the final phase or in the signing of the agreement: an unfair omission, perhaps caused in part by the change of President-in-Office that occurred at that time. This made clear the urgency of a new promotion of the European Union's ability for political initiative in the area, and, more generally, for implementing new foreign and joint security politics.

President Arafat, however, made a gesture of appreciation and consideration for the European Union's role. On his way home, he flew to Vienna to meet the European Union's President-in-Office Wolfgang Schüssel, to ask him to support the agreements reached and financially aid their implementation. Particular recognition was given by the Palestinian leader to Envoy Moratinos, with whom he stated having been in permanent contact throughout the negotiations.

Mr. Schüssel, who subsequently participated, in November 1998, in the inauguration of the Gaza airport, repeated at that time the need for the European Union to start its own initiatives to prepare the Israeli-Palestinian negotiations for the final status.

4.7. The European Initiative to Relaunch Israeli Negotiations with Syria and Lebanon.

Already at the beginning of 1996, the European *troika* had expressed its will to contribute to the launch of new negotiations between Israel and these two countries. Special Envoy Moratinos spearheaded the European initiative right after the January 1997 agreements on the Israeli withdrawal from Hebron.

While the United States seemed more focused on the Israeli-Palestinian aspect, Mr. Moratinos developed, starting then, positive relations with Syrian President Hafez El-Assad.

He was an essential interlocutor, not only for what concerns the relations with Damascus, but also for the issue of Lebanon, under total Syrian control.

For Lebanon, Mr. Moratinos developed an original negotiation formula, «complete withdrawal for total security,») with regard to the different parties still in conflict, which all the interlocutors deemed interesting, even though it didn't achieve concrete results.

In reality, it was impossible to apply the formula separately to Lebanon, as perhaps Israel would have been willing to do, without contextually implying an Israeli withdrawal from Golan and peace with Syria. Assad couldn't avail the achievement of other separate peaces, after that with Jordan and the agreements with the Palestinians.

But on this there was a basic disagreement between the Israeli positions and those of President Assad, who referred to the Agreements of Principle reached at Wye River in May 1995, and to the verbal commitments for a total withdrawal from Golan made on that occasion—positions rejected by Netanyahu, who only agreed to accept UN Security Council Resolutions 242 and 338, according to the guidelines established at the Madrid Conference.

However, the formula advanced by Mr. Moratinos certainly influenced the Israeli political debate and its echo can be heard in the Israeli government's decision, on April 1, 1998, to accept UN Security Council Resolution 425, which provided for the Israeli withdrawal from the entire country of Lebanon, with the condition that there would be security guarantees for Israel—a condition difficult for the Lebanese government to meet without Syria's sanction.

From this whole experience, and from the concern that the Israeli-Palestinian negotiations themselves would stall, originated a significant proposal for a European initiative for a Comprehensive Peace Settlement in the region.

The proposal, originated from a joint French-Egyptian initiative advanced by Presidents Jacques Chirac and Hosni Mubarak in May 1998, proposed the convocation of a new international Peace Conference, after the Madrid one, with a double component: a meeting with the participation of countries not directly involved in the conflict but that could be influential in the negotiation; and a second element with meetings among the countries directly involved.

In June 1998, the European Council assigned to Mr. Moratinos the task of studying the feasibility of such a conference. The Special Envoy clarified that the Conference should reaffirm the principles and agreements agreed upon in Madrid.

Therefore, the French-Egyptian initiative was not completely accepted, but the Special Envoy was to verify its feasibility.

Mr. Moratinos therefore committed to a diplomatic shuttling among the area's countries, which highlighted the European's position in favour of a global relaunch of the peace negotiation that didn't include Syria and Lebanon in any way.

Still, in October 1998, on the eve of the Wye negotiations, Mr. Moratinos took to Damascus Israeli proposals for the reopening of negotiations.

In the formulation of a proposal for a new Peace Conference a double aim was clear: on the one hand, to give an edge, an element of pressure, to the American negotiators, who were engaged in exercising strong pressure on the Israeli premier; on the other hand, the aspiration, never completely abandoned, particularly by the French, to look for possible alternatives to the United States' mediation, from which the European political role could emerge increased.

The proposal was probably perceived by the United States diplomatic circles as a disturbing element in the ongoing negotiations, and perhaps it wasn't totally unrelated to the non-presence of the European Union at the signing of the Wye agreements.

That suggestion of an alternative way influenced, in some ways, President Mubarak's reserved attitude before and during the Wye agreements (unlike the anguished presence and participation of King Hussein of Jordan.)

The value of the French-Egyptian proposal seems to have been exhausted with the achievement of the Wye River Israeli-Palestinian agreements, and particularly by the Labour victory at the May 1999 Israeli elections

On October 26, 1999, the Council for General Affairs renewed the mandate to Special Envoy Moratinos, issuing a statement in favour of the diligent implementation of the Wye agreements and of a quick beginning of the final negotiations.

5. The European Union's Initiative in Favour of the Palestinian Territories.

5.1 International Aid and the European Union's Role.

As it is known, the European Union is by large the biggest among the donors who came to support the Palestinian population. It is therefore normal that, five years after the Washington agreements, a loud debate has been opened on the effectiveness of the results achieved by its aid.

The concept underlying the plan for international aid, expressed immediately after the 1993 Washington Agreements, wasn't aimed at the implementation of traditional interventions for co-operation to development, it was proposing itself as a true plan for economic and infrastructural reconstruction, able to ensure a stable departure for the Palestinian economy.

Such debate highlighted the clearly frustrated state of the donors, who had disbursed huge resources without achieving the desired results. The aid and the aid credits didn't help develop the Palestinian economy, but only curbed the income drop and covered the Palestinian National Authority's current expenses, therefore avoiding an economic collapse.

At the end of 1993, in allocating huge funds for 1994 to 1998, the donors meant to contribute to a noticeable increase in current income and to lay the foundation (infrastructures, institutions) for a quick economic development.

The negative political and economic evolution has forced the donors to re-orient the investment funds toward consumption, to contain the income drop (for example, financing emergency programs to increase employment) and to cover the Palestinian Authority's current deficit, not only financing the investment expense, but also, in large part the current expense.

Discussions with the individual donors have already been initiated for an aid program subsequent to that for 1994 through 1998. The donors will try to better aim their efforts toward and improve the transparency of the Palestinian institutions (to make more effective the aid and to stimulate private investments.)

The limits of the donors' actions, however, are clear: the Palestinian economic development will depend in fact on the results of the negotiations, which will define the resources available to the Palestinians and the

constraints within which they'll be able to use them, and on the chosen management and economic politics of the Palestinian Authority.

EU ASSISTANCE TO THE WEST BANK AND GAZA STRIP 1994-98

EC Budget: ECU **441** m.
Member States: ECU 864m.
EIB Loans: ECU 184m.

TOTAL: ECU 1.5 BILLION = approximately USD 1.7 BILLION

EU ASSISTANCE TO UNRWA: REGULAR BUDGET SUPPORT 1994-98

UNRWA EC Budget: ECU 168m.
UNRWA Member States: ECU 336m.

TOTAL ECU 505 MILLION = approximately USD 580 MILLION

TOTAL EU AID TO THE PALESTINIANS (INCLUDING UNRWA) FOR THE PERIOD 1994-98

ECU 2 BILLION = approximately USD 2.3 BILLION

**EU MEMBER STATE AID TO PALESTINIANS IN 1998
(in millions of ECU)**

DONOR	BILATERAL AID	UNRWA
SPAIN	28	0.36
SWEDEN	16.36	18.18
UK	4.14	10.28
BELGIUM	2.32	1.09
DENMARK	7.4	5.38
LUXEMBOURG	1.45	0.16
AUSTRIA	4.36	0.36
IRELAND	1.28	0.51
FINLAND	NA	1.86
PORTUGAL	0.73	0.23
NETHERLANDS	4.7	4.98
FRANCE	13.72	NA
GREECE	0.91	NA
GERMANY	58.93	7.65
ITALY	3.27	14.54
TOTAL	147.57	65.58

Source: Office of the European Union's Special Envoy for the Peace Process in the Middle East.

Donor countries – Funds allocated and disbursed by March 31, 1998 (in millions of US\$)

	Allocated	Granted	Disbursed
United States	500.0	330.6	323.7
Japan	289.2	289.2	273.7
European Union	401.7	401.7	263.3
Norway	237.4	237.4	212.3
Saudi Arabia	208.0	208.0	129.4
World Bank	203.7	203.7	113.7
Holland	151.2	151.2	104.0
Germany	180.6	180.6	86.3
Switzerland	79.8	79.8	72.0
Sweden	88.2	88.2	56.9
Italy	137.6	137.6	56.5
Denmark	61.5	49.3	50.4
France	76.0	76.0	48.3
Spain	129.1	129.1	47.5
United Kingdom	128.7	66.7	36.4
Israel	74.5	27.5	10.5
IFC	70.0	57.8	3.8
EIB	300.0	112.5	0
Other	544.4	442.1	217.1
TOTAL	3,861.6	3,269.0	2,105.8

Source: **FINTESA** STUDI PAESE SRL

5.1 The Effects of International Aid on the Economic Situation.

The Palestinian economic situation doesn't show signs of progress; on the contrary, it has progressively deteriorated in the years following the Oslo Agreements. In 1997, the *GDP per capita* was in real terms 11 percent lower than in 1993, and the real *GNP per capita* has dropped 19 percent.

We should remember, however, that the analysis of the Palestinian economic evolution is strongly hindered by the scarcity of reliable data. Israeli and Palestinian statistics could, in fact, be suspected of being altered (particularly regarding population, employment, and income) for negotiation purposes.

The Palestinian Central Bureau of Statistics has recently made available the first estimates of national accounts for 1995-1996, and the results of the late-1997 Census. According to these data, in the four years 1994-1997, the real *GDP per capita* dropped 15 percent, and the real *GNP per capita* dropped 17 percent.

Employment has dropped dramatically. After returning, around 1992, to levels preceding the Intifada, the employment level since 1993 has gradually decreased, due to the difficulty of the job market to reabsorb the workers expelled from the Gulf countries after the 1991 crisis and those who can't work in Israel anymore, not to mention the new entrants into the job market (15,000 a year.) Therefore, the unemployment rate has increased in the past few years, exceeding 30 percent in 1998.

These data offer a dramatic evaluation of the economic evolution: a strong decline, essentially due to the repeated and prolonged closures of the Territories imposed by Israel after terrorist attacks, to the missed remittances of the workers employed in Israel, and to the lack of influx of private investments (which, excluding housing construction, have been only 8.8 percent of the GDP for 1994-1997).

The Palestinian economy is choked by the repeated closures of the Territories imposed by Israel for security reasons, causing the block of work flows and of exports; by the excessive dependency on Israel; by the general political risk; and also by the low transparency of the Palestinian Authority. (Corruption episodes, concession of monopolistic import licenses to people with ties to the government, and repeated human rights violations have reduced the confidence of the population and discouraged private investors, foreign investors, and particularly those tied to the Palestinian Diaspora, who could be the source of huge financing.)

5.2. The Effects of Territory Closures

The repeated closures of the Territories, imposed by the Israelis since the beginning of 1993, in reaction to the various terrorist attacks, as a means of pressure, and as a preventive security measure, have now become routine and have had disturbing effects on the Palestinian economy.

In fact, the closures diminished in the past few years, with the arrival of the government presided by Netanyahu. However, that practice remains, and certainly constitutes an element of permanent precariousness and destabilisation of the Israeli economy. It should be noted that such a practice totally contradicts the potential for integration and interdependence between the two economies, within a regional economic co-operation, based on the formulation underlying the Israeli-Palestinian economic agreements undersigned in the April 1994 Paris Protocol.

The effects of the block can be seen at several levels.

On the one hand, there has been the strong contraction of commuting workers employed in Israel, who went from more than 120,000 before 1991 and

the Gulf War, to 83,000 in 1993, to 53,000 in 1994, to 20,000 in 1995-1996, although rising back again in the past few years to more than 35,000. The value of their remittances, in the crucial years between 1994 and 1996, went from 480 to 121 million dollars.

On the other hand, the block prevents the free circulation of people and goods, making any potential economic planning precarious for businesses, which aren't sure of when they'll receive the goods ordered or when they'll deliver products to their foreign clients. The blocks therefore drastically reduce the potential for export, for the implementation of different economic projects, and the confidence of potential investors. Economic activities are tending more and more to meet the local needs, and have difficulty introducing themselves in regional and international markets.

With the installation of the Palestinian National Authority, the freedom of movement issue has become in some ways even more complex, and not only regarding access to Israel or Jerusalem. The Palestinian National Authority controls only the big cities, islands surrounded by Areas B or C, still under Israeli control. Furthermore, as it is known, there is no territorial contiguity between the West Bank and Gaza.

For a Nablus resident, going to Hebron—not to mention Gaza—can be more complicated today than during the Israeli occupation, when there was territorial continuity within the West Bank.

5.3. Social Diversification

Despite the hopes generated by the peace process, it can't be said that the conditions of the poorest strata of the population have improved. On the contrary, they have deteriorated since 1993 because these strata have felt more strongly the repercussions of the repeated and prolonged closures and of job market fluctuations. Such fluctuations have produced, according to some studies, an increase in poverty in these past few years.

The population below the ((povertyline,)) according to World Bank data, is around 17 percent in the West Bank and 32 percent in Gaza.

At the same time, a pretty well-off class has been building, with large means and no economic problems, even though affected by the general economic conditions.

This class is composed essentially of two sectors: the members of the most well-off families, who control in large measure the land, and from whose ranks come many of the new entrepreneurs and business intermediaries; and the highest officials who work for the international organisations and those who

gravitate toward the Palestinian National Authority, who can take advantage of privileges and occasions deriving from their positions.

It is difficult to quantify, but according to the estimates gathered, they should be about 10 percent of the population.

5.4. A Few Summarising Evaluations.

It would be easy to say, based on such dramatic data, that the international aid has failed its goals, particularly keeping in mind that in the 1991-1995 period, according to European Commission data, the European Community per capita contribution in favour of the Palestinian population has reached the amount of 258.7 ECU per person, compared to a similar intervention of 23.2 ECU for the Lome countries and 11.2 ECU in favour of the **MEDA** countries.

And yet, even with the clear negative effects of constant closures, missed influx of income from Palestinians working in Israel, and a lack of foreign investments—also caused in large part by the aforementioned factors—we wonder what would have happened without the influx of international aid, and how the situation could have been kept standing without uncontrollable explosions due to the chain effects of the blocked peace process and of the worsening economic situation.

In short, the international donor effort has ensured the survival of the peace process. It has also created the conditions that may allow the Palestinian economy to bounce back once Israel removes the obstacles for growth.

Clearly, this doesn't mean that, in perspective, the disbursement of aid shouldn't be reoriented through some now clearly identified priorities:

- * Increase the ability for agencies put in charge by the European Union to move from the preliminary study phase—too often redundant with similar studies conducted by other international agencies—to concrete forms of intervention in the field, in favour of the Palestinian economy.

- * Guarantee more transparency within the Palestinian National Authority in the management of aid, with potential for effective donor control in forms that don't become paralysing.

- * Target aid toward mid- and long-term investments;

- * Target aid in favour of productive activities and the private sector, contrasting the emerging trend in the Palestinian National Authority toward strict forms of control on productive activities and the formation of *de facto* monopolies in key sectors (such as the cement industry).

* Negotiate with the other international partners, beginning with the United States, for a political space for the European Union in the development of the peace process appropriate to the size of the promised economic intervention.

Economic Structure of the Palestinian Territories

INDICATORS	1993	1994	1995	1996	1997	1998
Population (millions)	2.27	2.24	2.39	2.54	2.69	2.85
GDP (millions in USD)	2557	2.975	3.575	3.897	4.178	-
GNP	3109	3463	3469	3438	3797	4100
Real GDP (%)	-1.3	10.8	-5.6	-1.7	-0.8	2.2
GDP per capita (in USD)	-	1.329	1.496	1.537	1554	-
Inflation (%)	16.5	14.0	10.8	8.4	7.6	-
Consumer prices (average)	11.0	14.9	10.8	8.4	7.6	6.0
Unemployment rate (%)	18.0	24.7	29.0	33.4	31.1	30.6
Employed in Israel (.000)	83	53	32	22	35	35
Current public deficit (min \$)	-23	30	67	112	38	37
Work programs (min \$)	0	0	0	49	9	-

Source: FINTESA STUDI PAESE SRL

Trade Balance

INDICATORS	1992	1993	1994	1995	1996	1997
Export fob	209	236	227	373	340	381
Import cif	- 1,232	-1,138	-1,024	-1,700	-2,017	-2,164
Trade Balance	- 933	- 902	- 798	- 1,327	-1,676	-1,784

Source: FINTESA STUDI PAESE SRL

6. The New Barcelona Euro-Mediterranean Politics.

6.1 The Barcelona Process.

The beginning of the new Euro-Mediterranean Politics, launched at the Barcelona Conference in November 1995, originates from a long maturation process started in the early Seventies.

The Barcelona Conference was, however, a true quality jump, for the importance of the decisions adopted and for the amount of financing deliberated to implement them.

As it is known, the Barcelona Declaration proposed the creation of a new Euro-Mediterranean Partnership, in political and security matters, as well as financial and economic ones, between the European Union and the 12 Mediterranean partner countries. (Libya was excluded due to the UN sanctions imposed due to suspicions of complicity with terrorism.)

The platform agreed upon included the adoption of initiatives for the development of a joint political and security co-operation.

In the economic and financial field, there was a provision for the implementation of a Free-Trade Zone by 2010, and the beginning of concrete politics to allow a structural rebalance in favour of the partner countries in the different areas, providing for the allocation of approximately 9,000 ECU for the period 1995-1999, between gift funds and EIB credits.

Finally, the start of a social and cultural co-operation was anticipated, which included also the aspect of controlling illegal immigration.

The contextually approved Work Program provided for the beginning of specific activities in those areas, requiring:

- For the political *and security* co-operation aspects—periodic meetings of senior officials to elaborate proposals, which are to be transmitted to subsequent meetings of the Euro-Mediterranean foreign ministers
- For the economic *and financial* co-operation aspects—periodic meetings of experts and qualified ministers in the following areas: Euro-Mediterranean free-trade area, investments, industry, agriculture, transportation, energy, telecommunications and information technology, regional planning, tourism, environment, science and technology, water, and fisheries
- For the social, *cultural, and human aspects*—workgroups focused on: human resources, municipalities and regions, and the potential for :decentralised co-operation; a dialogue between cultures and

civilisations; media; youth; civil society exchanges; social development; public health; migrations; and illegal immigration.

To support all these co-operative activities, a Euro-Mediterranean Committee for the Barcelona Process was created, composed of high officials, which would meet regularly to prepare Euro-Mediterranean Meetings of Ministers.

The first of these Meetings was held in Valletta, Malta, in April 1997; to this followed that of Palermo (June 1998) and that of Stuttgart (April 1999). These Meetings discussed in depth the different baskets of Euro-Mediterranean co-operation, working particularly on the development of a Charter for Peace and Stability for the Mediterranean, already provided for in Barcelona, which, finally, the Stuttgart Meeting decided to adopt in its fundamental aspects.

6.2. The Barcelona Process and the Peace Process in the Middle East.

The Barcelona Conference and what ensued saw Israel, the Palestinians, and the various Arab countries—including Syria and Lebanon, which for a long time had suspended their participation in the multilateral negotiations originated from the Madrid Conference—sitting at the same table, discussing concrete issues of multilateral co-operation.

The Barcelona Process was seen as «complementary» to the peace process in the Middle East, but at the same time «separate» from it. This was one of the elements that allowed the Syrian and Lebanese participation. Despite this, the stalled peace process affected the activities of the Barcelona Process, causing constant incidents and lulls, due to the persistent Israeli-Arab tension.

Before the Palermo Meeting, which was informal and preparatory to the Stuttgart Meeting, the Arab foreign ministers met in Beirut to co-ordinate their positions, giving a mandate to the Lebanese foreign minister, *Mr. Farez Boueiz*, to present them at the Palermo Meeting. In short, the expressed position was that, given the global character of the Euro-Mediterranean co-operation, any activity involving Israel would have to be postponed, at least for the time being.

The **risk** of a complete paralysis of the Barcelona Process, which such a position would generate, was avoided by pointing out the informal character of the Meeting, and by deciding to limit a specific discussion on the status of the peace process in the Middle East to the first day of the conference, and to not discuss declaration proposals on this issue. This allowed the Arab representatives to express their frustration, but then to participate, in the following days, in the discussion on specific areas of co-operation. The low profile of the Israeli delegation at the conference also helped.

At the Euro-Mediterranean Parliamentary Forum, which opened in Brussels in October 1998, a few days after the Wye River agreements, in the absence of the Syrian and Lebanese representatives, the Israeli and Palestinian parliament members together inserted into the final declaration a few points in support of the just-signed agreements and their implementation, and of a relaunch of the Israeli-Syrian and Israeli-Lebanese negotiations.

6.3. The Bilateral Co-operation in the Euro-Mediterranean Partnership.

Another important element of the Barcelona Process is that the procedure for the creation of a Free Trade Zone requires the implementation of bilateral association agreements between the European Union and the partner countries. This procedure, besides incrementing the bilateral trade with Europe, wants to facilitate in the mid-term, by a kind of induced transitive law, trade among the partner countries themselves, who will find themselves united by a common state of free trade with Europe.

It is clear that implementing this procedure will be a long-term process, given the current difficulties in inter-Arab economic relations, not to mention the status of the Arab countries' relationship with Israel.

In reality, this is the situation in the various countries of the Middle East:

6.3.1. Israel.

For a while, the Israelis had tried to improve the status of their economic relations with the European Community, which was based on the 1975 co-operation agreement, and which they considered too impedimental for their exports toward Europe. After the September 1993 Washington Agreements, the European Council authorised the Commission to start negotiations for a new association agreement between the European Community and Israel.

The Euro-Mediterranean Agreement between the European Union and Israel was signed in November 1995, providing for a wide range of potential co-operation in the different areas covered by the Barcelona Conference. Until the beginning of 1999, France and Belgium had not ratified that agreement, and therefore the economic and trade relations between the EIU and Israel were based on the Interim Agreement on Trade and Trade-Related Matters, effective since January 1996.

Of great interest is the European Union-Israeli agreement signed in March 1996, regarding Scientific and Technologic Co-operation. This agreement allows Israeli researchers—the only case among the extra-

European Union countries—to participate in the European Union’s non-nuclear Programs of Research and Development, and reciprocally, European scientists to participate in similar Israeli research projects.

Another agreement between the European Union and Israel—on procurement by government and telecommunication operators, about opening the markets, and of potential co-operation in telecommunications projects—was reached in February 1997.

A persistent controversy has occurred over the years about the Israelis’ implementation of the Origination Rules provided for by the agreements in effect.

In particular, the controversy has surrounded Israeli goods coming from the settlements located in Palestinian Territories—considered illegal by the European Union—and the habit of many Israeli businessmen of exporting to Europe goods produced by Palestinian sub-contractors, with the label «Made in Israel,») declaring at the same time that their imports, intended for the Palestinian market, were meant to go to Israel.

Another element of controversy with respect to Israel, has been the persistent obstacles put forth by Israel to Palestinian exports and imports, for the most part regarding transit through Israeli ports, and to the freedom to transport people and freight in the Palestinian Territories, despite the specific disposition of the April 1994 Paris Protocol.

The European Union’s pressure on these matters has been at times very strong, obtaining some partial results, which have contributed to the partial improvement of the situation.

6.3.2. Palestinian Authority.

In 1986, the European Community guaranteed preferential treatment to products coming from the occupied Territories, to guarantee those producers the same treatment reserved for those coming from surrounding countries.

Without a government counterpart, the Community decision had been unilateral.

The Palestinian-European Chamber of Commerce was authorised to issue certificates of origin.

That caused, as I said, a long dispute with Israel, which didn’t accept those procedures. Even though an agreement with Israel regarding agricultural

exports was reached, in principle, in December 1987, the related procedural agreement with the Palestinian producers wasn't signed until October 1988, when the European Parliament threatened to not **ratify** the co-operation agreements with Israel and the **fifth** financial protocol if Israel didn't resolve the problem of Palestinian exports.

An Interim Association Agreement between the European Union and the PLO (who, in agreement with Israel, signed on behalf of the Palestinian Authority) became effective in July 1997. This is obviously an agreement of great ~~relevant-ne~~ relevance of only two already in effect, together with that with Tunisia.

I already mentioned the persistent difficulties posed by the Israelis, for political reasons and to protect and benefit the Israeli economic operators, extending their substantial and persistent control over the Palestinian economy.

6.3.3. Jordan.

In past years, trade relations between the European Union and Jordan were based on the Co-operation Agreement signed in January 1977.

In January 1999, during the Malta Conference, Jordan signed a new Euro-Mediterranean Association Agreement. In that Agreement, it committed to a gradual liberalisation of its domestic market, strongly protected against foreign imports, eliminating, starting January 1999, customs duties on more than 500 products, although wide exemptions were provided for some more sensitive Jordan productive sectors, for cars and other vehicles, keeping in mind that an important part of Jordan's state revenues come from customs duties, not easily replaceable in a short time.

6.3.4. Lebanon.

Trade relations with the European Union are based on the Co-operation Agreement signed in May 1977.

Negotiations are being held for the Association Agreement, according to the Barcelona Process, but they aren't in an advanced stage. Among the most controversial issues is that of agricultural products, also shared by Egypt.

Obviously, the Lebanese attitude is affected by the Syrian attitude.

6.3.5 Syria.

Trade relations with the European Union are based on the Co-operation Agreement signed in January 1977.

The European Parliament has frozen the implementation of the third and fourth financial protocol with Syria, due to the lack of respect for human rights in that country, until 1991, when Syria released a few prisoners and participated in the alliance against Iraq during the Gulf War.

The Syrian government has manifested the intention of reaching an Association Agreement similar to that negotiated by the European Union with the other Mediterranean partner countries.

Negotiations are being held for such an Association Agreement, but they aren't in an advanced stage.

7. Conclusions.

The new situation created by the Labour victory at the recent Israeli elections opens new positive scenarios for the development of the peace process and for the new launch of bilateral Israeli-European and Israeli-Arab co-operation, not to mention multilateral regional co-operation.

Many of the projects elaborated after the Madrid Conference could be launched again, and this could open great new intervention spaces for the European initiative.

In these conditions, the discrepancy between the European Union's economic role in the Middle East and its political recognition by the other international partners, beginning with the United States, and by the negotiation parties, becomes more and more an objective obstacle, and it seems that overcoming this obstacle can no longer be postponed.

This situation is caused by several factors, not least the persistent uncertainties and swaying of the adopted political line, which at times has been affected by a certain language duplicity among the foreign politics of the various member states.

This situation has also created, in some phases, impressions of competitive ambitions with respect to the United States initiative, probably beyond any real intention.

Another aspect is the need not only to exist, but also to be perceived, by all of the parties, as friends on even grounds, and as filled by a will for an

impartial mediation, which hasn't always been possible, particularly **with** regard to Israel.

The lack of Joint Foreign and Security Politics has certainly been one of the basic aspects of this situation, and overcoming it should therefore be made easier by the appointment, at the European Council in Cologne, of **Mr. Javier Solana** to the new position of European Union's **High** Representative for Common Foreign and Security Policy.

It should be said that the appointment of Special Envoy Moratinos already has helped the European Union's initiative make a considerable qualitative leap—for the general appreciation that he has obtained; for the balanced approach he has demonstrated, not only aware of the objective limitations imposed by the situation, but also deep, intelligent, and imaginative.

The United States, too, has better understood the function that the European Union *can* perform for the region's economic development: to facilitate increased security in the area, and to influence some Arab states toward a more positive and articulate approach toward the peace process.

Regarding the relationship with the United States, what was stated in a communication of the European Commission on January **16**, 1998, is exemplary:

«The meaning of complementarity»

The European Union has accepted a role which is diplomatically and politically complementary to that of the US. This is an agreement which has worked imperfectly so far and which can be proved to boost the effect of international community efforts to put the peace process back on track.

The Commission feels that the European Union is to continue to be the basic economic foundation of the peace process, than what has happened until now should be taken into account. The role that the European Union has played so far should lead to the conclusion that the way in which the complementary efforts of the two allies is to be organised should be reviewed and then put to the consideration of the US, the Palestinians, the Israelis and the international community.

When submitting these proposals, the Commission does not understand them on any way as challenge to the role of the U.S. The present determining role of the U.S. rooted in the past, will continue in the future.

Therefore, while the European Union should continue to support the crucial political role of the US, the complementarity that has guided the European Union role so far should be changed in two main ways:

- The European Union has so far played a constructive role. This role would be much improved if the parties and the **US** acknowledged the need for the European Union to participate alongside the U.S., both at Ministerial level and through its Special Envoy, in assisting bilateral negotiation.
- The European Union has contributed by itself over half of the financial resources to the peace process. Because of this, it has more experience, wider links, and a considerable political capital. It understands that the international assistance effort is to be renewed, it must be redefined. It is clear that the basic shareholder should be the key co-ordinator. Therefore, the international economic effort should be co-ordinated by the European Union on the basis of the Ad Hoc Liaison Committee model: Palestinians, Israelis, the Bretton Woods institutions, the United Nations and the active participation of key donors.

Being by far the first donor, the European Union (presidency and Commission) should play a substantially enhanced role in the co-ordination of internal assistance, according to a formula to be renegotiated with other donors.))

THE PRICE OF NON-PEACE

ISRAEL

Israel: Politics

*A conversation with Amnon Sela**

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What's the perception of peace in Israel from a political standpoint?

To talk about the price of "non-peace," we must first analyse the meaning of the word "peace" in Israeli society.

The common greeting in Israel is shalom, which in Hebrew means precisely "peace." Today in Israel, people say shalom without paying any attention to the deep meaning of this word. **An** American study on this subject shows that the typical "good-morning" sentence in the American workplace could be replaced with any other sentence, like "blue sky," without any consequences. In Israel, there's been a trivialization of the word "peace." If we look back at the history of Israeli diplomacy, we can, in fact, see that the word "peace" is always juxtaposed with an adjective: "stable peace" or "fair peace," up to Netanyahu's "secure peace," for example. The constant need to add something to the word "peace" indicates that the word "peace" by itself has lost its meaning.

Another characteristic of the history of Israeli diplomacy has been the separation of the concepts of "security" and "peace." To define the country's borders, expressions have been created that are similar but not identical to those used for "peace": "secure borders," "stable borders," "defendable borders." The use by Netanyahu, for propaganda reasons, of the two words "peace" and "security" together is therefore nothing new in the language of Israeli politics.

It is emblematic that the word "peace" has never been used by itself to define Israel's expectations of its counterpart. Peace by itself, net peace, for Israel is not the absence of hostility or of a state of military confrontation; it is, rather, a situation of love among peoples in which the existence of war between nations has been completely eliminated. This is a concept rooted in the Jewish culture and mentality. Going back to the prophet Isaiah, who wrote extraordinary and beautiful words about peace, we find: "He shall judge between the nations, and shall decide for many peoples; and they shall beat their swords into plowshares, and their spears into pruning hooks; nation shall not lift up sword against nation, neither shall they learn war any more." Isaiah, 2:4.

The rejection by the Palestinians in 1967, at the Khartoum Conference, of negotiations or of peace was confirming the Israelis' belief that they had no interlocutor

with whom to start negotiations: the Palestinians didn't desire peace because they didn't love it.

The word "peace" has since acquired a negative connotation in some Israeli circles: peace has become a concept associated with the left wing. It is not a case that the two main political alliances are called the "national camp" and the "peace camp" as if the two notions were antithetical. The line that separates the right wing from the left doesn't go according to economic and social politics, as is characteristic of European political alliances, the heritage of Marxist principles of class struggle, but instead falls between those who support compromise for the Land of Israel and those who reject it. During the 1996 elections, the national camp supporters, sure that peace was against their beliefs, wrote on the walls: "Peace will not win." They were referring to the peace camp in Israel. The result of this distortion is that today the word "peace" generates polarisation and antagonism.

Can the peace reached in Oslo be considered a true peace?

The Oslo Agreements were too much and too little at the same time. Too much, because they were presented by the Rabin government as a peace agreement, which they weren't and didn't intend to be. Too little, precisely because this kind of agreement leaves so many things up in the air that it cannot be considered a peace agreement. The Agreements were presented in that manner because there was a fear that otherwise they wouldn't be immediately approved and that in a second attempt it would be more difficult to win public opinion.

The main part of the Declaration of Principles of the Oslo Agreements acknowledges the need for negotiations to reach peace. To negotiate, it is necessary to have an equal counterpart. The rejection of this factor has been one of the major obstacles to diplomatic relations with the Palestinians. The Palestinians had been considered only refugees, and the Palestinian issue was considered a matter of settling refugees. Only since 1964, year of the creation of the PLO, has the Palestinian issue begun to be considered in national terms. Another obstacle to peace with the Palestinians has been-and here I refer in particular to Golda Meir's government-the denial of the existence of a Palestinian people. Golda Meir loved to repeat that she too was Palestinian, an emblematic anecdote of the Israeli attitude.

The decisive breakthrough created by the Declaration of Principles of the Oslo Agreements was the acceptance of the existence of a Palestinian entity, not yet a state. This means accepting the existence of a people like ours, with whom we need to negotiate to reach an agreement.

The acknowledgement and the granting of respect for the Palestinian interlocutor on an equal basis was an event so revolutionary that at least 50 percent of the Israeli public could not absorb it. It is for this reason that the Rabin government decided to present the Agreements as a peace agreement. The Declaration of Principles is in reality a framework inside which the two sides should have, in time, channelled their own

requests, their own aspirations, their own historical resentments, and, in general, all the baggage of arguments necessary to the processing of a negotiation.

After the first waves of enthusiasm and shock following the announcement of the Agreements, the document began to be studied in more depth. Those who were in favour realised that it was only a declaration of principles; those who were against then had an easy time emphasising the gaps. This situation has made the progress on the road to peace more difficult.

What has been and what is the influence of extremist groups?

Within the Israeli society, some groups were formed that didn't accept the internal conflict on the question of peace with the Palestinians. The members of this group thought, and still think today, that if the Oslo Agreements were to be completely applied and implemented, it would cause the end of the State of Israel and of all in which they believe. >From these groups originated the Rabin assassination.

These groups have as a counterpart those Palestinian extremists who were and are preoccupied just as much with the application of the principles contained in the Agreements. These extremists are prepared to do anything to block the implementation of the Oslo Agreements, and for this purpose have committed acts of terrorism with great bloodshed. These acts have created the so called "victims of peace."

The death of civilians, "victims of peace," has contradicted the people's hopes in the Oslo Agreements. The budding peace was perceived as the end of hostilities, the end of bloodshed. The persistence of hostilities, the multiplying of bloodshed, have put under discussion again the whole Declaration of Principles of the Oslo Agreements.

The terrorist activities have shifted the emphasis in the perception of peace from the collective to the individual. Initially, peace had been conceived as a collective act between the Israeli State and the Palestinian entity. Terrorist acts have reawakened and sharpened the individual fears of each mother, father, and human being in Israel. All the primordial fears that exist everywhere-and that in Israel and in the Jewish people have natural added association tied to the Holocaust trauma-came to the surface again.

An opponent was rediscovered that was not infatuated with peace, but was full of the ancient hatred for the very presence of Jews in Israel-as a national group and even as individuals who don't have the right to exist for the simple reason that they are Jews.

The Israeli right wing immediately jumped on the rebirth of such fears, insisting on this issue, using the same arguments: "They kill you because you are Jews," "They want to see Jewish blood flow," and so on. Among those waving these slogans are ministers in the Netanyahu government.

At that moment, the government should have initiated a campaign to explain the exact contents of the Declaration of Principles of the Oslo Agreements. This campaign should have served the purpose of reducing the fears and of countering the sly

insinuations of the opposition, which was attacking Rabin himself as a person, describing him in vile terms **as** a traitor and enemy collaborator. **A** sensitisation campaign couldn't have influenced extremist groups such as the Kach, but many opponents or those hesitant at that time would have been ready to receive a conciliatory message from the government. The lack of this communication effort has been such that the government intentions weren't explained even to sympathisers of the Labour Party living in the Golan and Jordan Valley settlements. Underestimating the need to pay attention to the people's sentiments has been a colossal blunder by both the Rabin and the Peres governments.

What can be the effect on peace of the religious element present in the Jewish State?

Beside the extremist political groups, we must really analyse the religious aspect. In Israel, there are people of faith who sincerely believe in the existence of a contract between the Jewish people and God regarding the Land of Israel. In the Bible, such a covenant or contract is mentioned many times. For this reason, it is forbidden to renounce even a small portion of the Land. There are in this matter several rabbinical rulings that forbid negotiations regarding the Land of Israel on the basis of religious law, the Halachà. The majority of those who think this way have a right-wing political orientation. There is a union of strict nationalism and clerical belief. The symbol and expression of this combination is the Mafdal (the National Religious Party), in which converge those who, **after** abandoning the Orthodox religious communities, join the nationalist forces, whose ideology often partly replaces the original religious belief.

What are the Oslo Agreement's most important deadlines?

The previous governments believed that the Jerusalem issue should be tackled last, trying to resolve all the other problems first in an effort to create a climate of trust between the counterparts in order to achieve the calm necessary to discuss the issue of the contested city.

During the 1996 electoral campaign, the Jerusalem issue became, unfortunately, an important point in the Israeli political debate. The opposition accused the government, and particularly then-Prime Minister Peres, of having a hidden agenda for splitting the city with the Palestinians, which meant that the left was not only made of traitors, but also that it was indeed negotiating one of Israel's inalienable strong points. The right wing decided to become the defender of Jerusalem, declaring it non-negotiable. Jerusalem is still today the centre of this debate, but the angle of this debate is such that, in the current situation, any attempt to reach a solution is made much more difficult.

What is the impact of the lack of progress of peace on the internal political scenario?

During the 1996 electoral campaign, the then opposition, which became the government, pointed to the Oslo Agreements as a terrible catastrophe for Israel that needed to be annulled and eliminated. The opposition realised, though, that it couldn't win with this program. With the electoral campaign in full swing, the right had, therefore, to modify its position. In case of victory, the new government would accept the Oslo Agreements as a done deal, as an obligation that had to be respected, deriving from commitments made by previous governments. It was only an exercise in acrobatics, though, because the right has never believed in the Oslo Agreements.

This kind of situation, of deep lack of confidence in the signed contract and in one's counterpart, is not compatible with the Oslo Agreements themselves. The "Declaration of Principles," in fact, is built in such a way that if one of the parties has the mere sensation that the interlocutor does not sincerely believe in peace, then, in spite of any effort made, the entire process stops. The change in Israeli attitude, caused by the election of a new government, has compromised the Agreements, despite the formal commitment of the team of ministers to respect the "Declaration of Principles." Nobody believed Netanyahu, not the Arabs, not the Europeans, and least of all the Americans. The lack of trust is a vital risk for the implementation of the Agreements. The immediate danger in this situation is that Yasser Arafat could lose control of the Palestinian "camp."

A feeling exists that the temporary cessation of large-scale terrorist activities is due on the one hand to the Islamic fundamentalists' partial satisfaction for the breach of trust between Israeli and Palestinians, and on the other hand to the Hamas's hope of collecting the majority of Palestinian approval with the progressive reduction of Arafat popularity. But this terrorism truce could be only temporary. If the Palestinians' frustration were to go past the limit of tolerance, Hamas could decide to go back to the path of terrorism. It is difficult to think that the 360-degree security measures undertaken in these past few years are the direct consequence of this or that information given by the Secret Services. It is more probable that it is instead a general preparation for any kind of violent act that could be committed in the near future. Even a child can feel the growing tension, particularly in Gaza.

In the long term, the situation endangers not only the relations between Israelis and Palestinians. The Palestinian issue is paramount for the whole Arab world and, to a lesser degree, for the whole Western world. The Palestinians aren't loved among the Arab countries, but the Palestinian issue has a fundamental role there: the Arab countries cannot tolerate the idea that the issue could be ignored or treated with conceit. The solution of the Palestinian problem is today a priority for these countries.

It is a problem so important that even the Iranians, who are not Arab and with the Arabs have few things in common, appear as champions of the Palestinian cause in order to assume a leading role in the Middle East. The solution to the Palestinian problem wouldn't be by itself a valid guarantee against the Iranian or Iraqi tendencies to acquire nuclear or non-conventional offensive capabilities, but could make it harder for these countries to unite the forces of the Arab world against Israel.

Netanyahu's government has focused more on internal political problems than on the search for peace. Just think of Sharon, minister first of Infrastructures and then foreign minister, and of Mordechai, Defence minister under Netanyahu, who go around waving maps in which, instead of considering only and exclusively Israel's security, the basis is some assumptions about the prosperity of Jewish settlements in the occupied territories. According to these maps, whatever their denomination may be, the settlements will not be enclaves within a future Palestinian entity, but will instead remain inside Israeli borders. The reality is that, as we worry about the progressive nuclearisation and growing rush to non-conventional armaments in the Middle East, the Israeli security borders are well beyond any borders designed on the maps yearned for by these ministers. They are virtual borders, tridimensional, that fall more or less within the area between Iraq, Syria, and Jordan. If there will be a war, that's where it will begin, not at the settlement borders.

To guarantee its security, Israel has two possibilities: one of occupying Jordan and Syria; the other, which is more realistic, to negotiate with these countries. This second solution is the one to follow to stop Iran and Iraq from acting against Israel. The idea of a compact Arab world is a very common misconception in Israel. The concept, often waved by the right, of a monolithic Arab world united in its desire to chase the Israelis and throw them into the sea at all costs has no basis in reality. **An** analysis of the Arab-Israeli relations shows that at some point and under certain conditions, a part of the Arab world has been ready to declare war on Israel. African countries such as Morocco, Tunisia, and Algeria, however, have never had much interest in an Arab-Israeli conflict. Jordan itself in 1948 and 1967 has only reluctantly waged war against Israel.

Israel's relations with the Arab world shouldn't be seen only in terms of conflict, an observation that's even more true since the signing of the Oslo Agreements.

What is the relationship between economic and political stability?

From an economic standpoint, the risks of non-peace are considerable, both in terms of economic and political stability. Economic and political stability are tied to each other; they constitute a sort of circle with grave reciprocal influences. The political instability has repercussions on the economic stability, with grave social consequences. It is on the grounds of poverty, of a low standard of living, of a lack of prospects, that terrorist organisations and religious fundamentalism thrive. Economic development isn't a guarantee against terrorist acts, but the potential for enlisting terrorists among people who have nothing to lose is high. Eliminating violent tendencies is a long-term process, but there certainly are higher hopes of success in times of economic prosperity accompanied by political stability and peace.

The negative effects of non-peace can be read already in the lesser will of the Persian Gulf countries to tighten economic ties with Israel, in the contraction of tourism entering Israel, and in the reduction of foreign investments.

On this subject it should be noted that the government proclamations about foreign investment levels in 1996 to 1998 refer to investments not in the industrial sector, but in the financial and banking sector. Financial investments move along very different logics from those of industrial investments and are much more ephemeral.

What's the relationship between peace and security?

The peace benefits have been clear, tangible, and quantifiable, even if constantly accompanied by terrorist acts and bloodshed. On this reality the right has based its agenda of secure peace.

The terms "peace" and "security"-absolute security-are antithetical in a process such as the Oslo process: to join them in the same sentence may have been a brilliant psychological idea, but it gives even the smallest Palestinian terrorist group veto power over the peace process. If the condition for the peace process to progress is that all potential Palestinian terrorists are put in jail, then even the smallest terrorist group has the power to block any positive dynamics.

Peace is a sufficient concept in itself. Peace is absence of war; it means diplomatic relations, normalisation. Peace is made of a series of reciprocal acts, whereas security consists of a series of unilateral measures, such as the creation of a strong army, the possession of nuclear arms, and, in general, high military investments. The result of these unilateral measures, however, is contradictory and paradoxical: if a party feels 100 percent secure, its counterpart will feel 100 percent insecure. Israeli security, guaranteed by its nuclear power, by a super-modern air force, and by the most powerful army in the Middle East, represents a threat to Syria, much more than Syria constitutes a threat to Israel. The bivalent nature of security is not taken into consideration by the Israeli leaders.

During the Cold War, we observed a similar situation. The Soviet Union made Eastern Europe into a fortress because it felt constantly threatened by the United States. This was interpreted by the Western world as the implementation of the Soviet will to build a springboard from which to launch the occupation of Western Europe. This perception led to the consequent spiralling militarization of the entire area.

What is the desirable option between Israel and the Palestinian entity: integration or separation?

The Israeli left, before the creation of the Israeli State, favoured a bi-national state. Paradoxically, it is the right that's implementing this idea. The constant increase in the number of settlements and the claim of more and more territories where a future Palestinian State should rise, make the separation between Israel and the Palestinian State more and more difficult.

The Netanyahu government, however, wasn't ready to bear the consequences of the creation of a bi-national state, because that would imply the concession of equal

rights to all citizens. Otherwise, there would remain an Israeli State with full control of almost all of the territory, with a few Palestinian "Bantustanis." Palestinians outside of "Bantustanis" wouldn't enjoy national rights, not even basic political rights such as the ability to participate in the Parliamentary elections. This kind of situation would hand a hard blow to the foundations of democracy in Israel, which would remain irreparably shaken.

The Israeli democracy is already showing warning signs of these tensions, such as the existence of two parallel judicial systems on either side of the "green line" separating Israel from the occupied territories.

The cohesion of the State of Israel has been weakened. The traditional parties are falling apart and we are witnessing the growth of sectorial parties such as Shas (ultra-Orthodox party of Jews of Middle-Eastern descent) and Israel B'Aliya (party of immigrants from the former Soviet Union.)

what could be the effects on the regional scene?

The creation of a united Arab front ready to wage war against Israel seems today improbable. Diplomatic relations between Israel and Egypt could get even worse, but a complete interruption doesn't seem plausible. **An** Egyptian military intervention is even less plausible. If, in fact, Egypt were to feel forced to wage war against Israel, it would first have to face the multinational force in the Sinai, creating a *casus belli* for a general conflagration in the area. The fact remains that if such a conflagration occurred, Egypt would find it very difficult to remain neutral without losing its pivotal and dominant position in the Arab world. Jordan is even less eager to get into a confrontation with Israel. Jordan has always seen Israel as a fortress against Syria. Syria, on its part, doesn't have sufficient means to start a war with Israel, especially if the historical tensions with Turkey are taken into consideration. The disparity of forces is such that Syria would be desperate indeed to commit such a foolish action, and Assad is not a madman.

The peace process still hasn't reached the point of no return. If the non-peace situation were to last, or even get worse, it is easy to imagine the complete collapse of the process itself, but this wouldn't imply the outbreak of a war.

At the same time, it is necessary to say that the peace process is not irreversible: its final arrest is a plausible scenario. The probabilities of such a scenario actually happening could be sensibly diminished if a peace with Syria is signed that contemplates a solution to the Lebanese problem.

Appendices

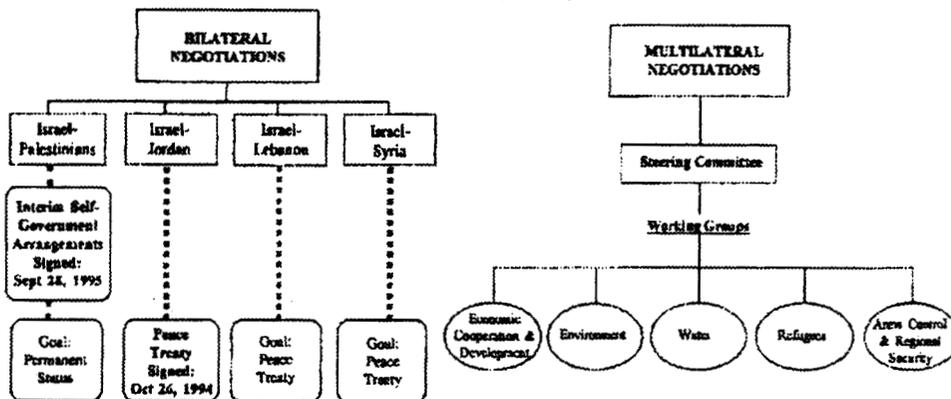
Politics

1. The Madrid Conference

The Madrid Conference, initiated on October 30, 1991, sponsored by the United States and the Soviet Union, was organised to open two separate but parallel peace negotiation paths: the bilateral and the multilateral. The bilateral negotiations have to deal with past problems among Israel and Syria, Lebanon, Jordan, and the Palestinians. The multilateral negotiations are intended to build the Middle East of the future and deal with issues on regional interest.

THE MADRID FRAMEWORK

Imagined at the
MADRID CONFERENCE
October 30 - November 1, 1991



- The purpose of the bilateral negotiations is to resolve the conflicts of the past.
- The goal of the talks with the Arab states is to conclude bilateral peace treaties.
- The talks with the Palestinians are aimed at achieving a settlement in two stages, over five years.

- The purpose of the multilateral talks is to build the Middle East of the future.
- Issues of regional concern are discussed in a forum which fosters cooperation and builds confidence between the parties.

2. The Negotiations with the Palestinians

DECLARATION OF PRINCIPLES (OSLO 1)

On September **13, 1993**, with a historic handshake, Rabin and Arafat ratify at the White House the Declaration of Principles on Interim Self-Government Arrangements, ending decades of clashes and conflicts. The reciprocal recognition between Israel and the PLO is thus sealed.

The Declaration of Principles constitutes the framework for the various Israeli-Palestinian negotiation phases. Among the provisions are immediate self-government in Gaza and Jericho, the quick establishment of a Palestinian Authority, an agreement on self-government and on the election of the Palestinian Legislative Council.

AGREEMENT ON GAZA AND JERICHO

On May **4, 1994**, the Gaza-Jericho Agreement is signed in Cairo. The document includes provisions for the withdrawal of Israeli military forces from Gaza and Jericho and the transfer of powers to the Palestinian National Authority (Palestinian Authority) and for its structure and composition, provisions for a Palestinian police force and for the relations between the Palestinian Authority and Israel.

AGREEMENT FOR AN INTERIM SELF-GOVERNMENT PHASE IN THE WEST BANK AND IN THE GAZA STRIP (OSLO 2)

On September **28, 1995**, the Agreement for an Interim Self-Government Phase in the West Bank and in the Gaza Strip is signed in Washington, D.C. This Agreement marks the end of the first phase of negotiations between Israel and the PLO and includes the Gaza-Jericho Agreement.

The main aspect of the Interim Agreement is the extension of the Palestinian self-government in the West ~~Bank~~ through the election of a self-government authority - the Palestinian Legislative Council. This will allow the Palestinians to take care of their internal affairs, to reduce the friction between Israelis and Palestinians, and to open a new co-operation and coexistence phase based on common interests. The main provisions of this Accord concern elections, the Palestinian Legislative Council, the withdrawal and new redeployment of the Israeli army, security, the revocation of the Palestinian Statute dispositions regarding the destruction of Israel, terrorism prevention, transfer of civil powers and responsibilities, freedom of movement, the Holy Sites, Hebron, human rights, water resources, release of prisoners, economic co-operation and relations, and finally, education to peace.

The territories occupied by Israel in the West Bank and in Gaza after **1967** are divided into three types of Areas, classified as: A) where the Palestinian Authority is given civil and security responsibilities; B) where the Palestinian Authority is given only civil responsibilities; and C) where Israel is given civil and security responsibilities.

ELECTION OF THE PALESTINIAN COUNCIL AND OF THE PALESTINIAN AUTHORITY'S PRESIDENT

On July 1, 1994 the PLO president Yasser Arafat enters in Gaza for the first time in 25 years.

On January 20, 1996, after the withdrawal of the Israeli army from the main Palestinian urban centres (except Hebron), elections are held for the Palestinian Legislative Council and for president of the Palestinian Authority. Arafat gets the majority of votes and is elected president of the Palestinian Authority.

THE HEBRON PROTOCOL

The Interim Agreement provides that the withdrawal of Israeli troops from Hebron be completed within six months from the signing of the Agreement. A series of terrorist attacks however delay the carrying out of the Agreements.

On January 17, 1997, the Protocol on new redeployment in Hebron is signed, dividing the city into two areas: the majority of the city under Palestinian control, and the area surrounding Jewish residential neighbourhoods under Israeli control.

THE WYE MEMORANDUM

On October 23, 1998, the Israeli prime minister Netanyahu and the Palestinian president Yasser Arafat sign, in Washington, D.C., the Wye Memorandum. The agreement provides for the application of the Oslo Agreements for what concerns the first and second redeployment of the Israeli army in territories under the Palestinian Authority's responsibility. The signing of the Agreement ends a long period of stall of the peace process; both sides commit to resume co-operation at all levels.

Summary of the Wye Memorandum:

*Within the limits of the first and second redeployment, Israel will transfer to the Palestinians 13 percent of Area C. 12 percent of Area C will become Area B (under Palestinian civil control, but under Israeli security control); 1 percent of Area C will become Area **A** (under complete Palestinian control.)

Within the limits of the first and second redeployment, Israel will transfer to the Palestinians also **14.2** percent of Area B, which will thus become Area A (under complete Palestinian control.)

* **An** ad hoc bilateral committee will be formed to negotiate the third redeployment phase.

* Israel will release a few hundred Palestinian prisoners.

* The Palestinians will strengthen their security measures and those for the fight against terrorism in the framework of a detailed plan, which includes arresting suspected terrorists, rounding up illegal weapons, and controlling the number of police forces. CIA agents will co-operate with the Palestinian and Israeli intelligence in the investigations against terrorism in the territories.

* The PLO's Executive Committee and the Palestinian Central Council will confirm the repeal of the Palestinian Charter articles concerning the destruction of the

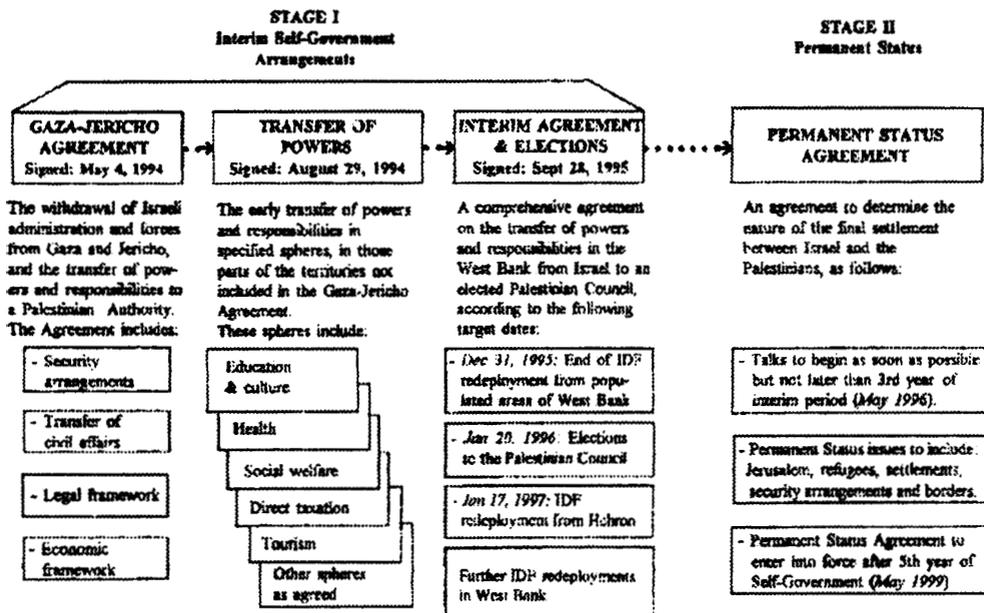
State of Israel. The Palestinian National Council (PNC), together with other Palestinians organisations will have to ratify such decision.

* Both sides have established the conditions to open an international airport and an industrial area in the Gaza Strip.

*Both sides will immediately resume negotiations on the permanent status.

NEGOTIATIONS WITH THE PALESTINIANS

Declaration of Principles
Washington, D.C. - September 13, 1993



3. The Negotiations with Jordan

THE WASHINGTON DECLARATION

On July 25, 1994, the Israeli Prime Minister Rabin and King Hussein of Jordan meet in public for the first time. The result of this meeting is the Washington Declaration, signed by Rabin and Hussein themselves, with president Clinton as a witness.

The main provisions of the Declaration concern:

* the end of the state of belligerence between Jordan and Israel;

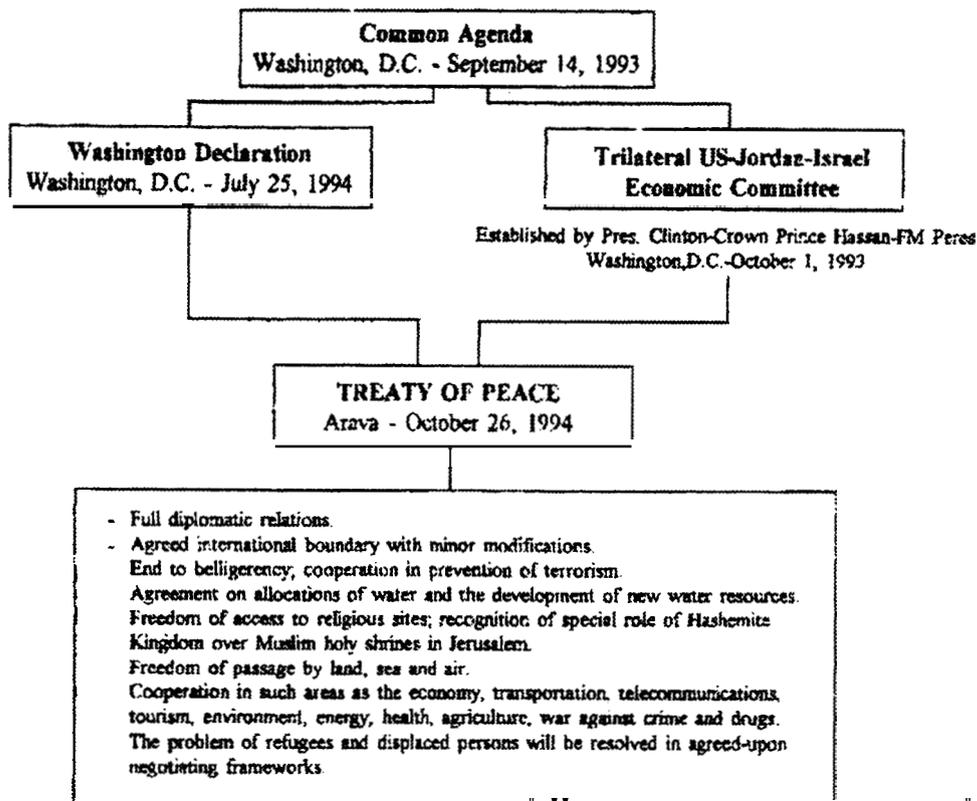
* The search on both sides for a fair, lasting, and global peace on the basis of UN Resolutions 242 and **338**;

* Israel's recognition of the special statute of Hashemite Kingdom over Muslim holy shrines in Jerusalem.

THE PEACE TREATY

On October **26**, 1994, Prime Minister Rabin and King Hussein of Jordan sign the Peace Treaty between the State of Israel and the Hashemite Kingdom of Jordan. The agreement settles the international borders between Israel and Jordan, including territorial water and airspace. Security provisions require that neither of the sides engage in belligerence or hostile acts, and that both sides will take necessary measures to prevent terrorist acts. Other provisions concern water resources, freedom of border crossing, the historical and religious sites, and the refugees.

NEGOTIATIONS WITH JORDAN



4. The Multilateral Negotiations

The multilateral negotiations start on January **28-29, 1992**, at the multilateral Moscow Conference on the Middle East, with the participation of **36** delegations. A steering and control committee is formed, which includes representatives of the main delegations, co-ordinates the multilateral negotiations, and decides meeting places and dates for the various workgroups. Five work groups for fields of main regional importance are formed:

- *a workgroup on water resources;
- *a workgroup on environment;
- *a workgroup on arms control and regional security;
- *a workgroup on refugees;
- *a workgroup on regional economic development.

Sources:

Israeli Foreign Ministry (October **1997**) - The Middle East Peace Process - **An** Overview. Declaration of Principles on Palestinian Interim Self-Government Arrangements.

THE FRAMEWORK of the MULTILATERAL NEGOTIATIONS

Inaugurated at the
MOSCOW CONFERENCE
January 1992

Steering Committee

Chair: US, Russia

Moscow	Jan '92	Moscow	Jul '93
London	May '92	Tokyo	Dec '93
London	Dec '92	Tashkent	Jul '94

Water Working Group

Gavelholder: US

Vienna	May '92
Washington	Sep '92
Geneva	May '93
Beijing	Oct '93
Muscat	Apr '94
Athens	Nov '94
Amman	Jun '95

Key Projects

- Desalination research & technology center in Muscat
- Wastewater treatment facilities at several Mideast sites
- Regional training program for water personnel
- Enhancement of water data availability

Refugee Working Group

Gavelholder: Canada

Ottawa	May '92
Ottawa	Nov '92
Oulu	May '93
Tunis	Oct '93
Cairo	May '94
Turkey	Dec '94

Key Projects

- Human Resources training courses for refugees
- Child Welfare programs to assist refugee children
- Social & Economic Infrastructure: rehabilitation and housing for refugees
- Public Health regional laboratory for refugee medical care

Environment Working Group

Gavelholder: Japan

Tokyo	May '92
The Hague	Oct '92
Tokyo	May '93
Cairo	Nov '93
The Hague	Apr '94
Bahrain	Oct '94
Amanan	Jun '95

Key Projects

- Gulf of Aqaba/Eilat, regional oil spill emergency centers
- Environment management: workshops, databanks, studies
- Desertification: projects to address natural resource degradation
- Balkan Code of Conduct for the Middle East

Regional Economic Development Working Group

Gavelholder: EU

Brussels	May '92
Paris	Oct '92
Rome	May '93
Copenhagen	Nov '93
Rabat	Jun '94
Rome	Jun '95

Key Projects

- Aqaba-Eilat-Sinai highway
- Hydroelectric project study of Dead Sea-Red Sea and Dead Sea-Mediterranean canals
- Linking regional electricity grids
- Regional veterinary services
- Middle East-Mediterranean Travel & Tourism Association (MEMTTA)

Arms Control & Regional Security Working Group

Gavelholders: US, Russia

Washington	May '92
Moscow	Sep '92
Washington	May '93
Moscow	Dec '93
Deha	Apr '94

Key Projects

- Crisis Prevention Center
- Regional Security Center
- Arms Control data bank
- Naval exercise and conference of regional naval officers

PARTICIPANTS

Co-Sponsors
United States
Russia

Regional Participants
Israel
Jordan
Palestinians
Egypt

Arab States
Saudi Arabia
UAE
Oman
Kuwait
Bahrain
Qatar

Yemen
Morocco
Algeria
Tunisia
Mauritania

Participating States

Japan
Italy
France
Germany
Ireland
Great Britain
Canada
Australia
Netherlands

Belgium
Luxembourg
Finland
Sweden
Norway
Denmark
India
China
Greece

Turkey
Spain
Portugal
Switzerland
Austria
* Hungary
* Romania
* Rep of Korea

Others
UN/UNDP
World Bank
EU

* New members as of July '94

Israel: Economy

A conversation with Ephraim Kleiman*

***Professor of Economics, Hebrew University, Jerusalem**

Is there a direct relationship between the peace process and economic development?

If we talk about the Palestinian economy, there is a clear relationship between the peace process and economic development. This is less true for the Israeli economy.

The reason is that in the case of the Israeli economy, there have been some factors independent from strictly political developments. The first, preceding the peace process, has been the immigration of people from the former Soviet Union, which has had a tremendous impact on the economy. The population has increased by 15 to 17 percent, with a consequent increase in demand for housing and other commodities, and with a strong growth in workforce availability. One of the reasons for the economic slowdown in the past few years has been precisely the end of the immigrants' assimilation process, in terms of housing and durable goods. Historically, the Israeli economy has always been pushed ahead by immigration waves. Immigration in Israel has always involved entire families, not individuals coming to earn a living, and it has been accompanied by strong influxes of private or public capital to create housing and provide assistance to the immigrants until their integration.

Another reason for the recent boom, which had little to do with politics, is the development of the Israeli high-tech industry, which took off suddenly, attracting a lot of investments.

The combination of these three factors-growth of market and demand, a huge increase in the availability of a specialised workforce due to immigration, and the development of a high-tech economy-created a favourable environment for foreign investments. It should be added that Israel suddenly became "in vogue," and there is no doubt that the peace process contributed to this, first of all because investors tend to move capital toward places without wars, but also for reasons difficult to analyse, psychological reasons that make a country "in." The peace process therefore contributed to the economic development in only one aspect. It is very difficult to say which proportion of the growth is due to each of the described factors, because the resulting whole is greater than the individual parts.

The economic effects of the peace process have been, in any case, shown to be lower than anticipated. In the past few years, in fact, the majority of internal and foreign non-financial investment has been in the high-tech sector. These investments are less exposed to war risks, being made mostly of human capital-capital that can be put on a plane and moved somewhere else in case of war. In the long run, it is more significant that Israel is not "in" anymore, although it still is to a point. Foreign private investments are still very high, but we need to remember that a time lapse always exists between the decision to invest and the actual influx of money; this year's investments are, in fact, the result of decisions made in the past two years. Speaking of investments, we must add that there is an effect that needs to be accounted for, that of the "self-fulfilling prophecy," as well as other intangible factors. If there is optimism, then we'll think that there will be economic development; a pessimistic atmosphere, instead, can by itself cause a reduction in investments.

One of the reasons for the economy's slowdown has been the Central Bank's interest rate policy and its effects on the exchange rate. Prices in Israel, until 1997, rose more rapidly than the exchange rate with the US dollar, reducing Israel's competitiveness; therefore exports didn't grow enough. Finally, one other contributing factor to the economic rush has been the great investment in infrastructures; for example, roads. This effect ended with the shift in government priorities: in the 1996-98 period, a much smaller portion of the budget was allocated for these investments.

Apparently, the impact of the stalled peace process has been smaller than could be expected. The impact could be asymmetric: If the peace process were to be revived, there could also be a new economic boost. If the situation were to further deteriorate, there would probably be a negative effect on the economy, difficult to quantify.

What is the correlation between economic development, political stability, and conflicts?

Luckily there has never been in Israel such a real political instability as to threaten investments.

Instead, during the many conflicts, production has been hit in a very negative way. Israel counts on an army of reservists, and a general mobilisation, therefore, paralyses the country. One of the reasons why Israel was taken by surprise by the Egyptian and Syrian attack in 1973 was the government's fear of mobilising people, again with grave effects on the economy. The relationship, however, is not so easy, because there are many other accompanying factors. The 1948 conflict ended with the creation of the State and a huge mass immigration: whatever had been the negative effects of the war, the final result was positive. In general, a victorious war has a positive effect on the economy; it can seem unfair, but that's the way it is. The 1967 war, for example, broke out at the height of a hard recession, much harder than the current one because then there was no social security system for the unemployed: the Six-Day War victory gave the economy a strong boost, through an extension of the territory and hence of the needs, a strong increase in optimism, and so on. The only exception has been the war of 1973.

Another aspect is that budget allocations for military expenditures have been greatly reduced in the past 10 years. With respect to the GDP (Gross Domestic Product), the decrease has been about 50 percent.

What could be the consequences of the stalled peace process on the State budget?

In terms of the defence budget, the dividends could even be negative. For many years in this country we've been convinced, right or wrong, that the occupied territories, the West Bank and Gaza, would guarantee a kind of strategic depth. Any government to return these territories would feel obligated to reassure the public, compensating the giving up of strategic depth with an increase in investments for military equipment. There could be, therefore, an increase in the Defence budget.

The existential danger, furthermore, doesn't come from Israel's close neighbours. The threat comes from much-distant states, particularly from the Iran/Iraq/Libya trio, and paradoxically, some of these countries are assuming even more extremist positions with the progress of the peace process. If we want to defend ourselves from these countries, we need to invest in extremely expensive materials, such an anti-missile defence system whose price is of a completely different magnitude. The cost of the occupation of the West Bank in comparison is not very high, because the forces involved are essentially infantry and vehicles.

Many are, or have been, the economic expectations regarding the peace process: is it reality or illusion?

Those who back then signed the Oslo Agreements and the Peace Treaty with Jordan tried to convince the public, in Israel and in the Arab countries, that peace would generate a rain of gold. That was a mistake, because it led to two consequences: frustrated hopes, and a great fear on the Arab side. The Arabs feared that what Israel couldn't conquer with military force it would at that point conquer economically. From a strictly logical standpoint, all this doesn't make sense, but it is a big psychological problem. Being conquered economically is actually a positive thing.

Investors are the true hostages of the countries in which they invest. Their investments could be nationalised even if this will keep new investors away; investors are welcome when they come, but they cannot run away so fast, not with their factories, for example. In economic theory, it's always the smallest and poorest country that most benefits from an economic relationship. The only example to the contrary is that of a very powerful society in a very small country, such as Guatemala, where at some point the United Fruit Company, worried by the agricultural reforms, convinced the CIA of the danger of a drift toward Communism by the democratically elected government, and since then, Guatemala has gone from one trouble to the next. That said, if a Jordanian or Saudi billionaire bought half of Tel Aviv's Dizengoff shopping centre, half the press would claim that Saudi Arabia is conquering Tel Aviv. When the Japanese purchased Rockefeller Centre in New York, there was a hysterical reaction in the United States,

even though nobody expected the Japanese would grab Rockefeller Centre and run away with it. Beyond the economic reality, we need to account for their illogical and not very rational reactions.

So one factor is the investments; the other positive factor for poorer countries is trade. When two countries are engaged in reciprocal trading, their respective economies tend to converge. Furthermore, the prices between the two countries converge toward the prices of the larger country, and the smaller country's manufacturers make money thanks to the access to a bigger market.

Even in the context of true colonialism, now gone, we could quote Joan Robinson, a 19th-century British economist, who said that "The misery of being exploited by foreign colonialists is nothing compared to the misery of not being exploited at all." This doesn't absolve colonialism's immoral aspects, but in this sentence there is a grain of truth.

The Israeli hopes for a rain of gold caused by peace weren't justified. The expectations about trade relations with the Arab countries couldn't be high. There was talk of a market of 700 million people; unfortunately though, what counts in the market is not the number of people, but the dollar availability, and in those markets it isn't much, except for in the rich oil-producing countries. Some big companies will be able to make huge profits in those markets, but the general effect on the Israeli economy will be negligible.

The situation is different for the neighbouring Arab countries, in particular for the Palestinians and Jordanians. These are two very small economies with products to offer, and for which Israel represents a big market. We should point out, though, that the timing of economic effects is very long and that we should compare economical data not with the past, but with data that we would have had in the absence of a peace process. Jordan, for example, has had a forgiving of its debt with the United States; Egypt, as a result of the peace process, has been able to greatly reduce its defence spending and has also received substantial economic aid from the United States.

If it is true that some positive effects still aren't apparent-such as trade with Jordan, which has remained very low-there are others that are worth mentioning. Tourism, for example. Spending in Jordan by Israeli tourists and in Israel by foreign tourists has significantly increased. The real economic problem, regarding the peace process, is clearly the Palestinian issue.

What are the effects of the peace process, with its progress and slowdowns, on budget policies?

The effects of the peace process on budget policies and, in general, on economic policies, are rather marginal. On the one hand, after the 1996 elections, we've witnessed a change in budget priorities: lower appropriations for infrastructures and instead higher ones for Jewish settlements in Palestinian territories. On the other hand-but this is, essentially, internal politics-the Netanyahu government depended in large part on the

ultra-Orthodox vote, and for this reason, it has largely increased the spending in their sector, both for housing and for religious schools.

There is also a change in the State's role. Privatizations are part of the long-term development, but even this is not connected with the peace process itself. The economic liberalisation, in the sense of dismantling direct State intervention, began during the Labourist governments of Rabin and Peres. It continues today, even if more in words than in facts. With the Netanyahu government, though, privatizations haven't been implemented only for economic reasons, but also to dismantle centres of economic power that had a political influence of opposite sign from that of the Parliament majority.

The only tangible effect of elections from 1996 until today has been the fall of economic optimism. There hasn't been any notable decrease in investments; even if part of these seem to consist of short-term financial investments attracted by the Israeli Central Bank's monetary policy, the numbers are still very impressive. In 1992, the investments were less than half a billion dollars; in 1993, they increased to 900 million dollars; in 1994, they remained more or less at the same level; in 1995, again they more than doubled to 2.2 billion dollars; in 1996, they went up to 2.7 billions; and preliminary numbers for 1997 are around 3 billion dollars. It should be noted that in the first half of 1998, a significant drop in investments has been recorded. It is conceivable that with progress in the peace process the investments would have been higher, but the effects are relative.

What is the effect on the Israeli economy today, or what has it been in the past, of the Jewish Diaspora's economic donations?

In a study I conducted a few years ago on donations from the Diaspora, it is clear that the Diaspora, over time, has provided Israel with massive support. At least three quarters of the aid has taken a philanthropic form, while one quarter, at most, consists of investments. In general, though, in the past few years, the Diaspora hasn't invested much in Israel. The main reason for this behaviour is intrinsic to the Diaspora itself. The American United Jewish Appeal, for example, collects every year considerable funds destined to Israel; this is, after all, the reason for its existence. Well, the majority of these funds do not reach Israel, but are set aside by the American Jewish communities for internal needs. Other elements could have had an impact, such as the law on acknowledgement of non-Orthodox conversions to Judaism, but these factors are very difficult to quantify.

What can be considered the reasons for today's unemployment?

Currently in Israel, unemployment is very high for two reasons. The first is the slowdown of economic growth due to the exchange rate policy, the end of the immigration effects, and also the status of the peace process. The other reason is that the Israeli economy is going through a process of liberalising foreign trade.

When Israel first signed the Free Trade Agreement with the European community in 1975, and 10 years later with the United States, the initial conviction was that there was no real necessity to truly open the internal market, whereas new foreign markets would open to Israeli products. Now it's common opinion that it is necessary to liberalise the Israeli internal market too. This means that some local industries won't be able to resist their competition anymore: these are traditional industries, created to offer jobs in developing areas, and highly subsidised to generate employment. Some of these industries are already simply shutting down; others have discovered the possibility of operating from the outside, from Egypt or Jordan, with much lower salaries. Even Gaza, where many Israeli industries had been subcontracting production requiring a high-intensity workforce, has been replaced by other countries, for example Jordan, because the situation is more secure, salaries are lower (40 to 50 percent lower than those in Gaza), and, for some areas, the distances are shorter; the same could potentially be true for the former Soviet Union's Asian countries. Another factor that influenced unemployment levels is the minority of immigrants coming from the former Soviet Union that was only partly integrated. In general, though, the integration of this new people has been extraordinarily successful.

What is the social and economic impact of replacing the Palestinian workforce with foreign workers coming from poorer countries?

In Israel, a saying common to other advanced countries has spread, that it is necessary to import a workforce because Israelis don't want to work in certain sectors. The truth, rather, is that a well-known phenomenon is happening; namely, that when it is possible to import a low-cost workforce, the local workforce is not offered higher salaries. In all countries that import workers there is also an image problem tied to some occupations. When a job is poorly paid and is usually performed by people coming from a different, poorer society-in other words, by low-level workers, then the image tied to that job is so degraded in the eyes of the locals that to accept such a job would compromise their dignity. It takes time to change a job's image, raising salaries is not enough; workplace conditions are important too, and, in spite of the laws, if the workers are foreigners, nobody cares about respecting legal conditions in that sector.

Until 1967, the words "foreign worker" in Israel were taboo; since 1967, there has been a huge inflation of Palestinian workers. If the situation had remained the same as before 1967, in some sectors such as that of rubbish removal, salaries would have gone up; in other sectors, such as construction, new technologies with higher-intensity capital would have been introduced; finally, in sectors such as agriculture, costs would have certainly increased and some productions would never have existed.

For the Israeli job market, there are two important factors: the leaving of the Palestinian workers on the one hand, and the arrival of foreign workers on the other. The maximum number of foreign workers-almost exclusively Palestinians-ever employed in Israel has been 120,000 people in 1992 (7.5 percent of the Israeli workforce); this number includes both those with a work permit and those without. With regard to Palestinian workers, after 1972 no one cared about permits anymore.

Palestinians already started to be pushed out of the market in the manufacturing industry after the Intifada, when their presence at work started to become irregular, whether because of Israeli security measures or because they took part in demonstrations, or for yet other reasons. Until then, some employers had the cynical habit of saying that they preferred Palestinian workers because they didn't disappear one month or more a year to serve in the army reserve.

When the Russian immigrants arrived, Palestinians started to be pushed out of the services sector too. Despite this, in 1992, because of the high demand for construction workers resulting from the Russian immigration, the spike described above took place. At that time, Palestinians thought that by pulling their workers out of Israel they could bring the Israeli economy to its knees, but they didn't realise that on the one hand they weren't important enough for Israel, and on the other hand, there was a new labour supply coming not only from Eastern Europe but also from Turkey, Thailand, and other places.

In this situation, two very organised sectors, the farmers-not very important in terms of population and GDP, but very important politically, and the building contractors, with their substantial political influence, requested to import foreign workers, and the government accepted. This is the reason why today there's such a large number of foreign, non-Palestinian workers. Just economically speaking, it is a positive presence, for both the importing country and the workers themselves. Socially and politically, this situation has many repercussions: the social costs could be high, particularly in a reality like Israel's, where there are already enough tensions between lay and religious Arabs and Israelis, that to also add the element of friction between local and foreign workers in a context that's, in the end, basically tribal, creates further social difficulties.

What could be considered the economic effects of the separation between Israelis and Palestinians?

As a result of the 1967 Six-Day War, there was a forced integration into Israel of the West Bank and Gaza, which had highly beneficial economic effects for the Palestinians, though this obviously doesn't justify the occupation. The domination of the territories was used, in some measure, however, to protect the Israeli agricultural sector from the imports from Gaza and the West Bank, and to prevent the creation in Palestinian territories of industries that could compete with Israeli industries.

With the creation of the Palestinian Authority, the ability to stop the creation of industries immediately disappeared, and in agriculture, an agreement was reached through which it was decided to gradually open the borders over a period of four years, an opening that would have become complete except for veterinary controls. The original idea of the peace process was that of making the economic integration easier and of implementing it side by side with an accompanying political separation. After the indiscriminate stabbings in Israeli cities and then the suicide attacks, the Israeli public has requested the installation of a physical barrier to prevent people's free circulation, as a means to protect individual safety.

Appendices

Economy

1. Economic Growth

1. Economic Growth

	1989	1990	1991	1992	1993	1994	1995	1996	1997'	1998'
Actual growth rate, each year with respect to the previous year										
GDP - Gross Domestic Product	1.2	6.1	6.3	6.6	3.5	6.8	7.1	4.4	2.0	3.1
GDP per capita	-0.5	2.8	0.2	2.9	0.8	4.1	4.2	1.8	-0.4	0.7
Private sector's gross product		7.6	7.6	8.2	3.7	7.9	8.9	5.0	1.9	3.4
Private consumption	0.4	5.6	7.2	7.8	7.3	9.2	7.3	5.5	3.0	3.8
Total aggregate demand	-0.9	7.1	9.2	7.4	7.1	8.3	7.6	5.7	2.3	3.2
Industrial production	-1.6	6.3	6.7	8.2	6.8	7.4	8.4	5.4		
Commercial sector product	-1.8	8.1	4.3	11.0	9.4	9.8	9.4	4.3		
Financial services sector product, etc.	1.2	5.2	3.5	11.1	7.0	8.1	8.2	8.1		
1. Official estimate; 2: Official forecast										

The high rate of growth of the Israeli economy in the first half of the Nineties is first of all due to the strong wave of immigration, mostly from Eastern European countries. This immigration, which together with the natural increase, increases the country's population by more than 25 percent in the years 1989-1996, causes the exceptional growth of the aggregate demand, setting in motion a mechanism of super-economic development, which is a real economic cycle.

Another effect of this immigration wave is the formidable growth of the workforce and of employment

In parallel, job productivity increases at a dramatic rate, due to huge investments, to the renewal and improvement of productive capital and to technologic development.

The peace process in the Middle East has also had a positive influence on the Israeli economy, as did the economic reforms and the process of liberalisation of real and financial markets.

The slowing of the Israeli economy, the first indicators of which were already visible in the first months of 1996, and therefore started before the May political elections, is due to the completion of the aforementioned economic cycle of the Nineties.

The slowdown of the peace process has a negative but, until the last months of 1997, certainly marginal influence on the course of the Israeli economy.

2. Public Spending

During the first half of the Nineties, the growth of total public spending is more moderate with respect to the growth of aggregate demand.

This is due to more moderate growth rates of the civil public spending with respect to the growth of the economy, but even more to the moderate growth of military spending.

A clear drop of the relationship between military spending and total public spending is noticeable. However this trend stops in 1995.

	1989	1990	1991	1992	1993	1994	1995	1996	1997 ¹	1998 ²
Actual growth rate, each year with respect to the previous year										
Public spending	-8.5	6.6	4.3	0.2	4.6	0.1	1.8	5.5	1.8	1.6
Percentage										
Relationship between military spending and total public consumption		41.2	40.9	38.1	37.8	35.1	34.1	34.5	34.3	
1. official estimate; 2: official forecast										

3. Investments

The economic cycle of the Nineties is characterised by massive investments. The main component is the investments in productive sectors of the economy, whose growth rate in the years 1990-1996 is considerable.

The other important component, the investments in the construction sector, particularly in private housing, is characterised, beside the very high overall growth rate, **also** by considerable fluctuations, connected with the fluctuations of the immigration wave.

The decrease of investments begun in 1997 is also due to the completion of the aforementioned economic cycle.

The Nineties and the growth of the Israeli economy are characterised by a huge increase of foreign investments in the economy, both financial and real (for example, the purchase of companies, real-estate investments, etc.)

National accounting data	1989	1990	1991	1992	1993	1994	1995	1996	1997 ¹	1998 ²
Actual growth rate, each year with respect to the previous year										
Gross Domestic Investments (gross capital formation)	-2.5	24.8	41.3	6.0	3.6	8.7	10.6	7.4	-4.6	-4.9
Investments in sectors of the economy	-7.2	25.1	22.3	12.1	17.2	16.6	4.2	7.1	-5.4	-1.5
Investments in housing construction	6.9	17.8	73.8	0.0	-23.5	2.7	20.0	11.5	-7.2	-5.0
1. Official estimate; 2: Official forecast										

	1990	1991	1992	1993	1994	1995	1996	1997 ¹
Millions of dollars								
Foreign investments in Israel	83	161	497	900	892	2211	2705	2982
1. January-September								

Financial investments in 1996 and 1997 have been particularly influenced by favourable interest rates characteristic of the Israeli monetary system.

Judging from the high level of investments, the slowdown of the Israeli economy after 1996 doesn't seem to affect the foreign investors' confidence in Israel's economic future.

4. Foreign Trade

The Israeli economic cycle of the Nineties is characterised overall by a strong expansion of foreign trade.

The relationship between export and the national product grows dramatically (from **23** percent in 1989 to **28** percent in 1996 - diamonds excluded); the relationship

between the import and the national product grows even more (from 28 percent in 1989 to 43 percent in 1996 - civil import; military import, diamonds, ships and aeroplanes excluded.)

During the first two years of the immigration wave, the export is almost stationary, while the import grows at a dramatic rate; this reflects the need for a conspicuous influx of foreign resources to be integrated with the internal ones in order to provide for the increased domestic requirement caused by the strong immigration.

During all the growth years of the Nineties cycle, the import growth is very strong and should be considered as a natural development and a reaction to the strong expansion of the aggregate demand.

National accounting data	1989	1990	1991	1992	1993	1994	1995	1996	1997 ¹	1998 ²
Actual growth rate, each year with respect to the previous year										
Exports	3.9	2.0	-2.0	14.9	10.7	12.4	10.9	4.6	6.1	7.8
Imports ³	0.7	8.4	14.7	12.2	12.5	14.1	9.4	7.0	2.7	3.6
1. Official estimate										
2. Official forecast										
3. Civil imports, excluded										
Balance of payments	1989	1990	1991	1992	1993	1994	1995	1996	1997 ¹	1998 ²
Billions of dollars										
Exports	16.9	18.4	18.5	20.8	22.0	24.9	28.7	30.5	32.9	35.7
Total imports ³	20.7	23.8	25.6	27.8	30.5	34.4	40.8	43.6	44.0	45.6
1. official estimate										
2. official forecast										
3. Civil imports, excluded										

The import slowdown since 1996, compared with the average rate of the first half of the Nineties, is due to a slowdown in the growth of the aggregate demand and of production, with the completion of the economic cycle.

In the years 1992 to 1995, Israeli export grows at a higher rate than the world international trade. Israel gains ground on the international markets, due to the internal economic conditions, which allow the exceptional expansion of the export, and due to the peace process, which opens new markets to the Israeli exporter.

The exports' moderate growth rate since 1996 is due on one side to the halt of the export in the traditional industrial sector, caused by unfavourable exchange rates conditions and degraded profit margins, and on the other to the crisis of tourism, caused by the fear generated by the new terrorism wave. Despite the unfavourable conditions, the export expansion in the high-tech sector and the gain of new markets continues at a sustained rate.

5. Economic Integration in the Region

A. The Arab world

Despite the normalisation process, during the first half of the Nineties, of the relationship with the Arab world, and particularly with the Palestinians, the weight of Arab markets on the Israeli foreign trade is almost insignificant.

The government change in Israel after the 1996 political elections doesn't significantly affect the trade relations trends between Israel and the Arab countries.

The slow process of co-operation increase between Israeli entrepreneurs and the Arab countries continues.

The phenomenon of transferring Israeli production centres, particularly industries belonging to traditional sectors of the economy, (for example the textile industry) into territories under the Palestinian Authority's administration or to Jordan continues to occur, caused by the higher cost-effectiveness of Palestinian and Jordanian labour compared with the Israeli.

B. The Mediterranean Basin

The Israeli economic cycle of the Nineties is characterised by the further expansion of international trade with Mediterranean basin countries. The economic relationships with the Mediterranean basin are in prevalence due to the high level of Israel's economic integration with the European Union countries, which are, among other things, the main source of Israeli import and one of the most important destinations for the export.

Another step forward in the Israeli economic integration with the European Union has taken place in the past year, with the ratification of an agreement on technologic co-operation allowing Israel to take part in European technologic programs.

6. Jobs, Employment

A. Israeli workers

During the first years of the Nineties economic cycle, the growth of the Israeli population, mostly due to the immigration wave, has been exceptional, and so has been that of the workforce. The job market hasn't been able to immediately absorb all the added workforce supply caused by the immigration wave, despite the strong economic expansion. Consequently, the unemployment rate has grown by 10 percent, reaching a danger level similar to the European one.

	1989	1990	1991	1992	1993	1994	1995	1996	1997 ¹	1998 ²
Total population (thousands)	4514	4660	4694	5124	5259	5395	5545	5689	5826	5966
Total population growth rate	1.7%	3.2%	6.1%	3.6%	2.6%	2.6%	2.8%	2.6%	2.4%	2.4%
Workforce (thousands) ³	1603	1649	1771	1857	1946	2030	2110	2157	2208	2261
Workforce growth rate ³	3.3%	2.9%	7.3%	4.9%	4.8%	4.3%	3.5%	2.7%	2.3%	2.4%
Unemployment rate ⁴	8.9%	9.6%	10.6%	11.2%	10.0%	7.8%	6.9%	6.7%	7.7%	8.1%
1. official estimate 2. official forecast 3. Only Israelis, foreign workers excluded. In 1995 a change in indicator definition occurred. The 1995 growth rate doesn't match the absolute data. 4. In 1995 a change in indicator definition occurred.										

Since 1993, the continuing economic growth, together with immigration slowdown, allowed the markets to efficiently absorb the workforce supply. The unemployment rate dropped below the level at the end of the Eighties, that is, below the level preceding the immigration wave.

The growth of the unemployment rate since the last four months of 1996 reflects the economic slowdown with the completion of the economic cycle of the Nineties.

B. Foreign workers

The phenomenon of the massive presence of Palestinian workers in the Israeli job market started already in 1967 after the Six-Day War. Since then there has been a true integration process of the Palestinian economy with the Israeli economy. One of the key factors for this is the presence of Palestinian workers on the Israeli job market.

In the eve of the Intifada, in **1987**, there were more than 100,000 Palestinian workers in Israel, accounting for 10 percent of the private sector employment. In the construction and agriculture sectors, that percentage was closer to 50 percent.

Three political events are responsible for the decrease in demand for Palestinian workers and their replacement by foreign workers: 1. The Intifada, because of the Palestinian workers uprisings and strikes, which caused a diminished presence of the Palestinian workers at their jobs; 2. The **Gulf War**; 3. The waves of Palestinian terrorism in the years 1992 and 1993, which caused on several occasions the closure of territories to the workers' transit.

The approximately 115,000 Palestinian workers were replaced, at first partially and temporarily, by the new immigrants from Eastern Europe and then by foreign workers in general.

Today the number of foreign workers in Israel is, according to official estimates, more than 125,000, while the number of Palestinian workers has greatly diminished.

One of the most significant indicators in the assessment of the number of foreign workers is the difference between the number of tourists who entered the country during the year and those who left it during the same period of time: the yearly average from 1975 to 1991 has been less than 20,000, while in the years 1992 to 1996 it has been more than 90,000. This is an extremely high number if compared to the workforce numbers.

According to some estimates, the number of foreign workers is well above the one indicated by official estimates, due to the fact that a significant number of these workers is composed of illegal residents.

Foreign workers can be found exclusively in traditional sectors of the economy, mostly in the construction and the agriculture sectors. And in fact it was the strong pressure of construction and agriculture entrepreneurs that convinced in several occasions the Israeli institutions to issue work permits on a large scale for extra-territorial workers.

The foreign workers phenomenon raises complex issues ~~from~~ the social standpoint, issues that must be faced by the Israeli and Palestinian leadership; issues that worsened particularly recently with the slowdown of the economy and the increase of unemployment.

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Israel: Demographics

*A conversation with Sergio Della Pergola**

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Is it possible in your field to spot trends tied to peace or to non-peace?

In data analysis, it is always important to separate long-term trends from factors related to the current economic situation. Long-term demographic trends reflect in depth the relationship between cultural and socio-economic factors. In the past, the reading of demographic phenomena was based mostly on economic analysis; now the focus has shifted to a cultural level, taking into perspective diverse social groups, different ethnic groups, different historical paths, and religious aspects. In this regard, it should be noted that the rebirth of ethnic, religious, and cultural identities is a very interesting global phenomenon of this decade.

The analysis of social trends tied to peace or non-peace should therefore be viewed in a much larger picture. We should investigate what is connected to a very unstable and uncertain situation, and what instead is connected to trends with their own dynamics that go beyond the peace process. We should also evaluate whether short-term trends can irreversibly influence other long-term trends, in an almost millenary structure, referring to ideas that might seem almost unalterable in history.

The problem that arises in these kinds of studies is the lack of data. What is available is mostly quantitative data, the results of administrative computations. In order to analyse these data, it is necessary to formulate hypotheses that can allow them to connect in an analytical picture. These data are useful for understanding the general trend and any deviations from this and other dynamic processes.

In this analysis, we must account for changes in the collection of statistical data regarding population. Today, the Israeli Central Bureau of Statistics no longer takes into consideration data regarding people living in territories under the Palestinian Authority. This is an abnormal situation. A good comparison of the different statistical groups should be made to get a unified picture of comparable data. It also needs to be emphasised that, on the Palestinian side, there is a strong commitment to inserting the social studies field within an organic plan.

Quantitative data about people's thoughts, opinions, attitudes are basically non-existent. To complete these data, social studies-the barometer of a people's state of

mind-would be necessary, with a meaningful fixed sample to question regularly, such as the Eurobarometer in Europe.

It is true that some studies exist on the Israeli people's religious and cultural attitudes, but for the most part, we wander in the dark, by intuition. Despite this, we can suggest and formulate some hypotheses.

An example of the importance of socio-demographic research to explain trends active within an ethnic or social sector can be found in the changes in birth rate inside the Muslim sector of Israeli society.¹ This sector's birth rate, which in **1965** was the highest in the world, dropped sharply until **1985**, to stop at that year's numbers, and then settle on a flat line, without changes, at relatively high levels in absolute terms, although much lower than those of **1965**. In concrete terms, the change has been from an average of 10 children to **4.5** children per family.

My interpretation, based also on field data collected using a cultural-anthropological approach, is that inside the Arab Muslim society made of Palestinian citizens of Israel, there **is** a conflict between two forces. One aims to continue the modernisation process, in a picture of clear economic progress, and is receptive to modern ideas. This trend would generate a continuous decrease in birth rate at a middle level, if not exactly at a lower-middle level.

The second aims for the renewal of a strong traditional presence, even fundamentalist, concerning the relationships within the community, and therefore, puts strong pressure on young people to behave according to certain ideological premises: women must marry when they are very young and should not work; couples must create an endogamous family within the Muslim extended family, and so forth.

In the arena of birth rate we find, therefore, the presence of two undoubtedly very active forces that complement one another, producing for more than a decade a balance between the ascending and the descending trend.

This phenomenon can be related to the current political process. If the political process were to restart, then perhaps the more modern forces could prevail, even if with the condition that, obviously, some Arab-Israeli minority or Palestinian community's economic, social, and cultural needs were to be satisfied. This way, a coherent relationship between political processes and demographic trends is presumed.

But this is only a hypothesis. On the contrary, it could be that when some political needs are satisfied, an even larger space would be given to the now free (meaning Muslim) cultural and religious forces that work within the ethnic or social group. These forces originate also from external sources, for example, Iran and Algeria, and could lead, in theory, to a wider practice of certain Islamic ideals, with the effect of a demographic increase.

If we could have an aptitude research available for a good population sample, then, joining together quantitative and qualitative data, we could outline a more serious analysis that would allow us to verify the two hypotheses.

Therefore, the methodological aspect is very interesting, because in essence it allows us to understand what needs to be done in the fields of analysis and research that hasn't necessarily been done.

what is the perception of the peace process on demographic mobility?

Demographic projections indicate a much faster growth of the Arab population than of the Jewish. This is due to the contemporaneous presence of two factors: high birth rate and a lowering of mortality. The latter is undoubtedly data induced by the Israeli presence-by the impact of an advanced health and medical system, and by better living conditions created also by the push and dynamism of Israeli economy.

The forecast I elaborated in the Eighties indicated that, in the whole territory from the Mediterranean Sea to the Jordan River, around the year 2015 there would be a demographic balance between Arabs and Israelis. Immigration in Israel has a marginal effect; in fact, the influx of 100,000 immigrants postpones by one year the reaching of a demographic balance in that territory comprising the State of Israel, the West Bank, and Gaza. A strong immigration, therefore, has had a clearly marginal demographic-political impact.

The disparity in birth rates reflects the various groups' social-cultural, religious, and historical differences. To these differences a certain political mobilisation has also been added, when even Arafat spoke of the "crib war." Also, in the past few years, Gaza's birth rate has increased dramatically. Today, Gaza's demographic growth rate is the fastest in the world. Density hasn't yet reached explosive levels, but the low quality of housing and of infrastructures must be taken into consideration. The separation of the Palestinian from the Israeli entity puts the problem into perspective.

In conclusion, it can be at least assumed that the demographic message has influenced Israel's political choice in favour of peace. For the future, the hypothesis remains valid that it is possible to decrease the speed of demographic growth with the condition that an economic and political normalisation will occur.

Is there a relationship between development, progress, and Jewish immigration to Israel?

Until today, and contrary to the expectations of most observers, immigration to Israel has always been a phenomenon for the most part disconnected from the events of Israeli society, and dependent instead, in a predominant way, on what is happening in the immigrants' countries of origin. An analysis of the immigration flows must be conducted for each individual country of origin; only this way, it is possible to capture the diversity of situations. Every "aliya" (immigration wave, from the Hebrew "to rise,") has a name, a date, a tie with a revolution, an economic crisis, politics, or a series of anti-Semitism cases. Even Margaret Thatcher's monetarist policy caused some Jewish immigration to Israel because of the social conditions that were created in Great Britain.

Paradoxically, the highest historical number of immigrants in Israel in one month was recorded during the falling of Iraqi Scuds in 1991. Israel has always been a place of escape for people in real or presumed danger. This role will remain unchanged, even though Israel has lost some of its "shine" and its centrality with respect to the Jewish world of the Diaspora.

A particular case is that of the mass immigration from the former Soviet Union, which continued in 1998 at the same levels of 1992. The exemplary case, on the other hand, is that of South African Jews who are leaving their country, but mostly to go to Australia, the United States, and Canada.

And paradoxically still, Israel's development doesn't attract so much the Jewish immigration, but rather that of foreign workers (estimated at 150,000 to 300,000 people), like any other developed country. We see here the equation that development equals immigration, but this is not a normative immigration, it is in other words a fact not foreseen in the national ethos. This immigration of non-Jewish foreign workers is, though, a very important social fact, which ends up modifying the national ethos. In a way, even this phenomenon contributes to realising the idea of normalisation of the Jews' existential condition. At a time when this normalisation has started to gain ground, thanks to the creation of the State of Israel, all the typical phenomena of a mature society have to be taken into consideration, for good and for bad.

We can therefore state that Palestinian fears, according to which in a peace situation a "Jewish invasion" would occur, are not founded. In reality, though, foreign workers have replaced a workforce that in the past was made mostly of Palestinians.

Is there a relationship between the slowing down of the peace process and the emigration from Israel?

The emigration from Israel is a normal trend tied to the Israeli situation, the same way people emigrate from Italy for reasons tied to the Italian situation. First, it is an economic phenomenon. To understand it, we must examine the economic situation in terms of employment, social mobility, income-price relationships. Here too, it remains to be demonstrated whether a clear and direct relationship exists between peace and economy. If it does, the logical hypothesis is that peace creates prosperity and therefore reduces emigration.

The state of the economy, however, influences the intensity of emigration-not as the sole factor, but as a stimulating and determining factor. The security-peace factor **also** has a direct effect, but it is an additive effect. A third aspect of the emigration data analysis is related to the reflux of those immigrants who did not get integrated into Israeli society. This factor has been found in all studies about migratory flows, and, in Israel's case, has had a low impact, compared to other countries with strong immigration.

what is the correlation between economic development, peace, and demography?

One of the fundamental aspects of the peace process is economic development. It is a necessary factor, but not enough for building peace. Both at the macroeconomic level - that is structures, infrastructures, and general growth processes - and at the microeconomic level - that is, on the individual level of careers, social mobility, and so forth - trends originated in Israel diverge by a great measure from those originated in Palestinian territories. This is one of the problems that should be resolved most urgently, even before the political problem, or at least in parallel with it. Without economic development, the political agenda can't be advanced, because expectations arise that need to find confirmation in reality. It is clear that the political process and political stability make economic development easier and possible. Into this, though, are inserted the very complex problems of a connection between globalisation and regional development in a time of great instability for the world's economic balance; but this is not strictly connected to the current circumstances.

Political stability and economic development: these two aspects are strictly interdependent. What's important is promoting the elimination of the worst pockets of poverty and underdevelopment in the Palestinian sphere, which in theory could be relatively easy to do with the help of Israel and of the Western world, as long as the latter is truly interested in the stabilisation of the Middle East - at least keeping the promises made.

What is the influence of peace, or non-peace, on social and professional mobility in Israel?

We should first of all examine how Israel's macroeconomic development is tied to the past few years' political phenomena. According to a popular theory, peace is a signal that encourages strong foreign investments in the region, with benefits therefore for the whole society (full employment, mobility, careers, higher standards of living). This cycle would then have positive repercussions on politics. With the political cycle stopped or slowed, investments would also stop, with consequent unemployment, mass discontent, and riots.

According to another thesis, although investments haven't decreased in the past few years, various negative socio-economic phenomena have come to light (the increasing unemployment, for instance)². From the standpoint of the social-professional development structure of the population, one can see in the private sector a consistent raising social mobility on the part of Israeli Arabs, who, starting from very low positions on the socio-economic ladder, are slowly closing the gap between themselves and the Jewish population. In the public administration sector, however, particularly at the highest levels, the same trend can't be noticed.

The Israeli Arabs' passage from a farming to a highly urbanised population, with a huge increase of managers and workers in the sector of services as well as of industry and construction, has led to the development of a middle class. The rate of social and

economic growth of this section of Palestinians who are Israeli citizens, although originating from lower positions than those of the Jewish sector, has been even higher than this last one. However, the Jewish population has continued, for its part, to become more and more professional.

On the other hand, the indicators collected until four years ago in Palestinian territories by the Israeli Central Bureau of Statistics point to very different results, in particular, the serious delay in the formation of middle classes and administrative professions. A great difference has therefore been created between the Arabs from Galilee and the "triangle" in central Israel, and those from the West Bank and Gaza. In the Sixties, there was no difference; in the Nineties, the difference has become extremely deep.

This implies also marked psychological relapses. In fact, often there are family ties between the Arabs who are Israeli citizens and those from the occupied territories; and in the contacts between people coming from the two different realities, the situation of the territories' socio-economic abnormality becomes even more apparent, compared with that of Israel's relative normality. To this we can connect the Israeli Arabs' will to remain in Israel, even in the event of a Palestinian State. In theory, if the social mobility was the same in Israel and in the Palestinian territories, there would be no need for these observations.

Unfortunately, Israel has never been able to get out of the impasse caused by the question of whether or not it was worth investing economically so much in the territories. This is an issue that has remained blocked. The two contrasting theses present great advantages and each causes great opposition. Again we can observe how the political issue has directly conditioned the economic issue.

What have been the effects of the peace process on tourism?

Tourism represents potentially one of the most important chapters in the Israeli economy and employment.

The trend for a long period, from 1948 to today, is that of a constant increase; every now and then, though, there have been specific drops clearly related to factors of security and stability in Israel. In recent years, there has been a decrease clearly tied to the uncertain political situation, just as there have been brief drops due to each Israeli war or grave terrorist episode.

So, there are two aspects. On the one hand, the increase in tourism, which is a global fact due, for the most part, to people's higher mobility, to the growth of the tourism market in the world, and to the high rating of Israel as a tourist destination. On the other hand, we have periodic drops due to contingent factors. We should add that, despite the long-term trend, the number of tourists remains much lower than the potential number for a tourist destination like Israel; but this information isn't new and it reflects the sector's higher or lower operational and image capabilities.

In the face of such a crucial and complex step as that of a difficult peace, is there an Israeli identity?

At the level of integration of the various ethnic-cultural groups within the Jewish population³, there are several indicators. There is a main tendency of fusion among groups. This is shown by several factors, such as the percentage of marriages between diverse ethnic groups, the residential geography of second or third settlements, and converging demographic indicators, such as the number of children per family unit within each group. The economic indicators show that the differences between the various ethnic groups, although still there, have been clearly reduced at the levels of both income and education. For some factors, however, 30 to 40 years still remain to reach an even balance. We can therefore say that there is a trend toward convergence and the dilution of the groups' identities over two or three generations.

In the general convergence framework, it is true that in Israel subethnic identities reveal themselves in a big way; we should understand, though, that this phenomenon gets inserted into the existence of a common Israeli identity.

The Israeli vote, instead, maintains a partially ethnic and geographic connotation. Before the reform of the electoral system, the dry proportional system—expressed in a single vote—incorporated general and private choices in the same indication. At the sociological level, the electoral reform has been, in my opinion, a huge mistake on the part of the jurists. A colossal blunder was made: they thought they could change Israeli society with the reform of the electoral system. The separation of the vote for the prime minister from that for Parliament implies instead that the compromise between private and general interests expressed and collected in the single vote is divided. In the vote for the prime minister are channelled the important political choices; in the vote for Parliament, the focus is on choices tied to particular interests, with the effect of distributing and parcelling out the vote among the small parties representative of the various subgroups of society. This mechanism has given privilege to the minority vote. The vote given to representatives of one's community creates then a mechanism through which representatives obtain fund allocations for projects destined to strengthen one's own community, thus creating a perverse spiral. The national budget ends up being the sum of the single groups' budget. Parties such as Shas and Israel B'Aliya, which still represent legitimate particular interests, are classic examples of this phenomenon.

The vote phenomenon is scarcely correlated to the peace process, but is rather correlated to economic factors such as inflation or economic growth. The vote is determined on the trend of full employment and not only on peace. In my opinion, for example, in 1996 the Labour Party lost the elections because a month before the vote some recession had started. This said, we should note that, tragically, Rabin's assassination decisively affected the results of the vote, because Rabin was certainly worth 20,000 votes more than Peres, and the difference between Peres and Netanyahu had been precisely 20,000 votes. The murder of the prime minister constitutes, therefore, an extremely serious historical fact that caused the breaking of a certain democratic continuity in Israeli history.

Around what questions and what choices is the Israeli national identity shaped?

The national identity is developed at the values level and around the question of identification with the State, especially for young people. Here we go back to a central question about the fundamental values that create consensus within the Israeli society, an issue that has its own logic, only indirectly affected by the peace issue.

There is a theory, with which I don't agree, that the day peace becomes a reality, Israelis would start turning against each other, and Israeli society would be dissolved. But, without a doubt, having an enemy has created a collective mobilisation and solidarity.

In all this the army has had a key social role, as a meeting point between Israeli youth and the older generation. It has been a place of acquaintance and evaluation. The military service, mandatory or reservist, is the only time in life where everybody meets and gets to know one another, understanding this country's social structure. The army, therefore, has an important sociological-educational function, that of building a feeling of national identification - a function that, in the long term, hasn't been any less important than its more strictly military one.

What is the relationship between lay and religious Israelis, and between each group and the peace issue?

The image of an Israeli society split between secular and religious sectors does not correspond to reality, but the political system contributes in large measure to the formation of this image. Sociologic reality does not point to a split, but instead to a distribution without interruption. In the ideological spectrum of Israeli society are all possible shades, from one extreme to the other.

On some topics, contrasting interests exist between the lay and religious, but not on others. The image of a Netanyahu split is dangerous and perverted, because it has the effect of contributing to its self-fulfilment; the image has the tendency to create reality after the fact and then to justify it. We should note, certainly, that there are very different extremes, almost incompatible worlds. Between the two extremes, though, is a moderate centre that includes 60 to 70 percent of the Jewish population.

There isn't even an equation between religion and peace, but there are three religious parties: Agudat Israel, Shas, and Mafdal, which have sharply different positions. Mafdal, the National Religious Party, is today clearly militant and radically rightist in the political picture; but Shas, which collects Jews of North-African and Middle-Eastern origin, and Agudat Israel, which collects the ultra-Orthodox of Eastern-European origin, have in their midst very different positions. The Orthodox parties' basic interest is that of being part of the government, in any coalition, to promote the cultural and social interests of their own group.

This policy is tied to worries about possible losses within their own group. The force of attraction of the modern world is, in fact, very powerful, and creates a defensive reaction against the secularisation of religious groups. In Jerusalem, for example, the secularisation process is very large, if we compare the situation of 25 years ago with that of today. The secularisation process data are clear. Intergenerationally, the process is really very strong, even though short-term data are missing. On the other hand, Shas has organised in the past few years a series of social services and activities that try to attract population sectors belonging to lower economic classes, who are not strictly religious, are traditionalist from the standpoint of observance, and are interested, mostly for socio-economic reasons, in being swallowed by the ultra-Orthodox group.

What is, or has been, the influence of the peace process on the Israel-Diaspora relationship?

The peace process affects the Israel-Diaspora relationship ideologically and politically, and not, as we have seen, demographically.

It should be noted that the Jews, both in Israel and the Diaspora, aren't a compact mass; in reality, there are among them very different political opinions, particularly in the numerically predominant Jewish community in the United States. With so many different influences, pressures, and messages, any Israeli government is able to find in the United States a Jewish counterpart ready to support it on any decision. The homogeneity of the Jewish people and the unity of its interests are in reality a myth, unfortunately acknowledged and absorbed by almost everybody, even by pro-Israel and pro-Jewish intellectuals.

A peace opening could have its effect on Jewish communities' donations to Israel. It should be noted that the economic capabilities of the Jewish communities are now on the downturn. This is reflective of a certain distancing of the Diaspora from Israel, and thus, a greater integration into the surrounding non-Jewish national world. Here too, we can see that Israel has lost some of its centrality in the global Jewish picture.

When there is a crisis, donations increase, as they did, for example, during the Six-Day and Yom Kippur Wars, and even in the occasion of the Soviet and Ethiopian immigrations. Therefore, peace or non-peace, the donation aspect depends again on cultural, social, and long-term identity issues directly tied to the Diaspora.

The problem itself, often debated today, of whether conversions to Judaism are legitimate or not, actually touches a very small minority in the Diaspora. What's really polarising, is a theoretical argument about the law on conversions. It is an issue of principles about definitions, authority, and power within the Jewish world and between the Diaspora and Israel. But even this aspect isn't affected by peace, but rather by assimilation processes. All in all, the law on conversions results from situations caused by marriages between Jews and non-Jews, which are a social and historical fact of growing incidence.

What is the composition of the so-called settler group - that is, the Israelis who reside in the territory settlements - and what is its influence?

There are at least four groups among the approximately 160,000 Israelis who live in the territory settlements:

- a minority of radical and ideological militants, among them a very small group of people ready to commit violent acts;
- a second group set for passive resistance;
- a third group that has chosen to live in the territories for ecological quality-of-life reasons, with motivations of suburban living;
- a fourth group with social motivations, such as the availability of inexpensive housing in the territories.

This is a very heterogeneous group. **A** well-studied political action should isolate the more militant political core, accentuating the differences among the various groups. Among the settlers, even family, economic, and social motivations have beside them different ideological positions, from the super-fanatic to the pragmatists. The watchword for Israel should be "flexibility and adaptability." But it is not plausible that the choices of 160,000 people who decided to live in the territories should be imposed on the choices of 4.5 million Israeli Jews who have decided not to live there.

What, then, is the perception of peace in this composite Israeli society?

Leafing through some polls of the Israeli people over the past 25 years, it can be noted that today there is a much higher propensity for territorial concessions directed towards achieving normalisation. Some ideological schemes have changed, and the public is becoming more realistic. The same can be said for the Palestinian side. This adaptation to the real situation is undoubtedly also a reflection of concrete steps taken toward peace, such as the agreements with Jordan and those, albeit transitory, underwritten with the Palestinians themselves.

Obviously though, in this trend are also regressions when terrorist acts occur. These are the worst obstacles to a more widespread perception of peace as a positive factor, because they immediately create a regression in the Israeli public's will to collaborate. The same is true for the Palestinian side, within which, except for a minority that reacts euphorically at each successful terrorist attack, there is also a sense of honest realism.

Still, there is no coherent education plan with regard to the peace process. In the process of normalising relations with the surrounding Arab world, textbooks should reflect this process, but this hasn't happened. There are difficulties in the definition of study curricula, which are **an** expression of the national consensus. This sometimes happens for political reasons, but also for practical reasons. In effect, few young Israelis today actively plan to have professional or study contacts in Arabic; priorities are completely different. The knowledge, the study of the opposite side and its culture within the education system, is not sufficient.

What are the projections of this situation for the future? Is the move toward peace an irreversible process?

In the regional perspective, in order to have a pacific and normal future, it is first necessary to improve living conditions and develop ideas, productions, and initiatives, thus reducing, in a way, the demographic pressure. It is important to slow down the demographic cycle rate and to reduce its internal imbalance, which generates discontent and poverty, and is very dangerous. To achieve this, the ideological pressures should be reduced. Normalisation has reciprocal effects: of demography on economy and vice versa.

Normalisation is a general atmosphere that should be created with political tools and that, therefore, generates different behaviour patterns. This will not necessarily stop the influence of religion, but it will be able to mitigate it for the majority of people. The influence of religion could be a cultural enrichment factor. But it is the exploitation of extremist fringes that transforms religion into a political tool. Remember, in society there are concentric circles in which a highly militant group can continue to pursue its own ideal, theoretical, and practical objectives, totally independent from what is happening in the outside world. There are, however, many sections of the population more inclined to moderation and coexistence.

From the demographer's standpoint it can therefore be stated that the highest price of a non-peace situation is the persistence of a demographic and social imbalance, reflective also of the tensions and of the movement to use birth rates as a tool in the fight against the other side.

Today, the peace process seems irreversible. The majority of the public is aware of the high social and educational costs - even higher than the military costs - of the persistence of a non-peace in the long term. The problem is the reaction of those who don't accept this. They are the minority, but are highly militant and inclined to use violent or terrorist methods. The danger always exists that extreme acts by certain groups could block the process despite the majority's will.

A failure of the peace process implies the danger of a complete economic and political alienation of the Middle East, which would have extremely negative consequences for both the Israeli and the Palestinian society in this age of globalisation.

Israel: Society

*A conversation with Yakov Kop**

**Professor of Sociology, Director of the Centre for Social Policy Studies in Israel, Jerusalem*

What could be defined as the main effect of non-peace on the Israeli society?

The framework of non-peace, in terms of the cost-profit relationship and the attempt to quantify its price on a purely economic level, stem from a minimalist approach that tends, for pragmatic reasons, to bring to the front moral and philosophical aspects connected with peace.

At a general level, it is obvious that peace implies economic benefits for the entire Middle East. In the past few decades, Israel has experienced the costs of war and of the conflict both directly, in terms of budget, and indirectly, through the effects on the economy, which hasn't been able to develop freely. The proof of how high a price has been paid by the Israeli economy for the persistence of a conflict situation has been provided by the economic boom of 1993-94, one of the most prosperous periods in the country's history. The peace process's positive effects have been clear both at the economic level and at the level of social policy development, also aimed at reducing the differences and inequalities within Israeli society. The validity of past assumptions that the absence of peace would involve a high price for Israeli society and not only for its economy, has therefore been demonstrated.

In a situation of peace, benefits, from a social standpoint, are due not only to the effects of economic growth, but also to the higher attention given to social problems. **A** situation of lasting conflict and tension moves the attention from individual and social prosperity to existential issues of pure survival.

The awareness of the existence of others and of their problems has become more concrete from the moment that the peace process was set into motion. This is true both externally, in relation to the Arab world, and internally, for what relates to the Israeli society. The peace process slowdown becomes an obstacle to government decision-making on social issues.

In empirical terms, setting aside sociological or philosophical reflections, the analysis of the situation and data relating to Israeli society is made difficult by the presence, in the same years that the peace process was developing, of many other factors, independent from the process itself.

The Nineties have seen mass immigration from the former Soviet Union, which has contributed, in the long term, to a population increase and economic development, reversing the Eighties' trend, when there had been a reduction in the population growth rate. This immigration, though, in the short term, has required large economic and social investments to create the conditions needed for the immigrants' absorption and integration. Another factor that has greatly affected the Israeli economy has been the Gulf War, during which unemployment reached 10 percent (with the immigration from the former Soviet Union, the unemployment rate then reached **12** to **13** percent).

The attention given to social issues, the integration of an immigration of huge proportions, the decrease of unemployment to levels of full employment, and strong economic growth are the dividends of peace, and should be considered in light of the agreements signed in **1993**. It is difficult to think that, if the political climate had not been favourable, it would have been possible to achieve such positive results. The peace enjoyed by the Middle East in these years is a relative peace that cannot be compared to the peace enjoyed by other Western countries; still, it is an example of how, in this area's context, peace overcomes even exogenous problems, caused by external factors.

The current economic crisis, however, cannot be attributed simply to the deterioration of the peace process. Following the trends of the economy's "natural" cycles, it appears that the country finds itself in a phase of recession due to economic factors tied more to the world economy than anything else. It can be imagined, however, that if the peace process hadn't stopped, and if the general political climate had been better, Israel would have been more immune to international economic developments, and the proportions of the recession would have been less heavy.

The same is true for social problems. In general, social and infrastructure spending, not to speak of the resources needed in the social services field, greatly increased in the **1993** to **1994** period. The growth, though, hasn't been balanced in all sectors, and some sectors have remained underfunded. Today, the focus should be shifted toward balancing expenses for the underfunded sectors, but in a non-peace context, there is no availability, nor will, for this kind of politics.

We can therefore say that the current situation of non-peace, or slowing of peace, is in part responsible for the lower availability of those resources, not only economic, necessary for the improvement of the population's social conditions.

What are the effects of the slowing of the peace process in the fields of education and instruction?

Education represents a special case in Israel. The spending per capita and in percentage with respect to the GDP sharply increased in the years **1993** to **1994**. The spending then settled at the **1994** levels. The spending increase was such that it compensated more than enough for the losses suffered by this sector in the Eighties. The slowing of the spending growth in **1995** and the settling at the new **1996-1997** levels have been used by the education system to "metabolise" the new funds available. The reduction measures have been adopted for reasons tied to the State general budget, and

were necessary to stop the exponential growth of public debt. Therefore, there is no direct relationship with the progress of the peace process.

How about the health care system?

It should be said beforehand that the health care sector is the only one, during the two years of expansion, 1993 and 1994, that hasn't returned to the levels of spending of the Eighties. On the contrary, in a period of 20 years, the real per capita spending in the health care sector has decreased; a rather negative phenomenon, worrisome for a dynamic society such as the Israel's.

In the health care system, there is a strong interaction between the Israeli and the Palestinian entities. The definition of two health systems doesn't stand up to reality. Into Israeli hospitals are admitted many Palestinian patients, who, being unable to receive certain cures in Gaza or West Bank hospitals, come to Israel to be cured. This possibility is clearly reserved for a Palestinian Elite. On the Palestinian side, accusations have been made that the hegemonic position of Israeli hospitals hinders the development of their own health care system. Because of this, the majority of Palestinians would be ill-served under the health care aspect.

There is a clear imbalance between supply and demand in the two realities. Israel, in fact, has had a great influx of doctors coming from the former Soviet Union, whereas in the Palestinian territories, there are big deficiencies at all levels of the health care system. This imbalance would not exist if the Oslo Agreement's optimistic spirit had prevailed. The situation of non-peace makes the problem worse, distancing more and more the possibility of creating a single entity in charge of health care for both realities. The result is an even bigger imbalance between the two health care systems.

From a formal standpoint, it is not the responsibility of the Israeli government to give medical care to foreign citizens, and the Palestinians living in territories controlled by the Palestinian Authority are, for all purposes, considered as such.

What are the effects of this process on the condition of Israeli Arabs, compared to that of the Jewish population?

The condition of the approximately 800,000 to 900,000 Arab citizens of the Jewish State is an Israeli internal problem, even though its analysis is made more complex by the fact that the two equations - Israeli Jewish majority/Israeli Arab minority and majority of Israelis/Palestinians from the territories - have the same terms, or factors. The Israeli Central Bureau of Statistics, for instance, in research on Israeli social services, doesn't consider Palestinian data anymore.

One of the positive aspects of the peace process has been the acknowledgement of injustice, in the national context, represented by the inequality of conditions between Israeli Arabs and Jews. Differences can be found in many areas, from the school system to health care services, by the population's general socio-economic conditions. The

Jews' acknowledgement of certain problems and the building of new bridges with the Arab world have resulted in benefits for the Arab portion of Israeli society. The new social security law, for example, has led to the opening of new medical centres in Arab villages. This law has been passed with consideration to general health and social services policies, not to resolve a few problems in the Arab sector; the time coincidence with the peace process, though, is clear.

What is the road to travel between Israelis and Palestinians: separation or integration?

The Palestinian economy hasn't enjoyed the potential benefits thought to derive from the signing of the Oslo Agreements. Economic development was considered an integral and essential **part** of those Agreements' strategy; the lack of that development is due to situations of tension that were created in both periods, that of the **Rabin** and Peres governments, and that of Netanyahu's government. The Oslo Agreements' idea was to create prosperity and integration between the two realities, the Israeli and the Palestinian, through development and economic co-operation.

The decision to separate, almost hermetically, the two realities following the terrorist attacks, has completely blocked the development of this part of the Agreements, completely contradicting its spirit. But there are good reasons to believe that the obstacles will be surmounted: the logic of development is stronger than any ideology or political pressure. There is a need today, even stronger than in times of euphoria, to create informal contacts among the various sides to achieve a reciprocal understanding. Contacts in the academic and intellectual world exist, even if they are, unfortunately, very sporadic.

Is there a correlation between this country's religious aspect and the peace process?

It could have been imagined that the peace process would have influenced religious positions. But unfortunately, it seems that the equation is to be read backwards. It seems, rather, that the religious aspect is influencing people's attitudes toward the peace process. This, instead of reducing tensions in the religious arena, has made them worse. This phenomenon is due to pressures by religious leaders from the two sides. The fear of the other and a general lack of prospects can push people closer to the most extremist religious positions. We witness, therefore, the growth of the Islamic movement Hamas in times of non-peace, and, on the Israeli side, a movement towards religion, due to a fear of contact with the Arab world and of terrorist acts.

It would be wrong, however, to find for every phenomenon an explanation tied to the peace process. Fundamentalism is a growing global phenomenon in the Arab world, and the growth of Hamas needs to be studied in this context. Fundamentalism exists and is prosperous in the United States also, for example, with the Christian fundamentalists, and in Israel, with the ultra-Orthodox communities. In Israel, we are seeing extremism in the religious movement. In the past, the majority of religious

movements supported the Mafdal (the National Religious **Party**) or the Mizrahi (a Zionist group with religious orientation), more moderate modern-Orthodox movements. Agudat Israel, a more extremist Orthodox party, was very marginal. Today, the proportion between modern Orthodox and extremist Orthodox has been inverted. This is a long-term trend, not directly attributable to the stall of the peace process.

What is the settlements' weight in the territories?

Often the presence of fundamentalist settlers and the problems of the peace process are correlated. In reality, the concomitant presence of two phenomena says nothing about the cause-effect relationship.

The settlements in the territories were developed before the peace process, particularly during the Shamir government. The context then was completely different: not that of normalisation between people and State entities, but rather that of a progressive, creeping annexation of territories.

The peace process involves the abandonment of some settlements, albeit small, and therefore, the movement of the confrontation from an ideological arena to an existential one. Today the settlers fight just for their homes. The effect of the peace process, thus, is to make the fundamentalists, who've been so for a long time, fight for concrete reasons. A complete stop of the peace process would calm the situation, with the loss of the direct and concrete threat to the settlers' existential conditions. Their ideological motivation would remain unchanged, apart from the peace process.

The current "extremisation" of the modern Orthodox has practical reasons: almost every family has a relative, near or distant, among the settlers. The growing extremism, therefore, is not ideological, but practical; if there were to be an agreement with the Palestinians that provided for the preservation of all settlements within Israeli borders, all components of Israeli society would be much more ready to accept it, except for the settlers who are more exposed on the ideological front. The peace process, therefore, is tied to the deep separation between the religious and secular communities in Israeli society.

The division is even further accentuated by the current situation of non-peace, of instability. If Rabin hadn't been assassinated and if the peace process hadn't been blocked, we would perhaps have reached a new situation of balance, as happened with the Sinai restitution. Israeli society would have digested the retreat from the territories and the potential abandonment of some settlements.

Israel's political history shows that when important decisions are made, the large majority of public opinion supports them. It is in periods of stall that Israeli society has always split into two camps of almost equivalent force. The lasting of the non-peace does nothing but exacerbate the differences in this society.

Are there calculable effects of the peace process and of its slowing on the justice system and on criminality?

In such a short period of time it is very difficult to observe important changes in this sector. In general terms, though, it can be noted that in periods of economic tension or of non-peace there is a tendency for an increase in crime.

Within the peace process is a very important, inherent educational aspect. The peace process points to a different way to solve differences of opinion: through dialogue and not with weapons. **In** times when the peace process moved along fairly smoothly, the climate was more serene; today instead we witness a time in which conflicts among groups become more violent.

Can we say that the process started with the Oslo Agreements has changed democratic attitudes?

During the peace process time, we have observed a deterioration of democratic values. **As** frustrating as it is to admit it, this time has negatively educated the Israeli society about democracy. Democracy, not in the sense of a juridical system of government, but in the sense of pluralism, of interaction among groups to reach a consensus and to make common decisions - decisions that may not at times completely satisfy the opposite side, but that the latter is ready to accept.

The violent demonstrations and the attempts to change the decisions made by the legal authority have been a particularly evident and negative phenomenon that developed simultaneously with the peace process.

Appendices

Demographics and Society

Population

Population growth in Israel*

Year	Population (in thousands)	Natural Increment	Immigration
Total Population			
1990	4,559.6	74.6	187.5
1992	5,058.8	76.7	60.4
1994	5,327.6	80.2	63.7
1996	5,619	86.6	53.8
Jewish Population			
1990	3,717.1	48.1	181.4
1992	4,144.6	48.5	49.5
1994	4,335.2	49.9	56.1
1996	4,549.5	53.2	34.7
Non-Jewish Population			
1990	842.5	26.4	6.2
1992	914.3	28.2	10.9
1994	992.5	30.4	7.5
1996	1,069.5	33.4	19.1

*Including East Jerusalem and the Golan Heights, beside the Jewish population residing in the West Bank and in Gaza

See. S. Della Pergola, *Popolazione e società: tendenze, prospettive e politiche*, in *Stanziamenti per i servizi sociali 1994-1995*, Jerusalem, 1995, J. Kop (ed.), Centro Studi Politica Sociale in Israele, pp. 187-200 (in Hebrew).

Demographic Projections for Israel's Population *

Year	Maximum Forecast (in thousands)	Minimum Forecast (in thousands)
Total population		
2003	6,580	6,099
2013	8,136	7,000
2023	9,889	7,883
Jews		
2003	5,165	4,792
2013	6,148	5,306
2023	7,177	5,763
Jews		
2003	1,415	1,307
2013	1,988	1,694
2023	2,712	2,120

*Including East Jerusalem and the Golan Heights, beside the Jewish population residing in the West Bank and in Gaza

See. S. Della Pergola, *Popolazione e societa: tendenze, prospettive e politiche*, in *Stanziamenti per i servizi sociali 1994-1995*, Jerusalem, 1995, J. Kop (ed.), Centro Studi Politica Sociale in Israele, pp. 187-200(in Hebrew).

Immigrants Coming from the Former Soviet Union (last job prior to immigration, 1992)

Professors/Technicians	Office Workers	Labourers
74%	4%	22%

Social-Professional Status by Religion and Place of Origin, i992

	Ashkenazy Jews	Sephard Jews	Non-Jewish Israelis	Gaza and the West Bank
Total	681,200	627,300	199,000	318,300
Professionals	36%	17%	13%	8%
Office Workers	22%	24%	7%	11%
Retailers	8%	9%	7%	11%
Services	11%	17%	13%	4%
Labourers	20%	31%	55%	54%
Farmers	3%	2%	5%	20%

See. S. Della Pergola *Aspects socio-demographiques de l'integration des minorites en Israel: convergences ou divergences?*, in J.L.Rallu, J. Courbage, V. Piche (editors.) *Anciennes et nouvelles minorites*, Paris, 1997, pp. 229-250.

Public Health

The Israeli public health structure is at the same level as that of more advanced and more technologically industrialised countries.

Many of the disease risk factors are connected with the frantic pace of everyday life and with high levels of tension. In 1996, 15,563 people were admitted to psychiatric wards in Israel, compared with the 12,219 of 1990, a 27.4 percent increase in six years. The mortality rate per thousand residents was 6.6 for men and 4.8 for women in 1993.

Several education programs have been established to improve the population's health-related behaviour. According to regional plans there will be an attempt to improve life conditions, reducing the demographic pressure.

In the past few years, considered years of relative political stability, the Israeli government has provided the indispensable health-care services without investing more than what was needed by the population.

Education

Education - number of students enrolled (Israel, 1996/1997)

	Jewish Education	Arab Education
Total	1,482,870	284,392
Kindergarten	297,105	28,200
Elementary	536,836	160,217
Middle School	163,830	92,942
High School	247,293	45,395
University-Type Schools	30,300	675
Universities	104,900	3,033

Public Order

In the past few years the criminality in Israel has significantly increased: in the first eight months of 1997, a 14 percent increase in crime has been recorded. Compared to the United States, Israel can still be considered a safe country (proportionally one fifth of the crimes taking place in the United States occur in Israel.) Despite this, as the years go by, an increase in crime is expected.

The causes of this increase can be found in the increase of social inequalities and drug addiction. Some criminologists maintain that drug addicts are responsible for 70 to 80 percent of private-property burglaries.

According to many criminologists, the main cause for the increase in homicides can be found in the easy access to possession of legal weapons and to the multiple stresses suffered by the Israeli society. In Israel, anybody living or working in the territories, anyone who has been a military or combat officer, can obtain a license to own firearms.

Peace Index (summary of surveys conducted by the Tami Steinmetz Centre)

At the end of **1994**, a general disillusionment was recorded toward the peace process. The main cause of this disillusionment is the population's feeling of insecurity, at both the national and the personal level.

25 percent of the population believe that the state's security level has improved due to the peace process. **24.9** percent believe that there has been no change, and **47** percent believe that there has been a deterioration.

As for personal security, only **16.4** percent believe that the peace process has improved it, while **54.7** percent detect a worsening, and **27.7** find that there has been no change.

To the question about benefit prospects coming from the peace process, **47** percent of the people interviewed respond that the Palestinians will receive more advantages than the Israeli, **10.5** percent that the Israeli will be most advantaged, and **33** percent that they will both receive equal advantages, while **6** percent believe that the peace process won't benefit anybody.

Following the terrorist attacks at the beginning of **1995**, the population faces a crossroads: to continue or not to continue on the road to peace. At the time, the majority of Israelis agreed on the fact that the choice would depend on the end of the attacks.

In March **1995**, **65.5** percent of the population believed that the only solution to terrorism would be the clear physical separation between Israelis and Palestinians.

To the question about how will the situation change in case of border closures with the Palestinian territories they answered:

	<i>Personal Security</i>	<i>National Security</i>	<i>Economy</i>	<i>Peace Prospects</i>
Better	76.3%	73.1%	45.9%	41.4%
Same	12.2%	12.7%	23%	23%
Worse	7.3%	9.1%	19.4%	21.7%
Don't know	4.1%	5.1%	11.6%	13.9%

Source: Tami Steimnetz Centre (1995): Peace Index - March 1995

The July **1995** data (gathered before the terrorist attack of July 27 in Jerusalem) show that 47.7 percent of the population maintain that the level of personal security has worsened since the beginning of the peace process (compared with the **64.4** percent recorded in March of that same year.) Two factors can explain this: 1) absence of terrorist attacks between March and July; 2) the psychological-social process of "normalisation" of the reaction to terrorist attacks.

After the July-August **1995** terrorist attacks, **90** percent of the population believe that peace won't improve at all personal security. To the question about how the possible consequences of ending the dialogue with the Arab countries, 2 percent of the people interviewed believe that interrupting the dialogue is a potential solution to terrorism, **16** percent believe that it could bring to a decrease in attacks, **45** percent think that this wouldn't cause any changes, and **33** percent believe that it would lead to an increase in attacks.

On September 27, **1995**, the Oslo Agreements **2** were signed, but this didn't seem to particularly affect the Israeli population's opinions.

In November, right after the Rabin assassination, the consensus on the peace process and the Oslo Agreements increased dramatically. But this was only a temporary effect. The sharp increase in consensus can be explained by different factors: 1) reaction to a sentimental identification with Rabin's so-called peace army; 2) creation of a general consensus for peace.

Already in January **1996**, the positions on peace were back to the values prior to the assassination. With regard to the levels of personal security, **36** percent of the people interviewed believed that the situation had improved since the beginning of the peace process, **29.9** percent believed that there had been no change, and **30.9** percent believed that the situation had worsened.

Going back, it is interesting to note that in November **1994**, only **16.4** percent could see an improvement of the situation and **54** percent saw a worsening.

As it already happened in similar situations, after the new terrorist attacks in January and February **1998**, the general will to continue on the road to peace was greatly reduced.

These constant ups and downs of the peace process consensus can be explained in various ways: 1) the opinions on peace derive for the most part from personal social-demographic characteristics, and consequently the **1995-1996** events have a short-term influence; 2) the influence created by the elections for the new prime minister. The elections increase the population's interest for politics toward the Arab countries. The terrorist attacks preceding the elections exercise a strong influence on the population, making the peace process consensus fall.

In June **1996**, after the elections and the victory of the Likud candidate, Benjamin Netanyahu, to the question about how this result would affect the peace process, 5.8 percent of the people interviewed answered that this would mean the end of

the peace process, 32.4 percent believed that the peace process would be slowed down, 48.4 percent that the peace process would continue as scheduled, while 6 percent believed that there would be no change.

In January 1997, two thirds of the population declared to be in favour of a withdrawal from Hebron.

The peace process' stall situation increases the United States' and Europe's initiatives to keep it going. According to recent surveys, 81 percent of the population declare agreeing with the United States involvement, while no opinions are voiced about the European nations.

With regard to the relationship between peace and terrorism, the populations are equally divided in three groups, those who believe that there will be an increase in attacks, those who believe they will decrease, and those who believe that there is no relationship between the two factors.

In September 1998, the general index on peace, which records the Israeli public opinion trends regarding the support for a peace with the Arabs, records that 57.3 percent of the people interviewed favour or strongly favour peace. With regard to this, only 47.2 percent of the people interviewed favour the Oslo Agreements.

Sources:

Israeli Central Bureau of Statistics - Statistical Directory, 1997
TAMI STEINMETZ (Centre for Peace Research) - Project Peace index, Surveys from June 1994 to September 1998
The Centre for Social Policy Studies in Israel - Israel's social services 1994/1995 /1996

Israel: Infrastructures, Natural Resources, and the Environment

*A conversation with Aharon Zohar**

**Expert in environmental and natural resource planning*

What are, from a resources standpoint, the potential implications of peace/non-peace between Israel and the Arab states?

Between the Israeli economy and the economies of neighbouring states there are significant differences, clear both in the employment and the production structures. These differences can be exploited in different fields to increase interaction among economies, whereas in others, the differences create obstacles to development.

The following hypotheses receive a large consensus:

a) In conditions of peace, the economies of the region's countries will have a higher growth rate. The region's stability will allow security expenses to be cut, and will encourage foreign investments;

b) Israel will benefit the most in economic terms. The economic stability in the region will eliminate the Israeli economy's barriers, making the economic activity in Arab and other countries easier, and will clear the way to Israel's participation in regional projects;

c) The co-operation in regional projects could benefit all interested parties, thanks to a more efficient and co-ordinated use of resources;

d) **An** uncontrolled development of the economies of the region's countries could make the environmental situation worse and have an impact on the quality of life for the region's inhabitants.

It should be noted that co-operation among the region's countries doesn't guarantee prosperity; the key to success can be found in the way those countries accomplish the projects, and in the level of co-ordination and co-operation.

Requiring co-operation are two crucial fields, water and environmental protection, in which one party's activity could damage the other's and cause irreversible damage to the region.

My analysis is focused primarily on the potential implications of peace/non-peace for Israel and the Palestinian Authority, but refers also to Jordan, Egypt, Syria, and Lebanon.

What are the potential effects on the spatial structure and on the population distribution in the region?

Peace could have a deep effect on the spatial structure and on the population distribution in Israel, and, in a lesser measure, in the Palestinian Authority territories and in Syria. Territorial concessions in the West Bank and in the Golan Heights would drastically reduce the surface of Israel. This process could be made worse by the following factors:

- a) The need to accommodate security installations and firing ranges that would be relocated from the West Bank and the Golan Heights;
- b) The need to absorb the Jewish residents of the West ~~Bank~~ and Golan Heights inside the 1967 borders;
- c) The expected increase of immigration to Israel due to the end of the hostilities;
- d) The increase in the demand for land for industries and tourism.

Two main concepts explain the impact of peace on Israel's spatial structure and on the distribution of its population. The first is the strengthening of the central areas and the increase in differences between the central and peripheral areas.

According to this concept, Israel's central areas, meaning Tel Aviv's metropolitan area, are expected to attract the most development. The result will be an increase in the differences between the peripheral communities and those of the metropolitan areas (Jerusalem, Haifa, Beer Sheva, and mostly, Tel Aviv). Because the Israeli Arabs reside, for the most part, in peripheral areas, the differences between them and the Jewish population increase. The Jewish population along the border of the West Bank won't benefit from its growth, having to pay for the population's relocation to the large, central, urban conglomerations, which exercise a strong attraction, thanks to the variety of services offered.

The second concept is the growth of trends toward the dispersion of the population. According to this assumption, despite the significant strengthening expected for the Tel Aviv region due to its valued importance as an economic centre, two main factors are expected to be active in the trend toward the dispersion of the population:

- a) Sites along the borders or the main traffic axes will exploit determined advantages and will rapidly grow, attracting new inhabitants;
- b) The pressure of the higher development in the centre of Israel will make land scarce, causing crowding and an increase in real-estate prices. People will prefer to relocate in new places or leave metropolitan areas in search of a better quality of life.

According to this concept, peace will offer development opportunities for the border regions, but without effective direction in planning and environmental control, the development could create fertile grounds for smuggling, crime, and environmental pollution.

Israel's spatial structure will be mainly determined by government policies and planning authorities, but in any possible scenario a heavy pressure is expected to be put on the land resources for different uses: residential, industrial, tourism, infrastructures,

etc. The land prices will rise quickly and the shortage of land will cause high building density.

Peace will also influence the spatial structure of the area controlled by the Palestinian Authority. The additional population growth in the territories resulting from the return of Palestinians, and the expected improvement of the standard of living due to the arrival of foreign capital, will increase construction and reduce open spaces. This process could be accelerated because of the types of buildings characteristic of the West Bank and of private land in Palestinian areas.

It can be assumed that new construction activities in the West Bank in peace times would expand toward the border with Israel, so as to create economic centres and employment sources for the West Bank population. Construction activities in the Gaza Strip will have to account for the limited land available.

What would be the effects on the region's water resources?

Regarding water resource availability, the water supply in the region will not increase, and could even decrease by 10 percent-because of global climate changes in the region-by the middle of the next century. It is also expected that the demand for water in the region will increase because of the population growth, the progressive urbanisation, and the improved standard of living. In light of what I just said, the higher demand in both the home and the industrial sectors will reduce the amount of cultivated land, due to the reduction in the amount of water available for agricultural use.

As for the main conflicts that could explode in the water arena, the one between Israel and its neighbours would focus with Syria on the Jordan and Yarmuk basins; and the one with the Palestinians in the West Bank, on the water tables of the mountains and of north-eastern Samaria.

The peace treaty with Jordan stipulates the criteria for dividing the waters of the Jordan and Yarmuk Rivers between the two countries, and guarantees a further allotment of water to Jordan. The coastal water table of the Gaza Strip isn't significantly tied to the water resources located outside that specific area.

Today, about 8 million people live in the region west of the Jordan River; of these, 5.5 million are Israeli and the remaining are Palestinian. The amount of water available is 2 billion cubic meters per year. In 2040, the same region will have a population of about 19 million people. Approximately 4.5 billion cubic meters will be necessary.

Israel is committed to solving the big water shortage problem in the Gaza Strip and the West Bank. In the Gaza Strip, the drinking water problem can be solved with desalinisation. West Bank citizens can consume more water coming from the mountain water table. Both areas have a big pollution problem caused by wastewater and other polluting products that degrade the quality of underground water. In the Gaza Strip, the

excessive extraction has caused the infiltration of sea water into the coastal water table and its salinization.

To find a solution to the water problem, we are exploring many alternatives.

The costs of desalination have dropped substantially, making this operation more attractive to the coastal population in Israel and in the Gaza Strip. The use of solar energy, which is abundant in the region, for water desalination, could be an important step forward in the reduction of desalination costs. If Jordan could cover the costs of water desalination for its coastal population, Israel could supply Jordan with water from Lake Tiberias, channelling it along the Ghor Channel, from where the water could be pumped all the way to Amman. This is the least expensive way to resolve Jordan's water problems and would materialise in many ways the meaning of peace.

Another possibility would be to increase the water supply by importing it from other countries in the region that have a surplus of water resources, such as Turkey, though this alternative seems less practical, due to a decrease in water availability caused by excessive exploitation and pollution of these resources. Political instability, economic, and civil engineering factors further devalue this option.

Reclaiming wastewater presents numerous advantages: it increases the water supply; helps solve environmental problems by preventing pollution; prevents diseases; prevents the spreading of bad odours; and it is much less expensive than the other alternatives (the cost of recycling a cubic meter of water is about one third of that of desalination). Only a small fraction of the Middle East's wastewater is purified to a level sufficient to irrigate all types of cultivations. Most of the Middle Eastern rivers are polluted by wastewater.

Furthermore, the exploitation of rain through cloudseeding could have a significant role in some regions. Data collected in northern Israel point to a 15 percent increase of rain. **An** effective use of water makes possible the conservation of a significant amount of vital resources.

There is, however, a direct correlation between the water problem and the peace process.

After security measures, water is the most important issue. For peace, Israel has had to compromise on water. Considering that the water demand will be higher than the supply, what's advocated is the desalination and an exhaustive use of wastewater treatment; it is, in other words, an economic problem. Moving the discussion from a political-ideological sphere to an economic-technological one makes the issue less sharp for the parties' sensitivities. The environmental issue will become more pertinent, and the need to protect surface and underground waters from pollution will increase.

In any agreement, Israel has an interest in supervising and preventing water pollution in all West **Bank** and Golan Heights watersheds that supply underground water to Israeli regions. There is a reciprocal tie between the state of peace and

international co-operation among the region's countries, and the international agencies' will to finance common projects in the field of water resources and of their use.

Given its commitment to supplying drinking water to the people living in the West **Bank**, Israel will have to offer in the future higher amounts of water to a population whose use will increase rapidly, due to its growth and the improvement of its standard of living.

What are the environmental issues connected with peace/non-peace?

The expected increase in economic growth could severely and irreversibly damage the environmental resources if a sustainable development policy is not adopted. Israel won't be able to continue to manage independently the natural resources west of the Jordan River and won't be able to dictate to the Palestinian Authority its own environmental standards. Natural resources and environmental protection will have to be managed jointly, mainly with the Palestinian Authority, from the following standpoints:

a) The higher use of energy and the higher number of vehicles in the territories will generate more pollution;

b) The higher use of water by the Palestinian Authority will reduce the water availability in Israel, which will force the development of new water sources, mostly through desalinisation;

c) The higher amount of wastewater will endanger the quality of common water table water;

d) The amount of dangerous and solid waste will increase;

e) Common development projects could damage the environment. The construction of the Port of Gaza, for example, will have an impact on the beach structure and on the sand movement along the coast further north.

The regions expected to be most damaged will be the border regions.

If the parties will not adopt preventative measures, environmental degradation can be expected in the following sectors:

The first is the pollution of underground waters. The fact that two autonomous authorities claim the right to manage the common water tables could cause their excessive and irrational exploitation. The problem would be further aggravated by the increase in population and the improvement of the standard of living. The biggest problems are expected in the mountain water tables, and at a lesser level in the north-eastern and eastern water tables of the West Bank and of the Golan Heights' rivers.

The second is atmospheric pollution. In the absence of adequate preventative measures, air pollution caused by vehicles-the number of which increases simultaneously with the population increase and improvement of the standard of living-and by factories, if they are built without pollution prevention, could become a danger for the environment and for public health.

The third is marine pollution. Pollution spreading in adjacent areas, due to the direction of coastal currents, from the south to the north, is expected in the Gaza Strip region and along Israel's beaches; not to speak of the northern part of the Gulf of Aqaba, where the tourism industry, ports, wastewater, oil, and phosphates threaten the coral reef

Then there is the growth of dangerous substances and waste. Dangerous substances that if not moved to proper disposal sites, or not correctly treated, could infiltrate the underground waters and become a danger to the life of the population.

Finally, there is the danger of solid waste, which, if not properly treated, can pollute surface and underground waters. The use of incinerators can cause air pollution. Not treating solid waste can pose a health risk.

What are the prospects for industry?

Peace will facilitate regional co-operation among the region's countries, where each party will be able to exploit its own competitive advantages while reducing production costs. Peace will allow Israel to exploit its own competitive advantages of a highly skilled professional workforce, logistic advantages, and innovations, focusing on research and development, and selling highly technologic and scientific products. The Arab countries will specialise mostly in high-intensity-workforce industries. Industry in Israel will undergo structural changes with the increase of science- and technology-based activities, activities that will account for 80 percent of the workforce in the year 2000, compared with approximately 50 percent in 1990.

These structural changes depend, for the most part, on the ability to sell scientifically based technologies to other countries, given the fact that the internal market is too small to sustain this industry.

Peace can significantly ease the following efforts: new markets could open for Israel, in the Middle East and in other countries with which Israel did not have any prior ties. The advantage of the Middle Eastern market is that of its proximity and its great potential; even if the current demand is focused almost exclusively on primary goods such as food and clothing, the situation is changing.

Another issue worth mentioning is that of industrial parks designed along the Palestinian Authority's territorial borders. These areas are meant to combine industrial activities with free trade and, based on world experience, will become an effective tool for transferring technological and managerial know-how, and will make it possible to overcome administrative, technological, market, and management obstacles. These areas, however, could represent a danger if not designed and managed correctly. If the Palestinians were only to provide cheap labour, these parks could become breeding-grounds of political and social tensions. The consequence of not protecting the environment in these areas could mean irreversible damage to the environment.

What could happen to tourism?

Because political uncertainty is the biggest obstacle to tourism development, it is expected that peace will lead to the increase of tourist traffic in the region, with an increase of services in this sector. 1995 saw the highest peak of inbound tourism in Israel, twice as high as that in 1990 and 1991. The peace process slowdown has caused a sharp decline in the number of tourists in Israel. Areas that expectedly will contribute to this sector and of which the region's countries will take advantage are:

- a) Higher tourist **traffic** from developing countries and from Arab countries;
- b) Higher transit traffic, resulting from a higher volume of business and visits;
- c) Development of health-related tourism, particularly around the Dead Sea and Lake Tiberias;
- d) Development of tourist conventions;
- e) Development of winter tourism in the mountains of Lebanon and on Mount Hermon;
- f) Increase in business tourism, which will transform Israel into a regional administrative centre for multinational companies;
- g) Common tourist projects, both in physical infrastructures and in the organisational-sales field. Co-operation in these fields is invoked for the Aqaba Gulf (with Jordan and Egypt), for the Dead Sea (with Jordan and the Palestinian Authority), and in the Beit Shean Valley (with Jordan).

The intensified tourism development in the region can be accompanied by grave threats to the residents' quality of life, resulting from an excessive infrastructure load, such as roads, which are currently insufficient. Similarly, the environment can be threatened in its limited support capabilities.

From Israel's standpoint, some damage may be caused by the expected reduction in the duration of stays and transit in Israel when the borders are open. This trend could be completely or partially counterbalanced by the increase in the number of tourists visiting Israel. It is expected that, given the potential increase in the number of Muslims and Christians visiting the region in the wake of peace, tourism in the West Bank could become competitive with Israel's in low-cost hospitality for pilgrims/tourists; or instead, it could complete the Israeli tourist system so that both parties can benefit from it.

What conclusions can be drawn about agriculture development? And what are the projections?

Agriculture will continue to be central to the Arab countries' and the Palestinian Authority's economies, and could expand to satisfy the higher demand resulting from a population increase and improvement of living standards. The obstacle to agriculture development in the region's countries, except for Lebanon, is water. This barrier will force many farmers to specialise in crops with a high return per water unit, such as greenhouse crops.

Agriculture development in the region depends, in larger part, not only on a solution to the water shortage problem, but also on the ability to optimise agricultural

production through co-operation in the fields of labour, agricultural technologies, research, and so forth.

The agricultural sector in Israel is affected by the water shortage and by an excess of manual labour. Peace could worsen this process because, once the borders are opened to agricultural products, highly work-intensive agriculture in Israel could be damaged by that of the Arab countries with advantages in this sector. At the same time, Israeli agriculture has in it several niches that could benefit from the opening of borders: research and development, development of agricultural technologies, marketing of know-how, machinery, and agricultural inputs.

What would be the effects on trade/commerce and on services?

The expansion of potential markets in times of peace will lead to a quick increase in the region's trade and services sectors: trade, transportation, telecommunications, education, health, business, finances, and personal services.

For some products, there is a potential for trade among the region's countries: textiles and clothing, food, building materials, and minerals from the Dead Sea. For the following products, the trade will probably be one-way, meaning that Israel will import ~~from~~ the Arab countries: oil and oil by-products, various raw materials, and vegetables. To balance that, Israel will export to these countries: machinery, electronic and computer products, know-how in various fields.

What is happening in the transportation field?

Peace could renew the ties between the Arab countries through Israel and the Palestinian Authority, and connect Israel to the region's transportation network. At the same time, we shouldn't expect Israel to become a bridge for the region's countries, given that surface transportation for such distances is more expensive than air or maritime transportation.

The majority of the peace effects on transportation will be visible at the local level in Israel and the territories, mostly on Palestinian travel itineraries through Israel: between the West ~~Bank~~ and Gaza, and between the northern and southern West Bank through Jerusalem.

The expected traffic volume shouldn't significantly damage Israel's road network, but rather certain itineraries and during certain times. This hypothesis accounts for higher mobility in the Palestinian Authority territories, resulting, once again, from a population increase and an improved standard of living, which should generate a higher demand for travel between the territories and Israel for daily necessities, trade connections, vacations, and tourism.

It seems that the amount of traffic itself doesn't justify the expansion of existing infrastructures or the building of new ones. Despite this, with the expected drop in oil

prices as a consequence of peace, it is expected that the level of mobility in the region will increase, worsening the road congestion and increasing air pollution.

The demand for air services in the region could increase in times of peace. Ben Gurion Airport won't be able to serve as a pivotal point because of the environmental obstacles to its expansion and because of the meticulous security regulations. It would seem, therefore, that the Amman airport would perform this function. It should be noted here that air routes between Israel and the Far East would be substantially shortened.

It can be assumed that the ports of Ashdod and Haifa, currently in phases of expansion, will serve Jordan and the Palestinian Authority, and that the port of Gaza, under construction, will offer limited services to the Palestinian territories.

Feasibility studies show that freight movement by train is not feasible in the region, except for the transport of phosphates and potassium from Israel via the Jordanian rail system to the port of Aqaba.

What could the scenarios be in the field of energy?

The most important areas for co-operation in the energy area are basically two. The first is the connection of electricity networks, which can provide the following advantages: a better system of safety and reliability; higher flexibility in the use of different production units and the potential to reduce the installed capacity reserves; savings in production costs; and environmental advantages through a more effective use of the supply.

In this field, Israel could benefit the most from the electricity networks connection. The territories' demand for electricity (Jewish settlements included) has increased at a higher rate than that of other areas in Israel, and represents approximately 5 percent of the total use in 1995. According to the forecasts, this area will account for 6 percent of total use in the year 2000; about 7 percent in 2005, and about 8 percent in 2010. Today, the Israeli Electricity Company provides most of the electricity in the Palestinian Authority's territories.

The second sector is that of oil and gas. Within the measures to import natural gas into Israel, there are negotiations to purchase gas from Egypt and to transport it to power stations in Ashdod, Tel Aviv, and Haifa, and to gas turbines operated by the Israeli Power Company. The use of natural gas can lead to a significant improvement in environmental protection. Israel could become again the oil and natural gas transfer corridor from Saudi Arabia and the Gulf Countries to the Mediterranean ports, with the completion of the Irbid-Haifa line and the connection of the Yanby oil pipeline with the existing Eilat-Ashkelon pipeline. The direct import from Arab countries to Israel of oil and gas will greatly reduce the **costs** of these products and their storage.

What conclusions can be made in a non-peace situation?

Without a solution to the Arab-Israeli conflict, there won't be the necessary stability for economic development and growth. In these conditions, difficulties are to be expected on three levels: on the international level, investors will abstain from investing in Israel and the international agencies won't finance infrastructural projects in the region; on the Middle-Eastern level, the economic relations among Israel, Egypt, and Jordan will dissipate and scheduled projects won't be realised; in the Israeli economy, there will be a continued detachment from the low-cost workforce coming from the territories and the importation of a foreign workforce will increase, with the associated reduction of low-cost work and a stronger tendency toward mechanisation

Israel could most benefit from a situation of peace in the trade, services, tourism, and energy sectors, and in specific areas of industry and agriculture (mostly in those with a scientific and technological basis).

This said, in the same way peace can have positive effects in different fields of development, it can also have negative ramifications in Israel, mostly in the spheres of land and water. The negative effects derive primarily from territorial concessions that would considerably reduce Israel's surface and would create a strong pressure on land resources for different uses, with strong increases in population and in real estate prices. It will become necessary to involve the State to minimise the negative effects. Israel will also have to give up water resources, particularly those that it currently uses for its own needs: the mountain water tables to the Palestinian Authority, and the Golan Heights rivers to Syria. Considering that Israel is committed to providing drinking water to the West Bank Arab populations, whose water use is increasing, it appears clear that Israel will have to give up increasing amounts of water coming from the mountain water tables, and the issue is how long will Israel put off the introduction of desalinisation along the Mediterranean coasts. Peace will make it easier for Israel to obtain financing for desalinisation projects and for the treatment of wastewater.

The expected increase of economic growth in the wake of peace can irreversibly damage natural resources and the environment in all of the region's countries, unless general and strict policies for sustainable development are adopted. Israel will have to manage, together with the Palestinian Authority, the natural resources and environment west of the Jordan River. Along with advantages in most economic sectors, peace can have negative effects on the population distribution and building typologies in the Palestinian Authority, unless measures are adopted to limit the sprawling of built areas.

The direct economic benefits that can follow the definition of peace ties between Israel and Syria are undoubtedly marginal, with a possible and limited co-operation in the fields of water, agriculture, and tourism. Peace with Syria, however, would serve to reinforce the economic stability of the whole region.

Appendices

Resources and Infrastructures

Employment Structure and Product Structure in Countries of the Region (in percentages - 1994)

	Israel	Egypt	Syria	Jordan	Lebanon	Palestinian Authority
Employment Structure						
Services	74%	37%	36%	64%	59%	37%
Industry	22%	21%	32%	26%	27%	43%
Agriculture	4%	42%	32%	10%	14%	20%
Production structure						
Services	67.2%	50.5%	50.9%	65.8%	57.9%	48.6%
Industry	21.5%	28.5%	14.1%	16.2%	18%	8.2%
Construction	8.9%	4.4%	4.2%	9.4%	14.1%	15%
Agriculture	2.4%	16.6%	30.8%	8.6%	10%	28.2%

Source: Israeli Central Bureau of Statistics

Water Gaps in Israel and the Palestinian Authority (MCM)

Year	Population (millions)	Domestic Industry	Agric. Sector	Total	Water Sources			Agriculture		Gap
					Fresh & brackish	Recycled	Total	Fresh & brackish	Recycled	
1990	6.6	653	1,315	1,968	1,850	198	2,046	1,117	198	
2000	8.9	940	1,195	2,136	1,770	323	2,093	867	328	43
2010	10.9	1,238	1,168	2,407	1,810	488	2,298	875	487	108
2020	13.4	1,591	1,452	3,043	1,825	782	2,607	660	767	436
2040	19.1	2,443	2,080	4,523	1,825	1,415	3,204	655	1,352	1,283

Current Utilisation of the West Bank Groundwater Basins in MCM

Groundwater Basin	Overall Capacity	Palestinian Share	Israeli Share
North-eastern	140	30	110
Western	335	25	300
Eastern	125	60	65
Total	600	125	475

Tourism in Israel

Year	Arrivals	Departures
1990	1,131,725	1,160,003
1991	951,201	898,980
1992	1,509,520	1,443,782
1993	1,655,642	1,580,383
1994	1,838,703	1,753,088
1995	2,215,552	2,091,147
1996	2,100,552	1,956,877

Source: Israeli Central Bureau of Statistics

Roads in Israel (length and area)

	1994	1992
	Length (km)	Length (km)
Total	14,159	13,602
Non-Urban Roads	4,527	4,254
Access Roads	1,373	1,350
Urban Roads	8,269	8,002
	Area	x100m ²
Of Which	97,782	91,389
Non-Urban Roads	31.556	28.835

Source: Israeli Central Bureau of Statistics

Motor Vehicles in Israel

Type of Vehicle	1992	1994
Total	1,314,775	1,132,114
Trucks	232,601	185,737
Other vehicles	1,082,174	943,377

Source: Israeli Central Bureau of Statistics

Electricity Networks in the Region

Country	1995			2000		
	Peak (MW)	Demand	Installed Capacity (MW)	Peak (MW)	Demand	Installed Capacity (MW)
Israel	5,600		6,920	7,720		9,989
Egypt	8,149		14,000	10,530		16,700
Jordan	860		1,105	1,070		1,600
Syria	3,280		4,635	4,350		6,600
Lebanon	1,326		1,420	2,190		2,550

Electricity Consumption in Israel (MKWH)

Year	MKwh
1985	13.5
1986	14
1987	15.4
1988	16.9
1989	18
1990	18.3
1991	18.8
1992	21.8
1993	22.9
1994	25.1
1995	27

Source: Israeli Central Bureau of Statistics

The electricity consumption has increased in the period 1985-1990 at an average yearly rate of **6.3** percent. With the economic boom and the population increase, the electricity consumption has then increased in the following period, from 1990 to 1995 at an average yearly rate of 8.1 percent.

Sources:

Israeli Central Bureau of Statistics - Current data
Israeli Electric Corporation - Current data

Israel: Security

*A conversation with Ze'ev Shiff**

**Expert in military and security issues, opinion writer for the daily newspaper Ha'Aretz*

What is for Israel the real relationship between peace and security?

Security is the central issue of the entire peace process and of the Israeli political debate, essential for the progress of the process itself. It can be called anything, a trust issue between the parties, for example. Security is central because of the general lack of security.

When we speak of the peace process, even when we speak of normalisation, the main point is security. When we discuss open borders, again we are talking about security; the same is true for trade and freight transportation, that they don't compromise Israel's security; even when we speak of settlers, we are talking about their security.

This predominance of the security factor is due to the fact that the conflict has lasted a long time, with great bloodshed on both sides. It must be clear that the Palestinians have their own security too. A deep psychological barrier divides the two people. The peculiar aspect of the situation is that the Israelis don't feel secure. Israel has a powerful army and they don't feel secure; they are the occupants and they feel as if they are occupied. This is the irony of the situation. Just think of the press conference called in New York in early 1998 by Mr. Butler, former head of the United Nations' inspection mission in Iraq, who, in talking about Saddam Hussein's ability to use biological arms, mentioned Tel Aviv as the only example. He didn't say that Saddam could easily destroy Riyadh, Damascus, or Teheran, but Tel Aviv. To understand the feeling of insecurity in the population here, it is enough to think about what happened in Israel, where, because of this, people seemed to panic.

Security is therefore the most important issue. The Palestinians, too, in one way or another, don't feel secure, but this is different. The historical background of the insecure feelings should also be added: the Shoah for Israelis of European descent, persecutions and pogroms for those coming from Arab countries.

We can't move forward in the peace process without resolving the security issue. If the Europeans or others don't understand this, then they completely miss the core of the problem. If they don't understand the psychological problem of security, then all of their advice will be useless. We can't just say: "Open the borders, avoid at all costs the closure of the territories." The closure of the territories has security reasons, wrong

methodology, but security reasons. The majority of Europeans and Americans, furthermore, don't understand the geographic constrictions: the proximity, the lack of a hinterland, the fact that the border is almost at the corner of the road in Jerusalem or on the green line in Petah Tikva.

Not understanding these facts means not understanding Israeli politics.

What is the relationship between peace and security?

If peace is not secure, it is not peace. We can't mention peace without mentioning security and this is what Netanyahu wanted to say at the last election: security and peace must go hand in hand. The answer has been that if there is true peace, there is also security, but the two things can't be separated. If the Europeans or the Americans try to tell us that we must coexist with terrorism, and it was to be expected that after the Oslo Agreements there would be terrorist acts, then our answer is no. No, we don't have to coexist with terrorism. It is understandable, these are enemies fighting against peace, but the Israeli people should not and cannot coexist with this phenomenon. If we must live with terrorism, then we don't want this peace, nobody needs a peace that's not secure.

The Israeli left and many security experts, me included, have been for years ready to acknowledge the Palestinians' right to self-determination, on the condition that they would not jeopardise the Israeli's right to self-determination. We understand that the Palestinians need their own state; we accept this. We are even ready to compromise on Jerusalem, but without security we aren't going to retreat, not even by a centimetre, nor are we talking of further redeployments. If this is not clear, then a la guerre comme a la guerre.

Certainly, we must understand the Palestinians' problems - they have Hamas, like the Israelis have their own fundamentalists - but we can't accept a logic that if the negotiations turn toward solutions that the Palestinians don't like or that don't conform to their expectations, they in one way or another give terrorist acts the go-ahead. You can't kill the children of the person you are arguing with because you don't agree with that person. If the Europeans don't understand this, then Israel doesn't need their money and most certainly not their advice.

Under Rabin, the Israeli government and the Europeans understood each other. The Americans asked not to put pressure on Rabin regarding the settlements. The United States state department secretary for the Middle East, Dennis Ross, explained that this was because they knew what Rabin's strategic objective was, his solution. The same can be said for Mubarak and for King Hussein, who could understand Rabin's problems. With this government it is different, because Europeans and Americans don't know what its end objectives are. For Rabin it was peace, a final agreement with the Palestinians, and in the end, it is sure that we would have come to a Palestinian state.

Is it possible to control terrorism and at the same time move forward in the peace process?

If we put ourselves in the Palestinians' shoes, then we can understand how they had many problems with the Netanyahu government, whereas they had fewer problems with the previous one. They saw that the government was rejecting their reasons, negating the achievement of their primary objective - the Palestinian state - that it was creating done deals and closing some options; therefore, they have been afraid of missing their chance. Palestinians have their own rights, and for this reason, they debate the possibility of using force or violence, or even terrorism; all this is understandable. But here we've turned the page. With the Oslo Agreements in **1993**, something changed; we've arrived at the reciprocal acknowledgement of both national movements, Israel and the PLO.

Palestinians should first of all try to influence the Israeli public, not only the government and the ministers, but also the different levels of society: young people, students, political parties. They should have a different public diplomacy. This is very important for the Palestinians, because at this moment in history it is the Israelis who have the cards in their hands. In the past, they didn't do it; then they started doing it with the non-Zionists, then with the Zionists, then with the left, and now they're even trying to have a dialogue with Likud sympathisers and with some religious people, which is very positive. Positive mostly because the situation now is very dangerous. If something extremely grave were to happen, many left and centre people would support Netanyahu. This is the tragedy, because we can say that politically this is wrong, that peace is important, but if terrorism were to hit innocent people, especially children, a lot of people who don't like Netanyahu would shift to his side, saying that you can't trust the Arabs, that it is impossible. True, this means that no choice is left for the Palestinians, that in the end it will be Israeli public opinion that decides. This is unfair, but that's the way it is; it is a fact and it must be accounted for.

The irony is that the Palestinians helped Netanyahu's election. In many respects they took him to power. One of the better-known members of Likud, who doesn't like Netanyahu, once said: "It is strange, but Netanyahu owes his election to the Arabs." This has been the tragedy that raised the question of what it was that the Palestinians really wanted. The real terrorism wave happened during the Rabin and Peres governments. Rabin had ample freedom of action against terrorism given to him by the Americans, but there were in that period more deaths than before the Oslo Agreements. Peace must be cleaned of terrorism. For many, the peace process is strictly tied to terrorism, and it is for this reason that many who feared and still fear peace became terrorists. Baruch Goldstein, the Israeli settler who massacred 29 Palestinians praying in the Abraham's tomb Mosque in Hebron, became a terrorist because he was afraid of peace. It is a vicious circle. It is therefore necessary to break the tie between the peace process and terrorist acts.

The main question is the reaction of the two societies, how to tackle this problem. People are afraid. The settlers are afraid of losing everything, or their homes, or their ideology. And there are people who will try and destroy the sacred places. This is something that greatly worries the Israeli security organisation.

In the annual report compiled in **1998** by the Israeli security services, there are things very difficult to accept. For example, for the first time, the Israeli society could face some kind of civil war. For this reason, it is essential that both parties fight terrorism simultaneously and globally. This doesn't mean one has to agree with Netanyahu, that all must be clean and sterile before we can take a step, that the absence of terrorism must be 100 percent proved before taking the smallest action. To help the Palestinians, though, we must give them the concrete feeling that, in this difficult period, Israel is not closing any political options for future negotiations. These are the two parts of the equation, which means that we cannot expect them to fight terrorism - cornering them on this point - while we build settlements and confiscate land. The equation is: don't kill - don't create facts that could compromise the process. Those responsible for the Israeli security apparatus are aware of this. They say that the Palestinians must fight terrorism, and that the Israelis must give them incentives for this purpose; we must be fair in their respect.

Even economic measures could help, but only to a certain point. True, it is right to economically help the Palestinians, not only for altruism, but because if your neighbour is happier, things go better; but nobody is sure that even if there were jobs for all the Palestinians terrorism would disappear. There is a need for stability. Nobody is sure that by eliminating the closures of the territories or by offering all the possible economic assistance there would be no terrorism. The Palestinian terrorism doesn't originate only **from** economic desperation.

Even the current fight against terrorism is taking place under circumstances that are pretty new for Israel. The country has had to deal with terrorism its entire life, with different ways and methods. This time, it is much more difficult. It is a problem for the military, because you can't explain to the soldiers that they must retreat while the Palestinians kill. During all these years, we always had the possibility of resorting to military retaliation or some commando actions, but not anymore. For Shin Bet, the internal intelligence information service, this is also a problem, because now they must use completely different information gathering systems. They are not physically on site; it is like collecting intelligence in a foreign nation, for example, Syria. It is much more difficult and problematic. They can't conduct interrogations. In general, it is much more difficult to fight terrorism with the peace process; you can't simply punish everybody. The Hamas and Jihad people feel free in the Palestinian-controlled areas; they can train, their infrastructures are good. The Israeli organisation cannot do what it used to do in the past anymore. Terrorism, as I've already said, existed, but they could more or less control it. They couldn't stem the civil revolt, the Intifada, but this is another story. The Palestinian armed fight, though, failed completely. If we compare it to other armed fights in other places in the world, the Palestinians failed. It is precisely because their armed fight failed that they began the Intifada.

How useful is the separation between Israel and the Palestinian territories?

The separation has met a psychological need. Even among those most in favour of the creation of a Palestinian state and a compromise on Jerusalem, the request is

widespread that there be no contact, that Israelis and Palestinians each live on their own side and on their **own**.

The separation, however, involves also several technical problems. To achieve a true separation, access to Jerusalem should be barred to the Palestinians, for example, but this is not possible because Jerusalem is a religious, ideological, and administrative centre. Separation is a difficult solution. Among other things, it is because of the security problems posed by the presence of Palestinian workers in Israel that the country started to absorb foreign workers, thus creating other problems. Suddenly, there are people here who want to stay among **us** with their children, with all the implied consequences for a society still in the building phase, with its problems and difficult balances. But this is the result of terrorism, it wasn't deliberately decided. Ben Eliezer, who was minister of public works in the Rabin government, told Arafat that if he wasn't careful, there would be a problem in the construction sector. The Israeli construction sector needed 10,000 workers and the decision to be made was whether these workers would be Palestinians or Rumanians. "The decision," said Ben Eliezer to Arafat, "is yours, not mine."

The arrival of Rumanians and Filipinos is part of the reason for separation: economic separation from the Palestinians, not only geographic. There is no desire for the Palestinians to work here because it's not safe.

Separation, even for a short time, to calm the waters, is not a good thing anyway. Can Israel completely separate itself from the Palestinians? No, it can't. Moreover, we need to help them if we don't want to have a neighbour with economic problems and differences so big that they can only generate more anger, frustration, hate. Palestinians need to be happier **so** that a dialogue can begin between the two peoples. In conclusion, separation is only a method; we shouldn't see it as a philosophy. It doesn't mean closure; there can be separation without closure. **As** a method, it can be positive for certain periods, to soothe the souls, to let the dust settle and see what happens; but in the end, a complete separation is not desirable.

How did the co-operation work between the Israeli and the Palestinian security services?

Both security services prepared a long time ago a list of regulations, very mathematic, not political, on how to implement co-operation. It has worked for a long time. But today, the situation has worsened. It is as if the Palestinians prefer to please the Americans, not the Israelis, to show them that they are doing certain things. Clearly, the Israeli regulations are stricter than the American ones. U.S. Secretary of State Madeleine Albright has said that the sine qua non is security: that is a mistake, the wrong approach, that separates security from the rest. This way, the Netanyahu government was given veto power. Moreover, with the publication of a list of five or six points on which to judge the existence or not of co-operation, the Israeli government was given the ability to decide whether the Palestinians are co-operating or not. **A** rightist government will always maintain that the Palestinians do not completely satisfy all of the points. Netanyahu, perhaps for political reasons, perhaps because he doesn't

want **Oslo**, will never be satisfied. Rabin could have said, "Yes. Of the five points, they are satisfying three and a half. Let's help them because they are making an effort." This will never happen with Netanyahu. Netanyahu has a problem, because the most rightist members of the government favour the preservation of a stalled political situation in which they can take better care of their own interests, build in the territories, expand the settlements, confiscate land, and so forth.

There is a debate within the Israeli security services. There are those who are in direct contact with the Palestinians, who meet with Arafat and the various Palestinian Authority security services managers, such as Dahlan and Rajoub; and those, instead, who analyse the situation from afar. The majority, though, is pretty fair in judging the co-operation with the Palestinians. There are those who say that Arafat cannot co-operate more unless he's given the political opportunity to do it, and others who say that it depends on his own decision, because Arafat wants, in reality, to maintain the two options: to control Hamas, but also to send it political signals.

Today, as a result of the low level of co-operation, there are more unilateral actions on the part of the Israelis. It is the consequence of a contingent situation; this is not a fundamental issue. If there were more co-operation, there would be fewer unilateral actions. When a factory of explosives was discovered in Nablus, information was passed from the Israeli services to the Palestinian, with the result of the factory closure and of many arrests. The Israeli services have been criticised by the government and by many analysts, but the criticism was unfair. Here the Palestinians were needed; the Israeli services passed the information along because it was a crucial matter—a huge factory, which had been operating for weeks with just 21 women working to produce explosives.

The co-operation at low levels is a generally positive measure, which creates trust. It shouldn't be judged on the immediate results; the fact that we work together, we sit around the same table, that we debate, shows that it can be possible. It is a psychological step.

What are the changes that occurred in Israeli defence politics after the Oslo Agreements?

The peace process has had no effect on the reduction of the defence budget, but this was expected. If anything, the opposite is true: the retreat has costs, and so do the by-pass roads, building new military bases, providing protection to settlements, in some cases transporting an elite unit where an emergency has occurred. It is true that each year fewer reservists are recalled, but the number is still high. Nobody can give complete numbers on these topics. It is impossible. For example, a teacher here is considered to be a full-time teacher if he has **30** students; in the Palestinian territories, the same will be true with **15**. These factors are very difficult to measure.

Even on military expenses, it is hard to get precise numbers. The army is a national organism, whose mission is to defend Israelis and Jews anywhere they are. It cannot decide to subdivide the indirect expenses, for example, for the days spent by the

southern region command protecting the security of the few settlements in Gaza; it is impossible. The army's opinion of the government politics is not relevant; the army must be prepared for any possible scenario and occurrence. In the past, the army was criticised by the Likud for being too involved in the negotiations; then the Likud tried to bring it into the negotiations, because it could not make it without the army. This is proof that it is a non-partisan institution and obviously essential, not only from a security standpoint.

The matter of the potential evacuation of the settlements is different, because it is a political issue, and therefore, the army is afraid of even raising it. God forbid the settlers come to know that the army is preparing to evacuate the settlements. Generally, settlers are very hard on the army, they protest against it, throw stones-but the army must remain calm and maintain good relations. Every time there is a terrorist attack, the settlers and the right blame the army, accusing it of not being hard enough with the Arabs.

True, to understand the virulence of these reactions and the role of Israel's defence forces, we must understand their nature. It **is** a very important point, because in Europe the perception of what the army should be is very different. Here, the army is made of people to defend people. To a certain measure, the people are the army, and therefore, they also reflect the changes happening in society. The military apparatus today is made of a generation different from mine, with a different mentality, but I don't believe the motivation to serve is different.

Nobody in my generation thought of taking a year off to take off for South America or the Far East. The country could have been in some danger; we needed to always be ready and available. Today's approach is different. The new generation takes everything for granted, that the State is strong, that it will be here forever, that there is no risk in leaving it. Young people in the best units are still very motivated, but then, at the end of their military service, they don't feel the need to stay. We don't see motivation problems in the combat units in Lebanon. Those who visit them see the same faces, the same determination, of those who served in the friction war along the Suez Canal 27 years ago. There are other problems. More and more people don't serve in the army, for religious reasons, for example; but these facts are due to the change in the structure of Israeli society.

What changes have the Oslo Agreements and their different steps brought for security?

The Oslo Agreements have several faults from a security standpoint, but at this stage they present a problem mostly from a political standpoint; they could present problems also under the security profile, if the process were to advance to the next stages without reaching the peace. The tragedy is that each step brings new bitterness and anger for each of the two parties. This is the Oslo tragedy, its failure. The person who had seen correctly was Barak, chief of staff under the Rabin government, when he told Rabin not to reveal all of his cards at this stage. He told him to proceed quickly, but to hold on tight to some of his cards. The main cards are two: the territories and the

peaceful creation of a Palestinian state. What should have been done was to ask Arafat what would have been his main objective, the most important thing for him. **A** Palestinian state? Well, we are ready to accept it, but what are we getting in return now, immediately? It should have been decided immediately, in **1993** or **1994**, and not in **1999**. These are **our** needs and these are yours, let's decide before you get old. I'll help you to be the Moses or the Ben Gurion of the Palestinian state. This is what should have been said at that time. It would have been better to clarify immediately what the final objective would be. The stages, the steps are necessary too, a *conditio sine qua non* because it is hard to **trust** the Palestinians-not because they are bad, but because they aren't able to exercise **full** control within themselves. Another mistake has been not involving members of the security organisations in the definition of the Oslo Agreements, at least the initial ones.

The worst mistake has been giving the Palestinians the impression that this was a train leaving the central station and that what would happen along the way wasn't very important; the train would reach the final destination anyway. Instead, a process should have been started with declared final objectives and with a step-by-step path, where each step would be marked by a status check. If this check were found to be negative, then we would have *to* go back to the previous step or we would stop completely. When I posed a similar objection to Yoel Zinger, one of the makers of the Declaration of Principles and of the Agreements, he answered that, on the whole, I was right, but that it was impossible to devise such a mechanism in the framework of international law.

If we didn't go ahead with the expected retreats and the redeployments, the consequences would be very negative. Netanyahu has involved the Americans in the wrong way. The Americans promised the Palestinians that they would take care of their situation in case Arafat and Netanyahu couldn't get out of the impasse by themselves. If we don't move forward, the Palestinians will think that this is a trick to let them vegetate in some kind of "Bantustan." The Palestinians could then push the entire Arab world to unite on this issue. There could be, on the Palestinian's part, an armed fight of a different kind - not a revolt like the Intifada, because they aren't under Israeli occupation anymore - and the Israeli answer could be very hard. Or there could be even more terrorist acts and Israeli reaction to them; perhaps we would witness the formation of a more extremist government than the Netanyahu one. We can even imagine Hamas winning in the Palestinian camp; we can think of an Israeli action of war, or of the Egyptians moving their troops in the Sinai; there could be a violent and dramatic rebound of these problems in Jordan, and a bigger involvement of Iran. As pessimistic scenarios go, this is more than enough.

There are, however, some effects of the current situation on the regional context, mainly on Jordan. Instability is a big problem for the Jordanian people, not because they particularly like the Palestinians, but because they need a regional balance. There are and there will be effects on Egypt, but at any rate, **our** relations with Egypt are cold. But perhaps non-peace makes these relations even more difficult.

In general, non-peace compromises all the Israeli chances of normalisation with the Arab world. Even with Syria, despite the fact that Syria doesn't care at all about the Palestinians. When Netanyahu came to power in **1996**, many people, me included,

thought that he could surprise **us**, that he couldn't commit on two fronts, and that maybe he would have an open and courageous approach to peace with Syria - to concede something to the **Syrians** and therefore put pressure on the Palestinians; but Netanyahu is a politician who rejects everything on every front. On the other hand, Arafat is weaker. He still controls the situation, but in Gaza there is already a second political centre, the sheik Achmed Yassin, Hamas's spiritual leader, and it was precisely the Israeli who put him there. Today it is difficult for Arafat to fight Hamas with such a neighbour.

In general, the correct philosophy should be to minimise the need to solve problems with violence. To do this, we need to achieve peace with the internal circle - with the neighbouring Arab countries - to separate them **from** the external circle. If there is peace with our neighbours, then the possibilities that Iraq and Iran could wage war on Israel will diminish. But instead of worrying about strategic issues, the Israeli political leadership has dealt with trifles with the Palestinians, while on the Arab front, in a broad sense, the problems remain huge.

Appendices

Security

1. Strategic Consequences

The IDF (Israeli Defence Forces) estimates that the main strategic threats to Israel are:

1) Missile weapons; **2)** Islamic fundamentalist terrorism.

As a consequence of the Oslo Agreements and especially of the Hebron Accord, the IDF strategic considerations forecasted:

A low probability of a war with Egypt and Jordan (pre-planned war); a strategic depth guaranteed by the agreements with Egypt and Jordan. This allows savings in war preparations and dealing with the main strategic threats.

The strategic price of non-peace between Israel and the Arab nations, including the Palestinians, is articulated as follows: 1) lower ability to prepare for and to handle the main threats; 2) moral strategic weakening of the nation; 3) spending of resources on police work instead on war preparations; **4)** less freedom to deal with internal issues; 5) growing risk of an escalation that will lead to a war with the Arab neighbours; **6)** crisis in the relationship with the United States, the Jewish Diaspora, Europe, and the rest of the world; 7) growing lack of confidence in the Israeli government, inside and outside Israel.

2. Force Deployment

Currently the IDF must consider a greater potential for an escalation that would lead to war.

The changes in the IDF following the Oslo Agreements are mainly due to the fact that the Israelis are no longer responsible for the Palestinians daily life. The Palestinian population under Israeli responsibility has gone down from more than 2,000,000 people to 60,000 people. The presence of the IDF in the territories has changed accordingly: there is less need for soldiers in places where the Palestinians are responsible for the population; thus the friction is lower. The IDF has left to the Palestinians all of the infrastructures in Area A. ~~Part~~ of the forces stationed in this area has been withdrawn ~~from~~ the territories. A firing and training area has been abandoned

in Area B. Two training bases have been withdrawn from Area B to make room for forces coming from Palestinian cities. In accordance with the Agreements, the IDF has created a new co-ordination force with the Palestinians through a constant exchange of information, and co-operation:

- * Joint Security Committee (JSC) - high level co-ordination
- * Under the JSC are two Regional Security Committees (RSC)
- * Within the RSC there are 10 District Co-ordination Offices (DCO)
- * The DCO operates the Joint Patrol (P) and the Joint Mobil Units (JMU)

3. Defence Budget.

The Israeli State budget for 1998 was **NIS** 207.4 billion (1 dollar = 4.092 shekels.) The defence budget for 1998 totalled more than **NIS** 34.5 billion, of which:

State allocations in shekels: 24.5 billion;

Aid from the United States in foreign currency 1.8 billion dollars

In foreign currency from local economic sources 170 million dollars

That budget includes the co-ordination of operations in the Palestinian territories (NIS 149 billion.)

In addition, 1.9 billion shekels are budgeted as revenues - dependent expenditures.

There is an increase of an additional **NIS** 53 million to complete the funding for the redeployment due to the implementation of the agreements with the Palestinian Authority.

The **NIS** 905 million budget increase, allocated in 1997 to finance the increased activity in Judea, Samaria, and Gaza Strip will be renewed in 1998.

A breakdown of the use of the defence budget shows that more than 50 percent of funds are allocated for human resource. Thanks to a considerable numeric increase of the military draft, it has been possible to replace permanent, and therefore expensive, personnel with drafted soldiers, consequently lowering the pressure on the internal defence budget. The total amount of these budget resources that can now be used for other needs is more than one billion shekels. The withdrawal from the Palestinian populated centres considerably contributed to these savings.

The Ministry of Internal Security has increased its budget from about **NIS** 3 billion shekels in 1993 to **NIS** 4.3 billions. This was mainly due to the redeployment due to the implementation of the Oslo Agreements and to the increased activity in internal security issues.

This increased activity includes the addition of 22 policemen in Jerusalem and the creation of a new unit called "Etgar" (challenge) to fight car thefts (more than 40,000 cars a year are stolen and taken mainly to Palestinian populated areas in Judea and Samaria.)

The Ministry of Infrastructure budget is NIS 390 millions for investments in roads in Judea and Samaria (so that the Israelis can avoid passing through Palestinian cities.)

4. Death Toll Before and After the Agreements Between Israel and the PLO

	Before the Agreements, from December 9, 1987 to September 13, 1993			After the Agreements, from September 14, 1993 to January 31, 1998		
	JSG*	ISRAEL	TOTAL	JSG*	ISRAEL	TOTAL
Palestinians killed by Israeli security forces	1,070	17	1,087	248	11	259
Palestinians killed by Israeli civilians	54	21	75	53	5	58
Israeli civilians killed by Palestinians	48	53	101	36	120	155
Security force members killed by Palestinians	42	17	59	27	41	68

*Judea, Samaria, and the Gaza Strip.

In addition, in Judea, Samaria, and the **Gaza** Strip: 18 Security Force Palestinians were killed by Israeli security forces; one Israeli civilian was killed by Palestinian security forces; 16 Security Force Israelis were killed by Palestinian security forces.

These data don't include Palestinians killed by Palestinians (1,016 killed between December 9, 1987 and February 11, 1998.)

Palestinians killed by IDF Special Forces (included in the first table)

	Before the Agreements, from December 9, 1987 to September 13, 1993	After the Agreements, from September 14, 1993 to January 31, 1998
Gaza Strip	48	12
Judea and Samaria	82	20
Total	130	32

5. Prisoners

Before the 1993 Agreements, Palestinian prisoners were detained in six military prisons, two in Israel and four in Judea and Samaria. There were also 21 prisons under the Ministry on Internal Security, of which six in Judea and Samaria. Today, the Ministry of Internal Security runs all prisons but one. All the prisons are in Israel, inside the borders preceding the Six-Day War of 1967.

Under special arrest	Under trial	Under investigation	Convicted	Detained by IDF	Detained by police	Total
253	455	47	2,009	617	2,147	2,764

6. Demolition of Palestinian Houses (damages-number of houses ratio.)

Extent of damage		Number of houses	
		Before the Agreements, from December 9, 1987 to September 13, 1993	After the Agreements, from September 14, 1993 to January 31, 1998
AS punishment	Total demolition	432	19
	Partial demolition	61	1
	Full sealing	289	5
	Partial sealing	115	3
Due to IDF activity	Total demolition	56	25
	Partial demolition	67	8

7. Terrorist Attacks in the Territories

After the Oslo Agreements, the daily friction between Israeli security forces and Palestinians in Judea and Samaria have decreased considerably. The amounts of Palestinians living under direct Israeli rule has dropped. This in turn had lowered the extent of the use of force or punitive measures by Israeli security forces. On the other hand, there has been an increase in bureaucratic measures to limit the Palestinians' freedom of movement in Judea and Samaria.

Number of terrorist attacks in the territories from February 12, 1993 to February 4, 1998

	Judea, Samaria	Gaza Strip
IDF soldiers killed	21	31
IDF soldiers wounded	542	397
Civilian killed	37	5
Civilian wounded	474	79
Molotov cocktails	1,439	700
Shootings	236	442
Arsons	87	11
Explosive	130	175
Hand grenades	53	61
Stabbings/assaults	258	211

Sources:

- IDF (Israeli Defence Force) - Military Spokesman
- Israeli Police - Spokesman
- Ministry of the Treasury - National Budget for 1997 and Budget Proposals for fiscal year 1997
- Ministry of Defence - Spokesman of the Co-ordinator for Activities in the Territories
- Begin Sadat Centre (Bar-Ilan University) - Current data
- Peace Now Organisation- Current data
- B'Tselem (The Israeli Information Centre for Human Rights in the Occupied Territories) - Current data

1 See S. Della Pergola, "Aspects socio-demographiques de l'integration des minorites en Israel: convergences ou divergences?", in J.L. Rallu, J. Courbage, V. Piche (editors), *Anciennes et nouvelles minorites*, Paris, 1997, pp. 229-250.

2 See Kleiman's analyses of these aspects in this book.

3 See Sergio Della Pergola, "La popolazione ebraica", in *Nuova Storia Contemporanea, Quaderni, Israele mezzo secolo*, edited by S. Minerbi, May 1998, pp. 95-109.

**THE PRICE OF NON-PEACE
PALESTINIAN TERRITORIES**

Palestinian Territories: Politics

*A conversation with Mahdi Abdul-Hadi**

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What is the Palestinian perception of peace?

People shouldn't be confused between Oslo - the chapter of a commitment between Israelis and Palestinians in the shape of common discussions and negotiations, with a breakthrough: reciprocal recognition - and the peace issue. Peace is a different concept. Peace is the combination of many elements: (GCZ1) stability, security, equality, fairness, justice-all elements that make peace a reality.

The Palestinian perception of peace has always existed. Now though, the time for justice has arrived, for a Palestinian state as an absolute must. A state on the West Bank and Gaza, with East Jerusalem as its capital. The Palestinian perception of peace is that its entire people has been denied its right to self-determination and now would like to exercise it with today's ability and concepts, and that the neighbouring enemies recognise and accept this right. It is not only a question of waiting for the Israelis to apologise to the Palestinians for what they have done, the same way that the Israelis expect this from the Europeans for what they did against the Jews during World War II or Nazism: this is another chapter of the relationship, but now it is instead time for justice, for the Palestinian state as an absolute must.

To understand today's political environment and what we can expect, we need to understand the historical evolution of Israeli-Palestinian relations. It is true that the Oslo Agreements have been a breakthrough, that 50 percent of the Israeli society have recognised the Palestinians and the PLO as their [the Palestinians'] legitimate representative, and have agreed to follow Rabin's thesis, which is a triangle: territorial portions, phases, and testing. The first portion: Gaza and Jericho; the first phase: three years; the first test: prove that you can guarantee security. Then we move to portion B, phase B, and test B.

Unfortunately, little time passed before the Palestinians discovered that they don't have a partner: the Israelis are divided; it is a deeply and painfully divided society. Netanyahu is not a partner, nor is the Likud, and the silent majority hides behind a wall of silence, without taking initiative, while the Peace Now movement is made of hypocrites that speak in slogans, but have no teeth with which to bite. Netanyahu has transformed the environment into one of war, fear, and suspicion; has made almost no

concessions; and has changed the Oslo format, which was based on that of the Madrid Conference to return territories in exchange for a lasting peace (the same as UN Resolutions **242** and **338**). Netanyahu has publicly maintained that he is in the West Bank to stay; then he started the Jerusalem battle with the opening of the tunnel, the building of a Jewish neighbourhood in Gebel Abu or Har Homa, with projects for the Ras El 'Amud neighbourhood in Jerusalem; with the expansion of settlements; with the dividing of Hebron; and insisting at any occasion on the fact that he doesn't feel tied to the formula "land for peace." The Arab world doesn't trust him; there have been pretty clear statements by King Hussein of Jordan, the Egyptian president Mubarak, and King Hassan of Morocco, in which they state that this man can't be trusted, that he is really dangerous, that he isn't a leader, and that he cannot bring peace.

In this context, in this atmosphere, what should we expect? Should the Palestinians wait for Netanyahu to leave because it is impossible to talk with him and work instead on the Israeli public opinion? Maybe. Convince the Israelis that it is in their best interest to be Middle East citizens and not people living in a ghetto, or "children of Europe" transplanted in a foreign environment. It is time that the Israelis realise that without the Palestinian bridge, built by the existence of a Palestinian home, there will be no stability or security in the entire region.

There are many possible scenarios: to abandon the Israeli-Palestinian negotiations based on the Oslo Agreements, because those Agreements don't exist anymore in the Israeli government's mindset and in the mindset of those in a position of power; to begin a new chapter in the resistance against occupation, focusing on the issues of Jerusalem, of the settlements, and of the borders; the Palestinian government could close ranks between the Islamics and the main current of Al Fatah, and present a new national plan. Arafat is perhaps too old to lead the fight. He could himself nominate his successor who would then take the lead. If we look at the region, Arafat is old, Mubarak is old, Assad is old, Netanyahu is mentally impaired, and Hussein is gone.

The situation is so complex that it is impossible to simplify things and to know what to expect. I think we will go from one crisis to the next, from one confrontation to the next, until the Israeli public understands that the time has come to make a commitment to the Agreements decided upon and to what has been undersigned.

What are instead the commitments of the Palestinians?

The first is to clean our own house. It is impossible to build a state with a corrupted system and to build a state planning a revolution. It is time to unite the people of the Intifada with those Palestinians who have come back here, in favour of a state led by professionals. A state subject to the rule of law in which nobody is outside the legal system, with a constitution, courts, and professional judges.

This leads to the second task or objective, the people's unity and the building of a consensus for a national plan. The creation of a state is an absolute necessity and we can't let ourselves continue to live in ghettos or in separate islands: the Gaza island, the Nablus island, the Ramallah island, the Hebron island. This is a situation without a

future. This is not statehood, this is not security, and certainly, this is not self-determination.

Palestinians need the occupied territories as a whole and with territorial continuity and contiguity; the West **Bank** and Gaza as a single geographic unit. Palestinians need in equal measure the unity of a people with a national plan and with, at its head, the Palestinian National Authority.

The third task is to strengthen the strategic alliances with the Arab world; that is, with Jordan and Egypt. Palestinians can't breathe without these two lungs, Cairo and Amman.

On this track, we shouldn't lose faith in the peace supporters in Israel, those who have recognised the Palestinians and who favour a Palestinian state. In a statement, Barak, the Labour Party leader, clearly says that he is not against a Palestinian state anymore and that when the Palestinians declare the Palestinian State in 1999, it will be a fact of life and a reality. The Palestinians must keep in contact with the peace supporters in Israel, **40** or **45** percent, hoping that they'll become 60 or **70** percent. We need to work a lot on the Israeli public opinion and, at the same time, maintain the strategic alliances with the Arab world, showing the Europeans, the Americans, the Canadians, and the Japanese that we have a clean house and that we need support, encouragement, and partnership, so that the donors won't stop supporting the Palestinian projects in the development of infrastructures, in the building of our civil society, and in the creation of a Palestinian democracy.

What could be the next steps of the process?

The transition phase was meant to allow the Palestinians to exercise a national authority over their territories, without Israeli occupation anymore. It is impossible to tackle the issues related to final negotiations, nor to regularise relations, without first concluding this phase. First of all, it is necessary to complete the transition phase. Currently, there is still a military occupation, therefore, there is still a resistance; there is Hamas, which is an Islamic resistance movement. When there will be no more occupation, there will be no more resistance. **An** end must be put, once and for all, to the Israeli presence, to the Israeli authority, to the Israeli confiscation of land. When the Palestinians have elected their own municipal councils, when they have their own constitution and their own functioning democracy, then they will be able to breathe freedom and independence and to achieve a clear, equal, and fair position from which to discuss the final structure with the Israelis. How is it possible, for example, to discuss the Jerusalem problem on an equal basis - to talk about a city shared, not divided, of a capital for two peoples - when we are still under military occupation? With the pressure of the occupation, of the presence of troops, the Israelis would have an easy time imposing their scenario. They would say that Abu Dis, a suburb of Jerusalem, is our capital; but Abu Dis is in the occupied territories. The Palestinians want to talk about Jerusalem in terms of West Jerusalem, East Jerusalem, and the Holy City in its **1947** borders. The Israelis continue to expand settlements and to build in the West and in the East. This way, there is nothing left to discuss. The same applies to borders and

security. How can we pretend to discuss these matters when we are isolated and limping, when Arafat still needs permission to fly between Gaza and Ramallah? How can we speak of security and borders when five minutes after the stabbing death of an Israeli settler, an Israeli gang attacks and stabs a Palestinian? With this vindictive mentality, of confrontation and resistance, it is impossible to guarantee security and stability and think of accepted and stable borders.

The same can be said of the refugees. How can we discuss the refugees - whether they should be allowed to return, where to give them rights - if there isn't a territory under full Palestinian Authority's control to which they can return and where they can reintegrate? Who will pay compensation to these refugees?

Without the conclusion of the transition phase there is no future for any other phase, because the grounds for negotiations will have changed. Palestinians need to be equal to the Israelis. We must be free; we must breathe justice in order to face negotiations on the final status.

What influence have the Oslo Agreements had on political ideologies?

We must consider Zionism **as** a whole. The first chapter was political Zionism; now we are facing religious Zionism. At the beginning of the movement, in the **1860s** and 1870s, the settlers arrived, opening factories and kibbutzim. Today, no settlement is founded without a synagogue. We are asking, therefore, what is the Israeli identity, which reflects then on what is the Palestinian identity.

The PLO has embodied the Palestinian national aspirations. For the PLO, Zionism was a racist movement, not a liberation movement of what they [the Zionists] pretended to be their homeland. Today, the perspective of this examination has changed, but those who ask themselves what is the Palestinian identity, and also, what is the Israeli identity, are those in power and those influencing the decision-makers: the intellectuals, the academic world, the professionals. In the beginning (GCZ) there was the ideology of Pan-Arabism and Islam, then we came back to the starting point, and now we are talking about regionalization: in Syria the Syrians, in Palestine the Palestinians. Pan-Arabism is a distant concept.

People in the streets, however, won't be ready to hear these voices while they remain under occupation, until they trust the other partner. Those who still have hope in the other partner, in the Israelis, are in power.

How has the Palestinian attitude changed with respect to the Israeli reality and the Arab world?

The first chapter was marked by non co-operation. The Palestinians have lived behind closed doors, for fear of the unknown, of losing contact with the Arab world, and for lack of leadership that could speak to the people; for pure and simple fear of occupation, of arrests, of tortures, of deportations, of confiscations.

We have since then realised that the solution won't come from the outside: not from the Arab world; not from the resistance across the Allenby Bridge - that is, in Jordan - or at the Lebanese border. This became terribly clear following the PLO's deportation **from** Lebanon after the civil war, and when Egypt conducted military exercises in the Suez Canal and Syria did not shoot a single bullet. People understood then that a new chapter needed to be started, based on steadfastness, on keeping the status quo, in hopes that the international community would implement Security Council Resolution **242**, putting an end to the Israeli occupation.

This steadfastness lasted for many years. During those years, the division between inside and outside Palestinians was created. Inside, the Palestinians under occupation, a third of the Palestinians; outside, the other two thirds of the Palestinian people, scattered in the Diaspora, in refugee camps, in the PLO leadership and militants, in Europe, and in the United States. We started to see then the formation of two identities, the insiders and the outsiders: both Palestinian groups, belonging to the same homeland, with the same aspirations to statehood, to the end of occupation, but with different interests, relationships, and priorities.

On the inside there was clearly an evolution of leadership. Initially, there were traditional leaders: the mayors, notables, and former Jordanian ministers; after that came the National Front and the Leftists, then the National Guidance Committee, then the National Front again, and finally the Intifada chapter.

The Intifada began in a context of total lack of interest by the international community for the Middle East. At the time, Gorbachev and Reagan met and did not mention the Middle East; during an Arab summit in Amman, 60 kilometres **from** Jerusalem, there was no mention of Jerusalem, the PLO was given no recognition, and Arafat was humiliated. In the meantime, in the Palestinian territories a generation shift had occurred: 60 percent of the population was younger than **25** years of age and wasn't afraid of anything; people with neither future nor passport, born under the Israeli occupation.

And the Intifada was born, a vast movement that intended to change the status quo and build the society. The characteristic of the Intifada was that for the first time in the Palestinian national movement there was a demand for solutions, negotiations. Here was the realisation that it wouldn't be possible to destroy Israel, and therefore, we would have to coexist with Israel; that we didn't only have to dream of our national heritage anymore, which currently existed only in archives and documents. It was time to speak of serious, concrete business: of Ramallah, of Nablus, of the West Bank, of Gaza, of Resolution **242**, of the occupied territories. It was a revolution in Palestinian thought and mindset. Because if we go back to the beginning of the Palestinian national movement, at first there was word of a secular state over the entire Palestine, then of a secular democratic state where Muslims, Christians, and Jews could have shared equality, fairness, and justice in one single system. Then there was talk of the two-state solution, based on the **1947** Partition Plan. After the Intifada, there was talk of Resolutions **242** and **338**. At that point, a dialogue was opened with Israel and the Israeli people. There were no more taboos in the Palestinian resistance; they dared to

speak with the enemy. First-ranked members were strongly attacked for this approach. Just remember the famous meeting among **Sari** Nusseibeh, Moshe Amirav, and Faisal Husseini. Amirav, a member of the Likud central committee, envoy of that party's highest leadership, accepted the need to negotiate and to recognise the other, the Palestinian people and its representatives. The framework of the Oslo Agreements is based precisely on the document prepared by Amirav, Nusseibeh, and Husseini: the two phases, the transition negotiations, and the final negotiations are already there, many years ahead of time.

This new attitude divided the Palestinians. Then the Gulf crisis occurred, the war against Iraq that divided the Arab world. The Americans proposed the formula of "land for peace" on the basis of which the Madrid Conference was called. To be part of it, to go to Madrid, the Palestinians accepted very humiliating conditions: no PLO delegation, no Jerusalem representatives, no flag, no state, and no independent delegation. The Palestinians agreed to be part of a common delegation with Jordan, then slowly they were able to introduce the PLO and Faisal Husseini as its Jerusalem representative.

The negotiations were split in two parts: open negotiations and hidden negotiations. Arafat opened five channels of negotiation, one of which led to fruition, and that was Oslo. Oslo tackled the Gaza issue in a very particular way. Rabin would have liked to see Gaza disappear and sink into the sea. Gaza was overpopulated, uncontrollable, and ungovernable, and somebody came **from** Oslo to tell him that this little bone could be useful to somebody, but that this somebody would need a position similar to Gaza in the West Bank - asking, therefore, for two bones to begin with: not only Gaza, but also Jericho. This whole path, this evolution of history, events, and documents, became a real change in the Palestinian national movement, based as it was on the National Charter which denied Zionism and Israel, while the real movement from the inside, accepted de facto the Israeli state (GCZ).

What change did the Oslo Agreements cause?

In December 1992, Rabin deported 400 Islamic leaders and realised that Hamas would win: if he didn't recognise a weak, crippled, and isolated PLO in Tunis, he would have to negotiate with the Islamic movement. He didn't have any other interlocutors or choices left. The PLO too, however, chose to jump on an historic opportunity. If he hadn't taken advantage of the moment, the Palestinians from the territories, who were negotiating in Washington, would have become the Israeli's and the international community's new interlocutor: they would have been the ones in power. What would have happened is what happened between Weizmann and Ben Gurion: the first became the symbol of the State (president), the other of the government (prime minister.) It was Ben Gurion who transformed the Jewish Agency into a government and controlled the situation. Arafat can't allow himself to be only a symbol; he wants to be in the driver's seat. In these conditions, the two leaders, Arafat and Rabin, met over the Oslo Agreements and came to some conclusions.

The situation that developed after the Oslo Agreements led to the creation of interest groups, which didn't worry about peace as such, but rather of money, power,

relationships, and dominance. The further the process started in Oslo proceeded, the more these interest groups would have expanded. But the process as a whole didn't keep all of its promises; it remained limited to some groups of the Diaspora and insiders. Divisions of power and interest groups arose, which are still present, albeit hidden, not exposed because the confrontation with the enemy is still there.

Today, what unites the Israelis is the threat of the Arab world or of the Palestinians. The day that this threat disappears, everything will be put on the table and people will call each other on their actions. The same is true for the Palestinians; under this profile, they are no better than the Israelis, they are in the same boat.

The Oslo process, therefore, has divided the Palestinian society, but it also has united some people, maybe 500 on the outside and 300 on the inside, who found themselves brought together by interests and power. Political-economic gangs were created, who have taken in their hands the land interests, the industries, the donors' money; gangs who prosper and have their own interests. The rest of society remains a spectator or pulls back or gives up.

Problems arose, but at the same time hopes did too. After Camp David, Sadat said that the October 1973 War would be the last, and thus the Oslo Agreements brought hope to the Palestinians that with that chapter the confrontation would be over. Unfortunately, those hopes were not fulfilled. The occupation is still there, and in stronger terms. This also impacts the normalisation of Palestinian society.

What is the correlation between politics and religion in Palestinian society?

There is a tendency to radicalisation. The groups that use religion for political ends have an open space in which to develop because of the situation, and they are there. It is necessary to open a dialogue with these political groups. We need to explain that suicide and martyrdom aren't part of Islam, and that jihad, the holy war, speaks a new language in the twenty-first century: this isn't the seventh or eighth century's jihad anymore, there isn't a confrontation anymore between the Crescent and the Cross, the Church and the Mosque (GCZ). We need to convince them that jihad has a new road ahead, not the one they have read about in history. This kind of debate and discussion helps maintain some stability in the community, because we can't afford to go back to the starting point, to have new bloodshed, but instead, we need to push harder the chapter of negotiations. If the negotiations don't bear fruit, then it is sure that the hard-liners will succeed.

It is also important to understand what is on the Palestinian side, their perception of daily life: the constant fear of the unknown, leaving their houses every morning with the fear of bullets, of being kidnapped, of a fatal crash, of land confiscation. **An** asymmetry can be found between the expectations and hopes that accompany the peace process and daily life, made of violence and bloodshed. This is, at this time, the tangible aspect of the Oslo Agreements. Not much different from the previous situation. It must be added that if the religious dimension were to strongly emerge as a discriminatory

factor, a different language would be spoken politically, at different levels for different relationships.

Are there any ways out of the spiral of violence between Israelis and Palestinians?

An example that can help us understand the spiral of violence is the go-ahead given by Peres to the army (GCZ) for the killing of young engineer Ayash in Gaza. The man, an organiser of many terrorist attacks, was in Gaza. Peres could have asked that he be arrested or interrogated, but a mentality of revenge rules the military infrastructure in Israel and its relationship with the political power. The chain of suicidal terrorist attacks between late February and early March 1996 was a reaction to Ayash's murder. If they hadn't killed Ayash, there wouldn't have been terrorist attacks. The Israelis don't believe in this analysis.

Instead, there are alternatives. They were able to arrest a person in Nablus who was in Ayash's same position. This person was arrested by the Palestinians, tried, and sentenced by a Palestinian court: the fact didn't provoke suicide attacks. You hit me in the face, I hit you not only in the face, but also in the legs; I blow up the ground where you stand. This is the Middle Eastern mentality: revenge, reprisal. If we can eradicate this revenge from its context, we can reduce the fear and come to solutions.

During the Intifada years, the Israeli generals said once that people with weapons and ammunition were hiding in the **Al** Najah University campus in Nablus. The Israeli army surrounded the campus and insisted on invading it and arresting these people. The Palestinians, with American mediation, sent to Rabin, who was then defence minister, the message that they were ready to negotiate, that there was no need to invade the campus and cause bloodshed. Negotiations were therefore initiated and the four students alleged to be the weapon holders voluntarily left the country for Amman for a period of one year without being deported. The army didn't enter the campus, and order was re-established. The negotiations, conducted with an accepting attitude of the other's scenarios, ethics, values, and positions, allowed us to save the students **from** bloodshed, thus saving the University and Nablus; and, by saving Nablus, to save the whole region from another violent explosion. The compromise paid off: the revenge mentality brings only more revenge, and this is the current position of the Israeli authorities.

True, the Israelis don't accept being blown up while they go shopping or to work, and they are right. But the Palestinians also don't like to see their homes demolished and their leaders humiliated in Gaza; they aren't crazy about seeing their land confiscated, their houses secretly and deceitfully bought and occupied by religious settlers within their **own** communities. The suicide attacks are wrong - there shouldn't be terrorist attacks against civilians, against innocent people - but they are a tool with which to respond to the falsely legal tools adopted by the Israelis, and people cannot be denied the right to resist or be deprived of their faith. This is a mechanism, an ugly, painful circle, that needs to be broken.

For Palestinians today, what is the concept of political stability?

Five main elements need to radically change in order to achieve political stability in Palestine:

- the first element is the Israeli presence (the occupants); there can't be stability or security with the presence of Israeli soldiers, settlers, and settlements in the Palestinian home. If a settler passes by Ramallah, and two Palestinians just out of an Israeli prison after 15 years see **him**, they will surely attack him. The Israeli presence is a threat to the political stability of both societies and should be completely eliminated;

- the second element is the psychological relationship. With the excuse of security, the Israelis have set checkpoints in certain places in the territories and essentially around Jerusalem, to seal it and close it. Checkpoints to inspect IDs and permits, and to ensure that people comply with the laws; but this doesn't give the right to resort to humiliation and violence. The relationship between the soldiers and civilians is extremely bad, and it is a threat to stability. This psychological relationship of humiliation and lack of respect - in fact, of contempt - toward the Palestinians is a contributing factor to instability;

- the third element is the absence of a government system. Israeli law is only applicable to Israelis, and Palestinians don't have the same rights. The treatment of citizens or residents is biased. The law is interpreted and twisted only in favour of Israeli interests;

- the fourth element is the lack of democracy: democracy applies only to Israelis, not to Palestinians;

- the fifth and most important element is the whole political and everyday atmosphere. Seeing the government arrogance and Netanyahu's stubbornness, the refusal to recognise and respect the agreements, it is understandable that people live in fear, and fear is the fundamental element undermining stability. **As** long as fear exists in society, there will be no stability. Another obstacle is the current lack of territorial continuity. Hebron residents can't go to Gaza, Nablus residents can't go to Jerusalem, and so on. The ghetto or "Bantustan" isolation surely doesn't contribute to political stability.

Without political stability, furthermore, any economic development will be directed toward certain channels, pockets, bank accounts. It won't build anything on the ground, becoming instead an instrument used to further undermine stability, to create interest clans, groups, and gangs armed against each other and further separating the rich from the poor.

Is the separation between Palestinian and Israeli reality a necessary step?

The separation is an absolute necessity. But we need to be clear on the concept of separation. Separation as it's intended by the Israelis is a joint management of Palestinian resources - land, spaces, water - according exclusively to the Israeli will. Palestinians don't want any joint ownership of their territory. For Israel, separation means physically separating Nablus from Ramallah, from Hebron, and from Gaza, with full control of the rest. Closure is the Israeli separation procedure: to seal and isolate Jerusalem, for example, which contributes also to Jerusalem's "Zionization" or "Israelization." Israeli separation is imposing Israeli law on Palestinians, confining them to small ghettos. They concede Ramallah and autonomy, controlling the remaining territory, forbidding the population from entering Israel: Israeli on their part will not enter Ramallah. But Ramallah, like Nablus or Jenin or Bethlehem, is not a country but a city, with its own surroundings, its own territorial dimension that goes beyond the municipal boundaries. To achieve a real separation between Israel and Palestine, Israel must leave the West Bank and Gaza, evacuating the occupied territories. If instead, the current Israeli policy persists, the result will be the realisation of the [Israeli] right wing's plans: to create a situation in which the number of settlements, expropriations, illegal acquisitions, and done deals are such that a good portion of the Palestinian territory is already in Israeli hands, a practically irreversible situation. Then the Israeli right wing's concept becomes true and legitimate: that the Palestinians are tolerated guests here, a transitory presence on a land that belongs exclusively to Israel. It is precisely to avoid this that a real separation is an absolute necessity.

What are the possible scenarios for Jerusalem?

Israel has controlled West Jerusalem since the **1947-48** War, against the Palestinian will and without almost any recognition in the world political arena. UN Resolution **181** (the Partition Plan) of **1947** is still valid and must still be applied.

In **1967**, Israel occupied East Jerusalem at the same time as the West Bank and the Gaza Strip. Security Council Resolution **242** of **1967** is applicable to the occupied territories, East Jerusalem included. Israel then demanded a unified Jerusalem under its own sovereignty, as its exclusive capital.

Palestinians want an open city without physical boundaries that close it or unite it under one single sovereignty. Palestinians want a shared city, with shared sovereignty, where two societies can enjoy freedom of movement, the possibility of naturally developing and growing through their respective neighbourhoods in two municipalities: one for the Palestinians and one for the Israelis, with two capitals and two flags.

Jerusalem is a holy city with highly symbolic and sentimental value for the three monotheistic religions, and shouldn't and can't belong exclusively to one people.

Dividing Jerusalem into a religious, a civilian, and a political Jerusalem is also impossible. Everything is connected, because man, place, and God are interconnected and can't be separated - especially in Jerusalem, because God's Word was spoken in Jerusalem, and the holy sites are in Jerusalem, and the man who believes in God and practices His religion in these holy sites is in Jerusalem. He who is here is here as a

citizen, with God and the holy sites. **As** a civilian, he has the right to citizenship in this city; as **a** worshiper he has the right to access the holy sites; and furthermore, he wants the city to be free, because the Almighty has said that it should be free and equal for all.

The Holy Scriptures received from God aren't only Christian or Jewish, but also Muslim. The three monotheistic faiths believe in God, and we should let **His** Word regulate the relationships among Jerusalem's residents.

Are there possible solutions to the problem of Jewish settlements in Palestinian territory?

In **1996**, in Taba (a Red Sea resort at the border between Israel and Egypt), a convention brought together representatives of all tendencies and all Israeli and Palestinian groups. Various scenarios were formulated on the settlement issue, with the goal of drafting a joint document. The main scenario to emerge was very simple: the settlers would have to accept the fact that they were in a Palestinian territory under Palestinian sovereignty, and they could remain there without problems as residents, but under Palestinian law. In this case, not all would stay; some would accept compensation and leave; settlers such as those from Kiryat Arba, from large ideological and fanatical settlements, would accept the consequences and remain as residents and not as citizens, therefore subject to Palestinian law, on Palestinian land, without all the Palestinian's rights. In some cases, this would even be feasible, but slowly and gradually, these settlers would leave. Just think of the French settlers who initially remained in Algeria as French residents in Algerian territory, and then later, slowly and gradually, received indemnities and left.

This would be a temporary, not final, solution. We can't go directly to the end without first building a transition phase, exactly like we are trying to do now, in a more ample sphere, with the Oslo Agreements.

When and how will the problem of Palestinian refugees be solved?

The problem of refugees has been divided into three categories. The first is that of the deported, about 2,000 people, who should have the right to return now, immediately, without conditions. The second is that of those who became refugees for various reasons and situations after the **1967** War. They too have the right to return now, and their step-by-step integration must be prepared, to receive and reunite them with their communities of origin, in Gaza and in the West **Bank**. The last category is made of refugees from **1948**. To them, the **1948** UN Resolution **194** (right to return and compensation) is applicable. Among these, those coming from the West **Bank** also have the immediate right to return to their communities of origin with the same step-by-step procedure used for the refugees from **1967**. For those who left Israel in **1948**, the solution should be based on financial compensation and on the concession of specific rights on Palestinian territory.

Have some differences been created between Gaza and the West Bank?

There have always been differences of position, needs, and relationships between Gaza, the West **Bank**, and the Diaspora: the respective populations have lived under different conditions and have different views. Under the occupation, before the Oslo Agreements, Gaza and the West **Bank** were very close to each other, in a dynamic that led to the construction of the respective political positions; but concerning the priority order, there were big differences. Once Freith Abu Medyien, a Gaza representative, said that he didn't want a Palestinian high commissioner from Jerusalem, not even Faisal Husseini, dictating to him the policy to follow and the daily measures to adopt.

Since the Oslo Agreements, the situation has been progressively deteriorating. Gaza lives in a different reality from the West **Bank** and Jerusalem, and it is a totally different world. The West **Bank** and Gaza are divided and kept that way, in both geographical and mental terms. The West **Bank** communicates with Gaza via fax or e-mail, and this says it all. It was believed that the ad interim phase would have reduced divisions and created the necessary bond between the different entities, but the occupation is not allowing this to happen.

How do relations with Egypt and Jordan work?

These relations take place at three levels: the one between authorities and of political relations, managed by the Palestinian Authority; the one of public opinion; and the economic and business one.

The Palestinian Authority and Arafat have made a strategic alliance with Cairo. The impact of this choice on public opinion, on everyday people, is heartfelt in Gaza, a fact that also has brought very close economic relations. The majority of Egyptian products are sold in Gaza at the same price as in Cairo. In Gaza, therefore, the relations with Egypt are positive at all three levels. In the West **Bank**, there are no political groups affiliated with Egypt; regular people don't follow what happens with Egypt, and Egyptian products are hardly found at all, the same way nothing is seen or heard in Gaza about Jordan or coming from Jordan.

At a political level, from the Seventies to today, the relations with Jordan have been dominated by a lack of trust, by resentment and anger. The relations have been public relations; even the relations between the two political leaders, Arafat and Hussein, have never been sincere.

The Intifada has brought a clear message of distrust, not of loyalty, to the Jordanians on the part of the Palestinian community in the West **Bank**. Only 3 percent of our population has traditional relations with Jordan. The economy is limited by cooperative economic relations, by the peace treaty between Israel and Jordan, and by Israeli-Palestinian economic relations. We have, therefore, a very small and narrow meeting point for economic development.

Palestinian politicians and those **from** neighbouring countries are oriented toward a formula of co-operation between Palestine, Egypt, and Jordan; this is the **future in** the economy, too. Co-operation is a necessity. With Jordan, we are now slowly moving in the right direction; there is a need for participation and co-ordination, and equal partnership.

Appendices

Politics

1. Peace Process' Main Stages

On September 13, 1993, the PLO and Israel sign the Declaration of Principles. After the consequent Agreement on Palestinian Interim Self-Government Arrangements extends in its first phase to Gaza and Jericho, the Israeli army begins the withdrawal from the two chosen areas. The first Palestinian police force enters Gaza on May 10, 1994, and on May 13 the first jurisdictions are transferred from Israel to the Palestinian Authority. In June 1994, the Palestinian security apparatus, which in the meantime has been significantly developed (9,000 people), is divided into four branches: national security, preventive security, presidential security, and public security. At the administration level, president Yasser Arafat nominates the Palestinian Authority's members; ministries are established; several agencies are also created to deal with the funds promised by the international donors and with other matters (PECDAR, Palestinian Centre for Energy, etc.) On July 1, the PLO president, Yasser Arafat, crosses, for the first time in 25 years, the border at Rafah to enter the Gaza Strip.

On September **28**, 1995, during the second phase of Palestinian self-government, the Palestinian Authority and Israel sign the Oslo Agreement **2**, extending the self-government to the West Bank urban centres. The Israeli withdrawal from six cities (Jenin, Tulkarem, Qalqiliya, Nablus, Ramallah, and Bethlehem) is completed in December 1995. The partial withdrawal from Hebron is delayed several times and is then carried out in January 1997. The Palestinian National Authority obtains effective control of only **4** percent of the West Bank (approximately 200 square kilometres) and limited administrative responsibilities for about 98 percent of the West Bank population. In Gaza, the Palestinian Authority controls the entire Palestinian population and approximately 52 percent of the territory.

On January 20, 1996, the first Palestinian elections for the 88 members of the Legislative Council and for President take place. Currently, the Palestinian Authority employs 68,000 officials. More than four years after Oslo, many of the agreements signed by Israel and the PLO have not been implemented. With the change of government in Israel and the election of Benyamin Netanyahu (Likud), a declared "man of the right," to the position of prime minister, the peace process seems to have reached a deadlock. Currently, further withdrawals from Areas B and C are still pending, as is the opening of secure passages between Gaza and the West Bank. On October 23, 1998, the Palestinian Authority and Israel signed the Wye Memorandum, which provides for the construction of an airport and of a port in Gaza; for the release from Israeli prisons

of 750 of the 3,000 Palestinian prisoners, and the Israeli withdrawal from 13 percent of the West Bank. The Palestinians commit more forcefully to the fight against terrorism and accept the presence in their territories of American CIA agents.

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Agenda, 1998**

Palestinian Territories: Economy

*A conversation with Samir Huleyleh**

**Economist, former Palestinian National Authority's Under-secretary to the Economy*

What has been the correlation between the peace progress and economic development?

The importance of a correlation between economic development and peace progress has been clear from the beginning, when the peace process's different paths were defined. Just think, for example, of the multi-lateralism controversy, which goes back to **1991-1992**, when we were wondering if we should continue to adopt certain economic measures, not only between Israelis and Palestinians, but in the region in general, prior to the completion of the peace process, and prior to the signing and application of the agreements, or rather if it would be better to delay adopting such measures until after a clear conclusion of the political-national process.

This controversy was resolved with a compromise proposed by the World **Bank** and acceptable to both sides. Initially, at the Madrid Conference, the donors announced that they would finance joint economic projects if economic discussions were initiated immediately. This was still the first phase of the Madrid talks and at that time the first, second, and third multilateral conferences took place respectively in Copenhagen, Paris, and Moscow. It was decided to begin preparing feasibility studies in the time immediately preceding peace itself. The meeting of the international community's donors at the multilateral conference was therefore a preliminary phase; once achieved the completion of the peace process, it would then be possible to implement the projects.

But there was also a second reason for the compromise on a preliminary phase: it involved preparing and adopting pragmatic measures to relax the social and economic - and by reflection political - tensions existing within some of the parties involved, particularly the Palestinians, at least until the completion of the peace process.

The Palestinians accepted this compromise with the condition that the Palestinian issue and the Palestinian territory would be considered the main disaster area in the region and that the international aid would be directed toward that area to build infrastructures and institutions. The international community, the World Bank, and the Americans accepted immediately, organising a donors' meeting; the World Bank was put in charge of conducting a study on the needs of the Palestinians and on

the feasibility of some projects. Thanks to this study, conducted during the preliminary phase, right after the signing of the Oslo Agreements, the first donors' meeting took place with programs and projects already ready in October **1993** and commitments were obtained for **2.4** billion dollars.

This was the first phase, with the promise of aid and without any decisions on individual projects, but with much debate on international aid to help the Palestinians become an active partner in the region.

After the signing of the Oslo Agreements, with regard to the Palestinians, the donors, particularly the Americans, and obviously the World Bank, have used the promise of the **2.4** billion dollars not only as the proverbial carrot, but also as the stick. In October **1993**, due to the immediate inability to transform the general Oslo Agreements framework in a specific accord on Gaza and Jericho, the financial aid was delayed by six months from the initial proposal, and slipped to May **1994**, despite the explicit commitment. All the donors, and particularly those who had voiced their promises in Washington, D.C., (the Europeans already had their own financial channels with the Palestinians), stated that they wouldn't provide any aid unless there was a progress in the peace process. The keeping of the October **1993** commitment was therefore intentionally delayed in order to use it to put pressure on the PLO (the Palestinian Authority still didn't exist) to sign the Gaza and Jericho accords as soon as possible and at the price of any concession.

The Israelis and the Americans realised that economic negotiations were the basis on which the peace process could progress: they thought that having an exclusively economic discussion platform in Paris, parallel to the one under way in Cairo, would provide an indispensable tool to guarantee that the peace process and the political conclusions would be implemented. This is the reality of a nation - the Palestinian - subjected to strong pressures, not only political, but also economical.

What kind of economic politics were implemented?

There are two aspects: the first **is** macroeconomic, and is about general politics, the regulations and the long-term structures; the other is represented by small steps, more pragmatic, ad hoc, made by Israel or agreed upon with Israel, to make the Palestinians' life easier, but in a general, unacceptable context. Currently, for example, Israel is clearly communicating that they won't accept making any political concession, but that at the same time they are ready to adopt pragmatic economic measures, temporary and unsustainable, that don't concern the conjunctural politics or the macroeconomic strategy. They consider, for example, the number of Palestinian workers admitted to Israel, but not the concept itself of territory closures with all its ramifications and implications.

There are therefore two ways of seeing the economy in the peace process framework: one concerning the real economic development, necessary for the process to be sustainable in the long term, and based on building trust and reciprocal relations between the two nations; the second concerns small pragmatic measures directed

essentially to help the Israelis, but obviously also to avoid in the region explosions of violence aimed at the peace process.

The pragmatic or short-sighted economic measures aren't in themselves counterproductive, they obviously help, but are usually used as an alternative to truly productive measures. They would work if it was clear that they were minor steps that the two sides need to adopt to keep the tension low until the solution of political problems; but if they are used instead of the real economic measures, this means looking not toward the end of the Palestinian territory occupation and a real peace process, but rather looking at keeping the status **quo**.

After coming to power, the Likud-led government didn't have an economic program concerning the peace process, not understanding at all the economic protocol ratified with the previous government, not even knowing that it existed. The Netanyahu government's representatives were aware only of their own ideology and of the Oslo Agreements; in this framework, for them the economy was a technical detail of which they knew almost nothing. The only thing done since the Israeli right came to power in 1996 has been again the use of the economy as a tool to exercise pressure in order to obtain political results. The objective of today's territory closures, for example, is different from that of those of Rabin times. The objective then was political, not economic, and not even of security. The closures were an instrument of political pressure against the Palestinian Authority. Closing a passage between two Palestinian cities, making it impossible for people to move freely within the Palestinian territories without entering Israel, in fact has no relevance for Israel's internal security.

Today the right-wing government has perhaps understood that the use of the economic weapon as a tool of political pressure is the wrong strategy, and since the end of 1997 has been taking measures to decrease social tensions in the territories. Fundamentally, the Netanyahu government wanted to buy some calm in the Palestinian areas because instead it was heading toward extreme positions and measures at the political level: new settlements, demolition of houses, and so on.

Is there an economic relevance of the peace process for the Palestinians and the Israelis?

For the Palestinians, the entire peace process, not only the economic issue, is crucial because it affects all the aspects of daily life. The Israelis feel involved only when a terrorist attack occurs, when they concretely feel the fury coming from the Palestinian side, but in any ordinary day, the Palestinians and their problems don't exist, they don't see them and don't hear them. The tangible feeling of the Palestinians' existence is felt only when there is an attack against Israel.

What is the current situation of the employment?

Starting with a concrete example, we can say that those who had a job in Israel before the peace process started would like to keep it or change it with a job in

Palestinian areas. In Israel, the work contribution has become marginal for the economy, it is not a constant currency flow anymore. Within Israel, the Palestinians are guaranteed less than 100-120 workdays a year; then this only concerns 45,000 temporary workers on a total workforce of 450,000 people. If we consider the numbers for **1987**, when out of a Palestinian workforce of **320,000** people 120,000 worked in Israel, we *can* see a reduction of the incidence of this kind of employment in both absolute and relative terms. This has clear consequences on ordinary people's lives.

The transportation sector, too, has been touched by the political and economic changes. In the Eighties it was possible to enter Israel with a private car or truck without a permit; the transfer of Palestinian workers from their place of residence to the place of employment generated therefore an income for the other 10,000 - 15,000 Palestinian families. Today, the total number of cars authorised to enter Israel is 50, and consequently the transfers aren't organised by the Palestinians anymore, but by the Israelis.

At the macroeconomic level, the life of ordinary people has been negatively affected by the latest developments. Palestinian unemployment is raising and this means that nothing has yet replaced the work in Israel. During the peace process, the Palestinian Authority has created 40,000 new jobs, mostly in the public sector and particularly in the police force, but this is the maximum absorption capacity for a new administration: employment in the public sector has been the main mechanism to solve the unemployment problem during the past three years of the peace process.

What is the relationship between economic development and political stability?

If we won't be able to attract investors here, there will be no economic development, because governments or donors aren't able to create it on their own. Donations help prepare a more favourable environment in order to attract the private sector. Currently there isn't a true private sector in the Palestinian territories, not an Israeli, not an international, and not even a Palestinian one. In Jericho, for example, in the past three years some projects have been developed. The donors have financed mainly three: the construction of a freeway between the town and the bridge of Allenby, the new soccer stadium and, currently, the construction of a sewer system. The main private projects are the cultivation of flowers for export, the new hotel and casino, a steel-production factory and a bottle factory. Well, all of these projects are under the control of the Palestinian public sector. Thus, those who are investing in Jericho are international governments and the Palestinian government. But this is no proof of a real economic development. Despite the expectations, there isn't a public sector able to benefit the population in these circumstances. The public sector can't build a good factory in Jericho better than the private sector can, it can't easily compete with the international competition, but must receive subsidies and use the government monopoly to make its own initiatives sustainable. The Palestinian Authority is investing just in these projects **20-30** billion dollars, but for how long can a government or donors invest in such a small area as Jericho?

The peace process is now in its sixth year: the donors announced in **1993** that a contribution on their part could be expected for a period of five years, because there are other areas in the world that need assistance. We are getting close to the end of this period; if we don't manage to attract local, Israeli, regional, and international investors, there will be no economic development. However, is it reasonable to expect the arrival of these investors with the current Israeli government, with such a peace process? Who are the crazy people ready to invest? This point is not controversial, and there are no more illusions on the economic effects of the peace process in this political context.

In this discouraging picture, it is worth pointing out some undoubtedly positive aspects and determinate improvements that occurred:

- the development of many infrastructures;
- an increase in trade with various Arab countries;
- a clear and substantial increase of import and export, with the consequent creation of approximately 2,000 new jobs in direct trade, absolutely not tied to trade with Israel;
- a certain development in the building sector and the creation of a much clearer and certain picture for building activities and for the development of building sites;
- a general feeling of increased security due to the absence of the Israelis in many areas, to the fact of not being subjected anymore to a military occupation regime. This feeling of security and freedom allows the creation of an environment more in accordance with work and development, and the clear improvement of the quality of the work.

what is the most appropriate answer in the relationship between Palestinian and Israeli realities: integration or separation?

Prior to the peace process, the Palestinians saw a total integration in the Israeli economic system, and just as much total subordination to such system. With the Paris Protocol, the Palestinians didn't try to avoid separation from Israel, but tried not to be integrated anymore in the system of Israeli laws, regulations, and standards that don't correspond to their needs and their reality, at the same time keeping open economic relations with the counterpart. The signing of the economic protocol led the two sides to different conclusions: the Israeli interpreted it as a protocol prescribing a customs union between Palestinians and Israelis; the Palestinians as a prelude to a customs semi-union that would then lead to the creation of a free-trade zone. Then the Netanyahu government backed away, even refusing a customs union for a semi-integrated zone. The Palestinians instead continue to think of two entities, which can guarantee a free-trade zone, with a future independent Palestinian entity and separate (albeit similar to the Israeli ones) politics, taxes, and regulations.

The building of a customs union or of an economic region is an open issue, because perhaps in the future this process will affect an entire group of countries, not only Palestine and Israel. To act unilaterally, without Jordan and Egypt, would be a political mistake. If we proceed toward a more intense integration with Israel, higher than that with the rest of the Arab world, we will send the wrong message. This is why the Palestinians have first wanted separation, in the sense of being more independent,

but leaving, with respect to commerce and economic relations, an open door in the communication with Israel. This is a restructuring, not a separation, of the relations with Israel; a free-trade agreement with Israel could be, is to be hoped, the first step toward regional accords that one day could even refer to a customs union or a common market.

Today we can't speak of true economic separation, particularly with this government which considers "Judea and Samaria" as part of Israel. But the Israeli right too doesn't survive on slogans, and it is interested in seeing direct benefits. The right is ready, for example, for a separation when there are terrorist attacks, but not to elaborate compromises on political and territorial issues. They have no doubt that there won't be a complete retreat from "Judea and Samaria" (they don't use the term West Bank anymore) and that the settlements are an established reality in Israeli life and in the peace process. The right understands pragmatically the importance of opening relations between Israel and the Arab world, and understands that this opening goes through relations with the Palestinians; but at the same time it is sending out the political message that the West Bank is still part of Israel, or that anyway it isn't independent.

We should also point out that Israel takes any opportunity to differentiate procedures between the West Bank and Gaza: just look at the way they apply the closure. Between Gaza and Israel there are several official crossings, but except for three or four, they are all close. This doesn't happen in the West Bank. The measures between the two areas are different because the right has a political plan: Gaza could be a semi-independent entity. The problem of separation and/or integration can be posed therefore in absolute terms: it isn't just economic, but also, and mostly, political.

What is the impact of the so-called "security measures" on the economy?

Since the start of the peace process, the Palestinians have thought that signing a general accord with the Israeli government would imply the resolution of potential contradictions, problems, and frictions. They thought that in case of territory closures for security reasons - although an act contrary to the Paris Protocol as a whole - the exercise of some kind of political pressure on the Rabin government would (GCZ) have forced it not to solve security problems at the price of what was provided for in the economic protocol and of a sustainable economic development. But today, with a government which doesn't believe in the process as a whole, there is a tendency toward solving the Palestinian issue by putting security first, before anything else; then will come peace. There will be no peace without security. This means that for Israel the priority is not a compromise between the two countries, but the imposition of their own needs on the counterpart forcing it to adapt to them. The Palestinian Authority is ready to face the Israeli worries about security and to be an effective interlocutor in trying to solve the Israeli security problem, but it would also like to see this peace process bring some prosperity to the people it represents. On this point there is no consensus between the two sides.

We should also say that terrorism could remain an eternal problem: fundamentalism is present in Egypt, without any peace process. A government's measures must guarantee security, but not at the price of the population's means of

support. This is true anywhere: an immediate end to fundamentalism can't be guaranteed, another 10-15 years would go by, even with a complete and sustainable peace process. The Israelis's worries about security are valid, it is unacceptable that their children are killed, but were will the current politics take **us**? The more closures of crossings between Israel and the territories are adopted, the more we'll see terrorism; terrorism increases with a decrease in economic and political action, this is unfortunately the equation we are facing. Terrorism is not an instrument of the Palestinian Authority, but of those who don't believe in the peace process.

Under closer analysis, it appears clear that for the current Israeli government security is a pretext. Here's an example: according to Israeli government sources, there are today in Israel 45,000 legal and 45,000 illegal Palestinian workers, none of these registered. They could **all** be potential terrorists, but Israel continues to let them go through the checkpoints. Why is it that, before 1991, Israel never turned to closures, not once from 1967 to 1991? Why is it that in the mid-Seventies, when there were 16 terrorist attacks a day there were no closures and today, with an attack every four months, the Palestinian territories remain close for one or two months?

A leader seeking peace with his neighbours in a long-term vision, not as a reaction to a contingent terrorist attack, can build a new concept of security for his **own** country together with the counterpart. These aspects touch, in financial terms too, the Palestinian workers. Any success of the Islamic opposition hurts the Palestinian Authority.

What is the donors' role? Could we say that the assistance is working?

The donors are fundamentally divided in several categories. Assistance for infrastructures is evaluated on a project-by-project basis and is not permanent, but has a precise end. The Palestinian Authority has the responsibility of maintaining what is built through the project. The majority of donors has chosen this kind of projects, first of all because these projects anticipate the use of donor input - materials, technical personnel, consultants, etc. - which means that the majority of the investment can be reintroduced in the donor's budget; then because when the project **is** completed, the donor will be able to announce the donation to the Palestinian people of a specific structure, and that that is his contribution to the solution of the Palestinian issue.

The second category is the financial contribution to the current Palestinian Authority's deficit, with control responsibilities.

The third category is the technical assistance, meaning the global training needed for the projects, by the Palestinian Authority, or for other reasons.

Certainly, any assistance is positive, the issue is to what extent the Palestinian Authority has been able to take advantage of it. The beneficiary's ability to absorb aids is always the main worry in cases of massive assistance to a country. The aid to Bangladesh amounted to 700 million dollars in one year, but only 10 percent of it could be absorbed. The issue **is** always that of the presence of technical capabilities,

institutions, public administration, and projects able to absorb those funds. For example, in **1993** the Israeli civil administration spent 228 million dollars in infrastructure and development projects. The donors' commitment was for **2.4** billion dollars for projects to be implemented in three years (then extended to five). This means 800 million dollars a year, not only small projects as in the case of the 228 million dollars spent by the Israeli administration. We are talking about huge infrastructural projects, public buildings, and so on. Who *can* adjust the receiving and absorption capabilities from **228** millions to **800** millions, not only from the amount of money's standpoint, but mostly from that of the quality of the work needed?

The World Bank has been helpful, but only to a point. The beneficiary, the Palestinian side, didn't even know precisely what needs they had, didn't have the ability to decide what they were, and didn't have the necessary information. Had the Palestinian Authority followed the World Bank's or the IMF (International Monetary Fund)'s indications to the letter, it would have followed intervention paths that have often damaged many countries in the world. These are fundamental issues and without institutional infrastructures, it is impossible to absorb such aid at the human resources level.

There is no corruption in the use of the donors' funds, but they could have been used much better. Assistance isn't automatically accepted by its recipients. The Palestinian Authority was a counterpart for an institution, the World Bank, which it feared and didn't trust, often with reason, because the Americans and the Israelis interfered a lot politically. The Palestinians also thought that if they were to make mistakes, it would be in a domestic process, their own process and their own mistakes. The money however didn't belong to the Palestinians, but to the international institutions and the investors.

To avoid a strict correlation between donations and political and economic pressures, the Palestinian Authority decided to gather some fifty experts in various specific fields, to decide by itself the order of priority by which to evaluate the projects. Months of work were needed to define projects that then weren't necessarily the right ones. During the first year, given the absence of an institutional framework for the correct development of the decision-making process, it was decided to finance all the projects that were ready, even the wrong ones. They tried to keep some balance between Gaza and the West Bank, but there was no project for Gaza, because there weren't there well-organised municipal administrations. In the West Bank, during the same period of time, there were **1,400** projects under way, under the accounting of PEC DAR (Palestinian Economic Council for Development and Reconstruction), the agency in charge of the implementation. These projects were ready at the municipal level already in **1994**. But it wasn't possible to finance them and forget Gaza, it was (GCZ) a political issue. Gaza should receive 50 percent of the funds, and not only **30** percent. This caused delays, because the donors couldn't finance projects that weren't ready.

In the past three years, the donor issue has caused to the Palestinians problems that are completely different from those that they will have to face in the future.

In a sovereign nation, the UNDP and other UN agencies must work under that nation's supervision. The Palestinian Authority started to apply this principle from day one, but then realised that it couldn't sustain such politics, because it wasn't and still isn't ready to do it. The international agencies manage projects even incorrectly, but at least they complete them, using 100-150 million dollar funds. Initially, the Palestinian Authority said no to the non-government organisations (NGOs) because it wanted the funds invested in infrastructures, not in charitable acts, but then realised that if it couldn't absorb the funds allocated, then it should let somebody else do it.

What are your economic relations with the Arab countries in the region, particularly Jordan?

Since the beginning of the economic process, the Palestinian Authority realised that it couldn't reach a peace with Israel on an equality, respect, and reciprocity basis, without also achieving a lesser dependency from Israel with regard to commodities, final products, and employment sources. But this will not be possible if other neighbouring countries won't be willing to help the Palestinians, starting privileged business relationships with them. The Palestinian Authority doesn't want a complete economic separation from Israel, and it couldn't even achieve it; it would rather keep an open relationship with Israel, restructuring it on an equality basis.

Attempts have been made with Jordan and Egypt, as authorised by the Paris Accords. But in both cases the Palestinian economic leadership understood that these countries weren't ready to pay any business price. The Palestinians want free trade with these two countries, but these are very conservative and close economies, even in the face of a weak partner such as the Palestinians. Jordan and Egypt would be very happy to provide to the Palestinians duty-free products, replacing Israel, and would consider these to be their peace dividends, but from the imports standpoint, they don't seem at all willing to abandon their position of closure. On January 4, 1998, an agreement with Egypt should have been signed, but at the last moment the Egyptians asked for concessions, wanting the ability to export their products duty-free, as they do with Jordan, but not in a reciprocal manner, that is, without accepting to import Palestinian products also free of duty. The same is true for Jordan, with slightly better results, but also with extreme general difficulties.

The Palestinian Authority, therefore, would like to open itself toward other countries to replace Israel, but these countries should open toward the Palestinians, who not only import from or through Israel, but also export there 90 percent of their products.

In the Arab world in general there is a conservative tendency in the trade arena; the situation is evolving toward an opening, but very slowly; this doesn't have political motivations. Therefore, to be tied to Israel is not a political issue, but a reality; it is pure economics: otherwise the Palestinian areas would have no future.

What are the potential future scenarios?

Palestinian politics are determined by the will to achieve in subsequent phases a free-trade agreement with Egypt and Jordan for a period of 10-12 years, in order then to get with these two countries to a completely free-trade zone. This agreement should lead to free trade with other Arab countries. At the same time, with Israel they would back out of a **customs** semi-union to implement instead a free-trade agreement. At the beginning of the process, the Palestinian leadership thought that with a little bit of political goodwill it would be **easy** to implement a free-trade zone, but this proved to be an illusion. The opening process is very slow and not for political reasons. The process is left in the hands of technicians and technocrats. Currently, and for the next 10 years, it seems impossible to be able to establish an entity such as Benelux; we can only start the process to establish a Benelux after these 10 years. If we can establish a free-trade zone with these countries and within a sustainable peace process, then this project too will be within reach.

True, in a context in which the Israeli want to subordinate the Palestinians and at the same time there is a deep economic isolation from Egypt and Jordan, among the Palestinians a conservative tendency toward closure is developing and strengthening. Today many voices are against the opening of the Palestinian economy, favouring protectionist politics for the benefit of budding subsidiary industries, and only after 10-15 years will be willing to consider a commercial opening.

In the Oslo framework, can we speak of prices of non-peace and economic failure?

The crucial price of non-peace is the impossibility to **set** the investment mechanism in motion, and therefore to create jobs: a sustainable (GCZ) system with a virtuous circle that could generate employment, income, and investments. Success leads to more success, failure leaves nothing behind, with stagnation and recession. Employment in Israel is reversible, it is a proven fact. Now the Israelis can admit only 45,000 or 25,000 workers inside their borders. The investments, however, aren't reversible, but even in the case of success of the peace process the investments will not arrive automatically, at least not until the investors can be sure that this will be a low-risk zone, which it isn't today.

In general terms, the peace process is irreversible, but this particular road to peace could be replaced by another, and the transition from Oslo to a completely different option could bring a lot of violence, explosions, and economic crises. Just the idea of accepting the fact that the Oslo process is dead is risky: there is no other formula available to replace it. However, the conviction is growing that the idea of dividing the process in different phases, of starting from the least difficult problems to get to the more complex and difficult, has failed. At the same time we should **refuse** to let economic development be dependent on security. Palestinians' survival is the basic Palestinian Authority's worry, security is the Israeli government's basic worry. We cannot be dependent only on one side's worries and priorities. We need to find a middle ground to reach the consensus on both sides: unfortunately, the right formula hasn't been discovered yet.

Appendices

Economy

1. General Economic Indicators

The Palestinian economy underwent huge changes in the years following the signing of the Oslo Agreements. Despite the expectations of an economic boom, the real situation was very different.

GDP, GNP, employment, poverty, and standard of living data clearly indicate that there is a strong degradation of all the indicators. The following synopsis reflects some of the facts.

Economic Indicators	1993	1996
1. Real per capita GDP (in millions of dollars)	1,470	1,346
2. Real per capita GNP (in millions of dollars)	1,776	1,435
3. Government expenses (in millions of dollars)	273	741
4. Private expenses (in millions of dollars)	2,748	3,222
5. Public investments (in millions of dollars)	133	267
6. Private investments (in millions of dollars)	529	334
7. Workers in Palestine	316,200	335,800
8. Workers in Israel	63,000	25,100
9. Workers' remittances (in millions of dollars)	586	218
10. Unemployment	18%	34.2%
11. Public revenues (in millions of dollars)	296	670
12. Export of goods and services (in millions of dollars)	831	631
13. Import of goods and services (in millions of dollars)	1,367	1,76

Source: IMF's estimates with relevant reports by Palestinians departments and PMA (April 1997)

The conditions prevailing in this period (1993-1997) not only indicate that we are witnessing a strong uncertainty in the peace process, but also that we are in a time of unclear division of responsibilities, of territorial fragmentation, of institutional underdevelopment, of access restrictions to natural resources, and of huge differences in infrastructures. The international aid hasn't adequately dealt with any of these points.

Despite the fact that the banking sector has shown some level of development, that a large number of new companies have been created, despite the construction boom, and the beginning of a campaign for the creation of institutions, the territory closures always prevented the positive realisation of the projects aforementioned at the economic level. The percentage of days the territories were closed increased from **7.1** percent in 1993, to 20.8 percent in 1994, and to 37.8 percent in 1996.

2 Sectorial Analysis

The results of the missed economic development are evident in every sector:

1. **LIVING CONDITIONS:** Spending for real per capita consumption decreased **15** percent in 1995-1996 compared with 1992-1993. This is the lowest level since 1980. Today, the consumption spending totals 1,431 million dollars a year. The drop is even larger in the West Bank (26 percent), because Gaza has received aids from the donors and the government expenses are higher: despite this, the differences felt in Gaza remain great.

2. **POVERTY:** particularly due to the job market conditions, 19.1 percent of the population live below the poverty line, set at 650 dollars a year per capita at the end of 1995. The percentage is higher in Gaza, where it is estimated that a third of the population lives below the poverty line.

3. **UNEMPLOYMENT:** It dropped to 18 percent in September-October 1995, while it was up to 28.4 percent in April-May 1996. With a workforce of 500,000 people (308,000 in 1990) the number of people unemployed were 92,000 in 1995 and 149,000 in 1996. The number of Palestinian workers in Israel fell from 116,000 in 1992 to 28,000 in 1996. This should be compared with the 50,000 new jobs created in the Palestinian public sector. The hopes for a development of the Palestinian economy toward an economy oriented toward export haven't materialised due to political factors that prevented the development of a private export sector. Furthermore, the average number of weekly work hours decreased constantly from 1992 to today.

4. **EMPLOYMENT IN THE PUBLIC AND PRIVATE SECTORS:** Recent data show an increased employment in the public sector compared to the private sector. The territory closures and the general economic decline have decreased the employment in the private sector, with a parallel increase of unemployment and of employment in the public sector.

5. **PUBLIC FINANCES:** The Palestinian Authority is almost totally dependent on outside assistance, particularly on donor countries. The current Palestinian Authority's deficit amounts to 95 million dollars (the cumulative deficit until 1996 was of 325 million dollars). The main reasons are an excess of personnel (police and civilian), an insufficient tax collection, and the closures imposed by the Israeli authorities. On October 4, 1997, finance minister Nashashibi announced that the Palestinian Authority's budget deficit was up to 116 million dollars due to the non-remittance by Israel of taxes due to the Palestinian Authority. With regard to

international aid during the period October 1993-July 1996, 24.5 percent of the funds went to public finances.

The Palestinian Authority's fiscal revenues are 12 percent of the GDP. These revenues are relatively low compared to those of other countries in the region. This is due to fiscal losses (non-payment to the Palestinian Authority of taxes on Palestinian imports by the Israeli authorities who are responsible for the collection) and to the reduced taxable base (the two main sectors, agriculture and small businesses, benefit of various fiscal exemptions, on VAT - 11.6 percent of the GDP - and on income taxes - 1.5 percent of the GDP.) According to IMF estimates, the fiscal revenues in 1996 totalled 171,682,366 **MS** (1 dollar = 4.092 shekel.)

6. **BORDER CLOSURES AND THE POLITICS OF PERMITS:** The politics of permits and territory closures implemented since 1993 are an obstacle to economic development with very high costs for the Palestinian economy: higher costs of transactions at the border with Israel, strong reduction of Palestinian workforce in Israel, unpredictable politics of territory closures. The percentage of workdays during which the Palestinian territories were subject to closures in 1997 is 26.6 percent: this means that on more than one in four days, the Palestinians authorised to enter Israel for work reasons haven't been able to do it.

7. **TOURISM:** This sector has a strong growth potential, due to the high number of tourist sites. However, the political situation is an obstacle to its development. In 1996, only a total of 229,712 people visited Palestine, and of those, 206,989 did it for tourist or pilgrimage reasons. The spending in the tourism sector in the West Bank and in the Gaza Strip has totalled 152 million dollars in 1995, just **5.5** percent of the total spending in the tourism sector in the Holy Land. The tourism sector contributes only 2 percent to the Palestinian economy (1.5 percent not counting Jerusalem) and only 1 percent to Palestinian employment. Approximately 3,000 people are directly employed in this sector. [Source: **MAS**, Ramallah, 1997: **PASSIA**].

8. **FOREIGN TRADE:** The West Bank-Gaza Strip trade balance is greatly negative, particularly with Israel. The total import in 1996 was of 1,562 million dollars, more than one million of which coming from Israel, while the export amounted to just 382 million dollars for the same year, with a trade balance deficit of 1,183 million dollars.

9. **INDUSTRY:** One of the main imbalances of the Palestinians economy is the low level of industrialisation, mostly caused by political restrictions and economic difficulties during the occupation. The industry sector's contribution to the GDP is only 10 percent, while absorbing 15 percent of the workforce. Currently the sector is made mostly of small manufacturing companies, 73 percent of which with fewer than six employees, and 90 percent with fewer than 11. The concentration of industries is found particularly in Nablus, Hebron, and Gaza.

10. **AGRICULTURE:** Agriculture is the most important sector of the Palestinian economy, approximately one third of the GDP comes from this sector, with 17 percent of the workforce, while 25 percent of the export is of agricultural nature. The Paris

Economic Protocol provided for temporary limitations to the export to Israel of some agricultural products; in 1998 there shouldn't be any more limitations.

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Palestinian Territories: Demographics

*A conversation with Hasan Abu-Libdeh**

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What has been the impact of the Oslo Agreements on the Palestinian territories' demography?

The Oslo Agreements have brought a much faster population growth, with effects on resources and wealth distribution.

According to the Agreements' philosophy, they would have triggered such an important economic change that peace dividends would have become clearly perceivable by the population, and the political agreement would have become more acceptable. With regard to the population, the process started at the Madrid Conference raised some hopes; there was reason to believe that this area would become a good investment and residential zone, and a good place for a new beginning. Furthermore, after the Gulf War, many Palestinians started to return. From the Madrid Conference until 1996, there was, for the first time since the beginning of the Israeli military occupation, a positive net immigration. Right after the signing of the Agreements, and thanks to them, several thousand Palestinians came from abroad. All this has resulted, in the past **four** years, in a population growth equivalent to that of the previous 10 years together.

But there is a more important aspect that had and still has considerable demographic effects. The Agreements' potential was of achieving the enjoyment of territorial integrity between the West Bank and Gaza under Palestinian control, which meant that the population would have been able to really interact, after the Intifada years, during which Gaza's residents were completely secluded. In this sense, the Agreements should have been a new opening for the Gaza population, allowing it to achieve a balance in attitude and life perception with the West Bank population. Unfortunately, the Agreements became rather a bigger complication in the relationship between Gaza and the West Bank, because today, for a Palestinian from Ramallah, for instance, it is easier to go anywhere in the world than to Gaza.

In reality, these Agreements have made the Palestinian world considerably smaller. The way the Israelis have applied the Agreements has caused a fragmentation of the Palestinian population, a dispersion and a development of inequalities within that population.

There is no account of migratory flows. Many Palestinians have arrived from Europe and from America, generally people who had left the country many years ago. There are no data on these people for two reasons: the first is that these are often people who reside illegally in the territories; the second is that they arrived via the Tel Aviv airport, where nobody statistically records their passage.

Those who arrived via the Allenby Bridge (at the border with Jordan) and the border with Rafah, Egypt, **can** be divided into two typologies: some have local ID cards, Israeli or Palestinian, granted by virtue of the Agreements; others came to visit and then stayed.

According to our Office's assessments covering the two years immediately after the Oslo Agreements (1994 to 1995), the population has increased by **7** percent, thanks to a natural demographic growth and to the phenomenon of the Palestinians' return. (We **can** say that after the Oslo Agreements, at least 100,000 Palestinians have legally or illegally returned.) Regarding the Palestinians coming from abroad, however, the wave ended a long time ago, after the Rabin assassination.

With regard to the population's internal distribution, it should be said that the Israelis have tried to "purge" the West Bank from the Gaza residents, and today, practically all Gaza natives who reside in the West **Bank** reside there illegally.

Another transformation that took hold after the Oslo Agreements is that today a higher number of people work in agriculture, because of the territories' closure and the ensuing extremely high unemployment. Every time a total closure occurs, the percentage of people working in agriculture rises by **6** to 10 percent. Regarding this, there are two main aspects that need to be kept in mind. The first is that Israel is systematically expropriating Palestinian lands, and therefore, people have started to return to their own land for both economic and political reasons. The second aspect, more relevant than the first, is that, for political reasons, agriculture is becoming a more important and secure income source than others. Unfortunately, though, neither the Palestinian Authority nor the international community worry about agriculture: this is a grave strategic error. The World Bank is not encouraging at all the development of agricultural projects, and this is unfortunate, because this way the real Palestinian situation is not taken into consideration at all.

What is the composition of the Palestinian population in the Palestinian territories?

Based on the results of our first Census - the first in Palestinian history - the West Bank, the Gaza Strip, and Jerusalem have a population of about 2.9 million Palestinians. Of these, 1.6 million live in the West **Bank**; 210,000 live in the part of Jerusalem annexed by Israel; and the remaining live in Gaza.

There aren't precise calculations about the population distribution between Areas **A**, **B**, and **C**. The population density in Area A is very high. In **Gaza**, more than one million Palestinians live in a 320-km² area, meaning that on every square kilometre, live

live 3,000 Palestinians. In the West Bank, Area A represents less than 3 percent of the entire zone, and probably more than 40 percent of the population resides there. In general, the West Bank's populated areas-in Areas A and B-represent less than 7 percent of the territory. In Area C, there are about 200,000 Palestinians, but in this area they are completely under Israeli jurisdiction.

The growth sources since 1991 are, as already mentioned: birth rate; the return of Palestinians from abroad, thanks to the peace process; and the return of Palestinians with the intention of investing or finding better living conditions. The population growth rate from 1991 to today is higher than 5 percent; in the West Bank it is about 4 percent.

The Palestinian Census has accounted for all, obviously including the Nablus Samaritans - about 300 people - without accounting for their nationality, and excluding Israeli settlers and soldiers.

When was the Palestinian Central Bureau of Statistics created and how does it work?

The Palestinian Central Bureau of Statistics was founded at the end of 1993 on behalf of the PLO and not of the Palestinian National Authority. I was put in charge of it. At the time, there were 38 committees with about 400 experts who handled several programs. Together with Dr. Sari Nusseibeh, I co-founded the committees that were in charge of strategic, economic, and administrative planning programs. During that time, we were trying to create many things, one of them being this office. We drafted a plan for the Bureau's development, inviting many of the world's Bureau of Statistics chiefs to a convention. Then we went to work.

We used the Namibia experience as a model, because they had our same problems, the same background. We also had contacts with countries that had suffered a military occupation, such as Norway, for example, in the person of the director of the Norwegian Bureau of Statistics right after World War II.

This is a very unique reality, and huge efforts have been necessary to obtain professional results. Just consider that the Bureau operates in a country in which part of the territory is under its own authorities' complete control (Area A), part is under partial control (Area B), part is under another country's complete control (Area C), and part is even officially considered under complete control of another sovereignty (Jerusalem), with considerable movement difficulties.

Therefore, we started a huge process of decentralisation - not (GCZ) very popular in the Arab nations - which included every Palestinian community, so that virtually every one had its own person in charge of the Census. For this Census, we've had a 900-person committee that conducted the entire operation in various parts of the nation. Our plan has been of deciding the Census parameters and standards at the central level, and then letting the committees work at the local level.

Two hundred and sixty people work in this office, we are active in 30 different programs. Our office is no different from a typical modern European statistical office. We are much more advanced and sophisticated than many Arab Nations' statistical offices: this is because we based ourselves on more modern models. We probably are the only Palestinian institution that knows exactly how much funding it will need from here to the year 2000.

The technical personnel are trained on the job, through a typical self-training program. After a certain period of time, these employees are required to write a report on their area of competence's current activity. These technicians work on the same report for three or four months, with the assistance, if necessary, of external experts. When the report is finished and published, the technicians start to work and to independently generate statistical data. For the statistical program on jobs, we received help from some people belonging to UN's agencies; from the UN's statistical office in New York we received assistance for the Census program. We also received assistance from the Swedes, the Jordanians, and many Palestinians abroad.

There are 30 different fields of activity, and the Palestinian statistics are divided into three main areas. The first is that of social and population statistics. Here we work in the fields of demography, jobs, public health, education, standard of living, and childhood. The second area is that of land and land use, with statistics on water, natural resources, environment, energy, housing, and land ownership. The third is that of economic statistics, which deal with foreign trade; domestic trade; balance of payments; national accounts; industry, services, construction, and hospitality sectors; prices; tourism; etc.

What we did was to study the Palestinian situation. We inferred the theory that the history of each society is characterised by the result of activities in the following fields: population, land, and economy. What brings the population together from a statistical standpoint is registration in the population registry and belonging to a family; on this basis, we've defined our activities in the first area. We passed then to the second activity area: the population lives on the land, and therefore, all that has to do with land use is included in the second field of statistical research. After that, we analysed the population's activities and defined the third field, which is the economic field.

In each field we have a central registry: for the population we have the population registry, for the land, we have the land-use registry, for the economy we have the trade registry. This has been a very successful approach. There are no statistics outside these three areas.

In the research and in the collection and processing of data, we try to proceed in parallel in all three areas, but sometimes this is not possible because of short staffing. Often the people who go through the six-month-long training process quit this for another job. This is probably the only institute that doubles in six months the market value of its new employees. There is, in fact, a high personnel turnover.

It should also be said that this office will never be a Palestinian Bureau of Statistics in the true sense of the word if it does not deal with all the Palestinians. My

ambition is that this institute will become responsible for statistics of Palestinians without distinction of residence, therefore including the Palestinians of Israel, those who are (GCZ) Israeli citizens. I'm putting in considerable effort so that work can be started on this topic. This isn't an attitude, but a matter of principle. The Palestinian people is one and indivisible. The Palestinian people is not made only of those who reside in this country; there are Palestinians in Jordan, Syria, Lebanon, Israel, everywhere. Therefore, we have refugee statistics, but not for the whole world, only for the refugees who live here. **We** can't split ourselves into too many tasks.

In 1993, we had a dream, a utopia, that when the Palestinian government was launched, there would be a need for statistical data on what could be accomplished here, then we could have taken care of other things. This means, for example, that in our statistics we could take into consideration a variable on attitude and religious practices, but for now we are not studying them; we can't study all. This institution is very young and, at this time, is barely enough to fill the enormous differences that we face in this information age. Currently, therefore, we are working horizontally, while, to return to the previous example, a study on attitude and religious practices would mean working vertically. This is still too much for **us**, perhaps we could do this in 2010; our human resources are still very low.

A co-operation with the Israeli Central Bureau of Statistics would be very positive, in the spirit of the Oslo Agreements. We could never co-operate though with an institution that would not treat us on an equal basis. Here we have kids that are too young for the job they do, and their number is insufficient to enable them to dedicate efforts to co-operation. I'm convinced that the Israelis are the first source to go to and from which to learn. The Israelis were very successful in building their country and their statistical apparatus; we would be fools not to draw from their experience. The problem is that in dealing with the Israelis, often they remind us that they are the occupants and we are the occupied. This breaks my heart, because, considering the historical context, our institution is even better than theirs is. I'm saying this despite the fact that the head of the Israeli Bureau of Statistics is my friend.

The whole Oslo concept was based on the idea of letting the two peoples know each other, of making the other's image more human, and of letting the two peoples begin to think that the other too deserves something. With this isolation, it is getting more and more difficult for anyone to believe that Oslo could lead somewhere.

What results are you seeing with regard to the assistance programs?

At the beginning, the Palestinians pleaded with the World Bank for more attention to agriculture, but on the one hand, agriculture is not so profitable, and on the other hand - speaking also of the physical ownership and concrete use of the land - it touches the issues that are at the heart of the Israeli-Palestinian problems. We are also thinking of another sector to which donors, and as a consequence the Palestinians, don't pay enough attention: tourism. It was supposed to be the sector that would bring cash resources to the government and to the country. In reality, here too, the Palestinians are Israeli servants. The Palestinians are losing in this field because they haven't been able

to create strategies and programs. Currently there is no tourism for Palestine; there is tourism toward Israel with a short transit of a few hours through Jerusalem and Jericho. The situation is catastrophic, it is as if there were oil resources that were left burning. Drastic measures are needed to put things into perspective again. Tourism doesn't mean only outside tourism, but also domestic tourism. This is the most important aspect. But donors aren't interested in tourism and Palestinians don't deal with it.

The World Bank programs will lead to the creation of an artificial economy more and more immersed in the Israeli economy and more and more dependent on it. In this regard, there is a great, explosive English word: "sweeping." Until some time ago, the main meaning of "sweeping" was cleaning or sweeping the floors. But at times, "sweeping" becomes a philosophy. Palestinians went to Oslo completely naked and unprepared, and the donors' community, following the lead of the World Bank, "swept" clean the country, the PLO and the Palestinian Authority in such a way that the Palestinian side has ended up reacting on the basis of the strategic documents elaborated by the World Bank. The World Bank has put many strategists into the field, and there is no other choice but to respond to their strategies; if we don't do it there are no funds. The World Bank, therefore, declares that they have worked with the Palestinians on an equal-co-operation basis, but in reality they have imposed upon **us** their decisions and their priorities.

The tragedy is that the donors don't have strategies, but they have priorities and interests dependent on their countries' domestic factors, depending on which interest group has the upper hand. On this basis they decide which projects to finance here. Because the projects aren't chosen according to Palestinian priorities, at this time there is a very distorted situation in which the Palestinians would like to proceed according to their plans, while the ongoing projects don't have much to do with these plans. This is a "shopping" phase: the donors are caught in a "shopping" vortex of projects, not of real development.

Palestinians must change the situation, and the international community must understand that it is in its interest to let the Palestinians decide for themselves, helping them create a sustainable development for their country, because until they see the peace dividends, they won't believe in the ongoing process; they will continue to foster disorders, and the Israeli-Palestinian problems will remain the same.

Are the self-management of resources and the creation of a strong, civil, well-structured Palestinian society still possible?

The problem **is** one of a correspondence between possibilities and priorities, and of the priorities' optimisation. All the resources should (GCZ) be concentrated in making the separation from Israel possible. If an unfavourable situation to the private sector and its investments were to be created, then there will not be financial, human, and technological resources.

Israel put up many obstacles to the creation of a positive environment. The legal foundations of outside and domestic trade, of financial and economic activities in the

Palestinian territories, haven't been developed enough: these factors are watched with a critical and negative eye by that portion of the Palestinian Diaspora that has financial resources available. In a picture of legal certainties, of a good technical infrastructure, many more Palestinian financial resources could be usefully applied to building the country.

The resource issue needs to be addressed to make society more stable and to transform it into a true civil society. It is a matter of knowing how to proceed in the creation of this civil society, in its institutionalisation and in the creation of human resources needed for this purpose. In the human resources sector we are still very weak, especially with respect to the modern concepts of management, despite the high level of Palestinians with higher education.

The Central Bureau of Statistics is living proof that even in this situation it is possible to build a civil Palestinian society. This is the only key available to the Palestinians. If we speak of opponents, at this time they are not the Israelis, but the Palestinians' internal situation. The only way to sustain the confrontation with the Israelis and to reach a fair and peaceful agreement is that of building a strong civil society, with strong institutions, to **start** a real process of using potential and human resources in the marketplace and in society. Without this we won't be able to beat the Israelis. This would lead also to the non-reversibility of the ongoing process, because if this ad-interim process will have given the Palestinians the opportunity to build strong institutions, then it will be difficult, if not impossible, to go back. We must adopt the Israeli strategy of done deals. We must give life to an optimal environment to allow everybody to express their genius. This is what we accomplished at the Central Bureau of Statistics. The idea was and still is that Palestine is occupied in more than one way, and we have decided to free it at least at the statistical level. This is what we've declared with the proclamation of the Census results.

The politics of the Palestinian government have no effects on our operation as a Bureau, but on the general society, the impact is 100 percent. One of the sad aspects of this period is that the political situation decides the civil society's fate. It seems that the technicians and the academic world haven't been able to convince the government to move on a parallel track. Two governments should be created: one for political negotiations with the Israelis, and the other to take care of the civil society. This would be the optimal situation. This isn't a criticism of the individual Ministries, the fact is (GCZ) that there is a need for purely technical Ministries, which would deal exclusively with the creation of a foundation for civil society. The political government would then be able to concentrate on the negotiations, arriving at a satisfactory solution only if there are enough done deals, because now the Palestinians aren't strong enough.

It would be good, for example, to decide that every construction activity outside the built areas should be encouraged, while in Area A it should remain under strict control and discouraged. The same would be true at the local government level. The Palestinian government is financially very weak and it will never be able to support the requisites for a good level of education, public health, and social services; it is therefore in the general interest to unburden the central government by giving it a co-ordination and legislative function, maintaining its political importance. The Local Authorities

minister should focus on one single point: to strengthen the local government so that each local Authority can be self-sufficient, independent, and active in the territory, and can contribute to the central government. We must make the people participate in the government, and to obtain this they must participate at the local level.

Decentralisation is the only way open. People must focus on one single thing. I myself come from the political ranks, I was the founder of PECNDAR, and I've decided to drop everything to focus exclusively on this Bureau of Statistics.

Palestinian Territories: Society

*A conversation with Bernard Sabella**

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What is, in general, the price of non-peace on Palestinian society?

Usually we don't talk about the price of something that doesn't exist. But the term "non-peace" reflects a real situation. From 1993, when big hopes were placed on the peace process, until today, there has been a constant degradation of Israeli-Palestinian relations, in such a way that the current situation is really a non-peace situation. The feeling, on both the Israeli and the Palestinian sides, is that now there is no peace. To better read the situation, it may be worthwhile to analyse some socio-economic indicators.

UNEMPLOYMENT

In normal times, the Palestinian work force is made of more than 500,000 people. In the absence of peace, the constant unemployment rate will go up to 15-20 percent. This is because without a true peace there will be no investments in the territories and the Palestinian Authority will become the main employer. Currently it is already that: some sources point to almost 100,000 employees working for the Palestinian Authority, with clearly low salaries (\$300 per month), because instead of employing 50,000 people, the Palestinian Authority offers work to twice that number of people without increasing the related budget allocation. This way, only hidden unemployment will be created, with inadequate salaries for a dignified life.

POVERTY

From a study conducted in 1996 (Boutme-Mas), more than 15 percent of Palestinian families live below the poverty line (\$650 per year per person.) This is absolute poverty, because the \$650/year threshold is more than 50 percent below the same Israeli parameter.

In the actual conditions, with the territories' closure, in the absence of peace, we should calculate that at least another 10 percent of the Palestinian families are now below the poverty line. Thankfully, this isn't a situation of total starvation, but there can be cases, for instance in the Gaza refbgees camps, where 15 or 16 people live in two small rooms, 9 square metres each. These people have no future.

VIOLENCE

Another factor that can be observed is the increase in violence, a significant indicator of frustration and disillusionment. When people are under pressure, often they

don't blow off steam at the source, but within their family environment. In Bethlehem, for example, when there are closures, an increase in domestic violence and a revival of tribal feuds are recorded. The non-peace situation, therefore, is unhealthy even within a single community. Rarely do you meet a person who is happy to live here. With peace, there was new hope that this lack of pride in the place where they live would disappear, but this is not the case, and this is the price that society and individuals are paying.

It should be said, however, that for the typical Palestinian who lives in Area A (meaning under Palestinian control), who is dealing with authorities who speak his own language, share **his** customs and traditions, and don't treat him prejudicially like an enemy or a hostile presence, some relaxation has been generated, a higher serenity, at least in some aspects of daily life.

PSYCHOLOGICAL ASPECTS

An increase in requests for psychological assistance has been recorded, especially in the universities. Now the National Authority has appointed some school counsellors. Psychologically, the absence of peace undermines the personal feeling of security and creates a population detached from the socio-political reality. These things are dangerous, and they add up to disillusionment, lack of job opportunities, frustrations-and the sum of all can provoke an explosion at the community and national levels.

EXTREMIST GROUPS

The absence of peace has not caused a surge in extremist movements. The majority of Palestinians have learned that there isn't a situation of polarised choices, of dichotomy, but that pragmatism is necessary; a characteristic that extremist groups lack. Faced with an extremist group proclaiming to want to liberate the entire Palestine, Palestinians would applaud, but would also be aware of the fact that that is impossible. Hamas itself is not an extremist group, but a political party that uses religion. Its sympathisers are part of the Palestinian society and, like the majority of Palestinians, think that it is necessary to come to peace with Israel. This said, the absence of peace lends more credibility and legitimacy to the more extremist political programs, included those who, within Hamas, think that the only solution is that of a global confrontation with Israel using terrorist attacks and guerrilla acts.

The majority of Palestinians continue to support Arafat and the Palestinian Authority in spite of all the frustrations. On this too, however, we need to be careful, because the price of non-peace could be a weakening of the National Authority's position, and that would really create a serious problem.

The peace process **is** clearly a long-term process, but people demand work, stability, freedom of movement, and security. Without them, and without a government really present in the whole territory, a situation is created that can have negative effects on the Israeli society as well.

DISSECTIONS **AND** RIFTS WITHIN THE PALESTINIAN SOCIETY

The lack of a true peace causes the creation of different social and administrative situations in each zone. Palestinian society is dissected. Gaza is separated from the West

Bank, the south of the West Bank is separated from the north. This implies the absence of a unified administrative and governmental system. Today, four different groups are in fact identified in society. Gaza's experience is completely different from that of the West Bank, the south-West Bank experience is completely different from the north-West Bank one (GCZ) and, finally, Jerusalem is a case all its own. Therefore, besides social and origin differences, four completely different geographical groups must be considered. This means that there isn't a unified thought system. In the long run, all Israelis and Palestinians could pay the price. In the current situation, it is impossible to create uniformity among the various administrations. It should be added to this that Palestinians' experiences have been different in the past; many among those who have just arrived here see and interpret local reality differently from those who have always lived here.

RELIGIOUS ASPECTS

An involvement can be observed by religious groups (Jews, Muslims, and Christians) worried by the absence of peace, who meet to invoke peace, to talk about it. The absence of peace has at least made some religious leaders come forward to say that peace is an authentic and deep need. There are many examples: Rabbi Babasali's heir from Ashkelon, who has a big influence on Jews of North-African descent, went to Madrid to a conference of Muslim leaders from the Arab world; the ultra-Orthodox political group Shas visited Jordan's King Hussein; Israel's Chief Rabbi Lau visited Egypt. We should remember, however, that all this is happening in a context of non-peace. A true peace would instead allow the beginning of an educational action within each religion, focused on the common roots and on the differences, considering that all three communities belong to the same monotheistic tradition.

What are the effects of this situation on education?

Because of the political-economic situation, the number of children and young kids who leave school is very high. These are kids who need to work: as a consequence, a group of Palestinians deprived of their childhood was created, with negative effects on the level and standards of Palestinian society.

Because of the absence of peace, there are no investments in the economic sector. The government, therefore, has to take on the burden of employing large sectors of the population. This diverts funds that could be used in the education sector. The government can't invest in the necessary infrastructures or in items apparently trivial, but indispensable: heating school buildings, providing chairs, basic school supplies. The scholastic and university system is therefore threatened. Universities, for example, don't have enough funds and at the same time students can't pay higher tuitions. And given the general economic situation, which is tied to the political situation, we can see the students' point. In the future we could be forced to close the universities. It would have already happened this year had not the European Union increased its contributions.

New curricula must be developed, but for this, too, financial means and stability must be available. Training teachers takes time, money, and a framework of stability. This is all the more serious if we consider that education is crucial to a sensitisation to

peace and to a reciprocal socialisation between Israelis and Palestinians. Palestinian and Israeli kids haven't been socialised for peace. Visits between Palestinian and Israeli schools generate reciprocal fears. In schools, socialisation is completely missing. This means that the difference is **so** great that it will be impossible to reduce it without a stable political culture for both societies. There is no socialisation for peace if there is no peace. Even the terminology and the linguistic tools to talk about it are missing.

Furthermore, the effort to reconstruct a **common** history and heritage between Israelis and Palestinians must be considered, an effort that hasn't always had a scientific basis. Looking for a common historical heritage is not as important as each group keeping its own heritage. What's important instead is seeing how, with the advent of peace, each group will be able to **freely** live its own heritage, without conflicts with the others. There is no need to look for a common denominator, but we can't live in a society made of conflicts and hostility.

Among the highest prices are those paid by the Palestinian society in the public health sector.

One of the most important problems in this sector is that of East Jerusalem's hospitals, created to serve the entire West **Bank**. In the absence of peace and without freedom of movement, there are problems of lack of use. The Augusta Victoria Hospital, for example, has lost **80** percent of its patients.

Furthermore, the Israeli health system is much more extensive and developed; the Arab system can't compete. With the absence of peace, the Israeli health system will keep its hegemony. Many Palestinians seek the care of Israeli hospitals, privately or with government subsidies.

Another problem is that when the territories are closed, those who need hospital care have a difficult time getting there, with the consequence that the population **is** denied basic medical services. There aren't precise numbers, but regularly when there are hermetic closures, we hear of a woman who gave birth at a checkpoint and the baby died, or of people who had a heart attack and the ambulance had to wait two or three hours to go through a checkpoint. These are serious problems. The numbers are important, but just as important is the population's bitterness in the face of such episodes. Just one of these checkpoint incidents offsets all the good will of religious leaders and, at times, of politicians.

Which is the most appropriate answer, separation or integration?

Since Oslo, the Palestinians have distanced themselves from the Israelis. The feeling is of living in two different worlds. Some Israelis see this situation as the ideal of peace: with the separation of the two peoples they are happy and live comfortably and secure in Israel.

This equation can't be shared; separation too is a price of the absence of peace. If there were true peace, there would be no more violence and there would be no more need to separate the two societies; there would be free trade, mobility, and contacts between Palestinians and Israelis. After the first suicidal terrorist attacks, Rabin had the idea of separation. He wanted his people to accept the concept of reaching a peaceful solution with the Palestinians, while at the same time giving the Israeli public a feeling of strong individual security. Now there are no contacts between the two worlds, except for some academic, economic, and practical contacts; otherwise they are two different worlds.

We must use peace to make separation more permeable and to transform it into good-neighbour relationships. If the separation were total and impermeable, we couldn't talk about peace. In the short run, therefore, separation can be instrumental to achieving even indispensable goals, but in the long run, it would be disastrous. If the peace process and the economic process moved in the right direction and at the right pace, then within two years, separation would be no longer needed. The two peoples must be prepared to return to live next to each other, with mutual respect, respect for the different national, religious, cultural, and political traditions. There is no complete peace if Bethlehem, Ramallah, and Hebron residents aren't free to go to Jerusalem, or if an Israeli citizen can't freely spend a weekend in Hebron, Nablus, Ramallah, or East Jerusalem. If we want to achieve true peace and economic co-operation - even an economic market including Israel, Palestine, Jordan, Syria, Lebanon, Egypt, Iraq - then separation doesn't make sense. Separation exists because there is no peace.

Separation is spoken of in different terms: separation between two peoples is a necessity in an initial phase to allow the Palestinians to achieve their economic and political independence; there is then a separation imposed by the Israelis for security reasons. But this separation damages the Palestinian health system, the Palestinian economy, the trade with Israel and with the rest of the world. This said, total separation is an antithetical concept to peace. There is peace when a Palestinian can take his children to Haifa or Tel Aviv to enjoy a nice weekend, and to go to a cultural event whether at a Muslim or Jewish location. There is peace when a Christian Palestinian child can go to a drawing or music class together with an Israeli Jewish child and a Muslim child, and when the three children can invite each other to their birthday parties. This will be possible with true peace, because the security worries that justify separation will no longer exist. In a situation of true peace it would be easier for the Palestinian society to stem and marginalise extremist and violent elements, but without peace there isn't even the strength to do this.

We need to work together for the future and to build a new Middle East. We can't accomplish this shutting ourselves in a fortress. For this reason, the price of non-peace is very high for the Palestinians, the Israelis and, in the future, for the children on both sides.

Appendices

Demographics and Society

1. Religion

The West **Bank** and Gaza Strip population is composed for the most part of Sunnite Muslims (**97** percent), the rest of Christians (**3** percent) and other minorities, among them **300** Nablus Samaritans on Mount Gherizim, and the community of ultra-Orthodox Jews Neturei Karta in Jerusalem, who for the most part live in Mea She'arim and consider themselves Palestinian Jews. These numbers don't include the Israeli settlers.

2. Population

The population data come **from** the first Census of the Palestinian population conducted for the Palestinian Authority by the Palestinian Central Bureau of Statistics between December 10 and December 24 **1997**. Prior to this Census, the Palestinian Authority only had approximate estimates available: it is the first time therefore that the Palestinian Authority elaborates and has in hand precise data regarding the Palestinian population.

	Gaza	West Bank	Jerusalem	Total
Residents	1,020,813	210,209	210,209	2,890,631
Families	144,523	40,552	40,552	447,448

Source: PNA (1998) - Population, Housing and Establishments - Census **1997**

Jerusalem's population, within the borders occupied by the Israeli in **1967**, is of **210,209** people, but to these should be added the **113,628** people living in the East Jerusalem part not annexed by Israel. Therefore, Jerusalem's total population is **323,837** people.

In **Gaza**, **54** percent of the population live in modern residences, **30.1** percent in rural areas, and **15.9** percent in refbgee camps. The average Gaza family has seven members, while in the West **Bank** the average is **4.4** members.

3. Refugees

The total number of refugees, according to UNRWA sources, is 1,200,972 in Gaza and in the West **Bank**, and 1,989,669 in Jordan, **Syria**, and Lebanon. The problem of refugees hasn't been dealt with in the Oslo Agreement, but it is referred to for a fair solution, to be reached during the final peace agreement negotiations. From the standpoint of refugees' living conditions in refugee camps, there have been improvements to the **infrastructures**, particularly for what concerns wastewater, but the general situation remains very mediocre.

4. Education

In the Palestinian territories, the level of education, even at university level, is pretty good: illiteracy is relatively low, 84.3 percent of the population can read and write, 13.8 percent of the population finished high school, while **4.2** percent have a university degree. These numbers are relatively high if confronted with those of other Arab states in the region.

Professional training is underdeveloped, with a total of only 1,775 people attending training courses in 1996-1997. This is one of the most important shortcomings in the Palestinian education sector, with an imbalance between academic and professional training, and repercussions on the job market due to the lack of a qualified workforce in the industry sector.

5. Public Health

Life expectancy is 70 years for men and **73.5** for women, infant mortality is of **30** per 1,000 new-borns. In the Palestinian territories there are 1.2 hospital beds per 1,000 residents (in Israel the number is **6.1**), but beside the numeric difference, the problem often faced by the population is getting to the hospitals due to territorial fragmentation.

The average number of residents served by each clinic in the West Bank is 3,000 people, while in the Gaza Strip it is 11,000.

At the Paris donor meeting in December 1997, the budget estimated for 1998 by the Ministry of Planning for public health was 67.5 million dollars. The total international aid budget in the public health sector is approximately 178 million dollars, spread among infrastructural and other projects and programs.

Sources:

PASSIA (Palestinian Academic Society for the Study of International Affairs)-Agenda, 1998.

PNA (1998) - Population, Housing and Establishments - Census, 1997.

Palestinian Territories: Infrastructures, Natural Resources, and the Environment

*A conversation with Jad Isaac**

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what are, from a resource standpoint, the potential implications of peace/non-peace between Israel and the Arab states?

An organic relationship exists between the environment and sustainable development. And, to have a sustainable peace, we must have a sustainable economy, which means having as main priorities a healthy environment and resource management, free trade, and pollution prevention. There cannot be a sustainable peace in the region that denies the Palestinians access to their natural resources and to their healthy management, and without true economic development.

In this regard, the geographical aspects specific to the political conformation of Palestinian areas have a huge economic and environmental importance. Let's examine, for example, the road situation. The roads, already too many and often planned with questionable criteria, now even mark political borders. The West **Bank** is, in fact, subject to a dissection caused by the Jewish settlements bypass roads (GCZ) that prevent the integration of the Palestinian territories, with the result that the Palestinian areas are divided into "Bantustan" or districts without geographic integrity. This means, first of all, that it is impossible to manage the environmental resources in a healthy way, and that huge obstacles have been created regarding the circulation of people and freight. It takes 50 minutes **for** an Israeli to travel between Bethlehem and Ramallah via Jerusalem; it takes one hour and 15 minutes for a Palestinian using his private car on a bypass road; it takes two hours for a truck fully loaded with freight, and this increases the **price** of **goods**. This is the reason why many goods, and particularly agricultural produce, are proportionally more expensive in the West **Bank** and in Gaza than in Israel, where the Gross National Product (GNP) is 17 times higher. Closures, infrastructures, the subdivision into districts have important consequences on a potentially sustainable peace in this area.

There is another aspect. The Oslo Agreements are not peace agreements, but ad interim agreements intended to build trust between the two sides and to give the Palestinians the chance to learn self-government. Government is impossible without programming and planning. It is impossible to plan without a clear availability of usable resources. When the Netanyahu government stated that there would be no more retreats from the West Bank without first starting negotiations on the final structure, it asked at the same time that Palestinians draw complete and integrated plans with less than 3

percent of the West **Bank** and less than 78 percent of Gaza available. This situation is clearly impossible.

There is then the land problem, continually confiscated **from** the Palestinians. Israel is launching a big campaign of settlement expansion, bypass-road construction, Palestinian territory closures. Trees just planted are being uprooted. The average Palestinian becomes very suspicious of the peace process because this **is** not the peace he aspired to: he thought peace would give him control over **his** land, and allow him to develop it, to make it green and clean, and to plant forests.

What is the price of non-peace for the environment?

If we look at an aerial photograph, we can see that on the top of almost every hill there is a Jewish settlement, a colony. These lands were a source of income in the agricultural sector for about 25 percent of Palestinians. With the daily loss of these lands, the Palestinian farmer is forced to find work under the table in Israel, or to find another solution, such as emigration.

Environmental deterioration is rapid. Furthermore, because the Israelis are not complying with the further redeployments, the 3 percent of the West Bank's Area **A** is subjected to intense urbanisation, as there is no property under Palestinian control. In Ramallah, Nablus, Bethlehem, Hebron, houses are built on arable land, because no other land is available.

Furthermore, Israel is obsessed with security problems. They signed a peace treaty with Jordan, and the government continues to talk about a warm peace with that country, but at the same time, Minister Sharon wants 20 kilometres of Palestinian territory at the border with Jordan to protect Israel from an "outside threat." If you trust your neighbour, have signed a peace treaty with him, why close all of this area and make it inaccessible to the Palestinians? Almost 95 percent of the West Bank's eastern region (Area C) is made of military zones, Israeli nature reserves, or Israeli settlement areas. Israel continues to say that this zone will remain a security zone because of the risk of invasion by eastern Arabs, meaning Jordan. This area of the West Bank is a gold mine for Palestinians. In this area, before 1967, were 7,000 hectares of irrigated land: now the entire zone is mined and nobody can get close to it. The West Bank's irrigated lands total 10,000 hectares. This means that with this 7,000 hectares of border buffer, the agricultural production could increase by almost 70 percent. If we then look at the agricultural potential, in the West **Bank** there are more than 50,000 hectares that could be irrigated. This means the possibility of multiplying by five the current production, generating income, jobs, and economic development, and resulting in more people believing in peace. With the current restrictions, this will not happen and the situation will remain unchanged or even worsen compared to that before the peace process.

What's the situation in areas controlled by the Palestinian Authority?

Area **A** constitutes 3 percent of the West Bank; 30 percent of the West Bank population lives there. The zone is very densely populated; therefore, there is no room to base farming activity. Furthermore, it won't be possible to use Area **A** lands for agricultural purposes, because given the demand for building land in these areas, these lots will sooner or later be claimed for urban expansion. Palestinians are very attached to their land. While the Israelis are confiscating it, Palestinians continue to plant trees to protect it. In the currently defined Areas B and C, two contradictory systems are at work; it is the only place in the world where two planning systems cancel out each other: Palestinians plan agricultural development, land reclamations, an increase of agricultural production, but then they have to deal with the restrictions imposed by the Israelis, who instead plan expansions of their settlements, construction of bypass roads, etc. The Israelis are destroying the Palestinian's land at the same time that the Palestinians are reclaiming it. The net (GCZ !) product will therefore be zero; but if the Palestinians had control of their land, then there would be economic development and growth.

In the last five years, almost 600 Palestinian houses have been destroyed, because the Israelis don't want the Palestinians to build in areas where they plan to expand - even though legally all of these zones are Palestinian, part of the territories occupied in 1967, and they will be returned to the Palestinians. The Israelis have no right to destroy these houses. Considering that the minimum cost of each of these houses is \$100,000, we can deduce that the Palestinians have lost 60 million dollars.

Then there is the historic and crucial problem of water.

Water is essential to life. We need water for personal and agricultural use. We are in an arid area with very limited water resources that should be managed with numerous precautions. We can't consume water in abundance like in the West.

Right after 1967, Israel issued a military order stating that all water resources would be placed under a military governor's authority. Licenses and quotas were issued for the extraction of water from existing wells, and nobody was authorised to extract more water than they had been assigned by quotas. For springs, there **is** an allocation system based on flow hours, with historical rights used since ancient times. People hoped that after the peace agreements they would receive more water, but unfortunately this didn't happen: there is still the unfulfilled demand for water, while the Palestinian aquifers are exploited by Israelis and settlers. Palestine's water resources are surface and underground. The main surface resource is the Jordan River. The Jordan River basin is international and includes **Syria**, Lebanon, Jordan, Israel, and Palestine. **As** for any other international river basin, a system should be in place to fairly distribute the water among the five neighbours. Since 1967, Palestinians have been denied this right. Before 1967, they could use the Jordan River water to irrigate some land around Jericho. The Johnston Plan was also there to assign the Jordan River's water resources to all neighbouring countries, with a provision for building a channel, which would have provided 250 millions cubic metres of water per year to West Bank Palestinians, enough

to irrigate 25,000 hectares. This channel was never built, because of the 1967 occupation. Not only that: in 1967, Israel destroyed 140 wells and pumps that extracted water in the Jordan valley, and confiscated 7,000 hectares, mining them for security reasons.

The second water resource is the underground one. In Gaza we have the coastal aquifer, exploitable in a sustainable way for 60 million cubic metres a year, and currently exploited for up to 120 million cubic metres, with the result of strong infiltrations of sea water into the aquifer. **Gaza's** water quality is really low and is getting worse with time.

In the West **Bank**, there are three main aquifers: eastern, western and north-eastern. The eastern one is entirely on Palestinian territory, but despite this, Israel and the settlers use **44** million cubic metres a year of it, from a capacity of 100 million cubic metres. The western aquifer has a capacity of **345** million cubic metres. Israel takes 325 million, leaving only 20 million. The Israelis exploit 70 percent of the north-eastern aquifer's capacity. The general result is that the Palestinians have only 115 million cubic metres of water available from a total capacity of 600 million, about 15 percent. This means that the Palestinians can irrigate less than **6** percent of their land and that their water consumption is limited to 25 cubic metres per person per year, while the average Israeli consumes 100 cubic metres per year.

In multilateral discussions, attempts were made to debate the immediate problem of water rights. The Israelis refused, saying that they didn't acknowledge the Palestinians' rights and that the solution should be to import water from other places, to build desalinisation plants, etc. But this is not an internal Palestinian problem. The Israelis must first acknowledge Palestinians' rights and then, if they want to import water for their needs, they are free to do so.

Bilaterally, the water issue almost caused the Oslo Agreements to collapse. Initially, Israel refused to acknowledge water rights, but finally Article 40 was introduced, which reads: "Israel acknowledges the Palestinian water rights, which will be discussed to reach an agreement during final negotiations." This was in 1995. To this day those rights have never been discussed, and all that the Israelis say on the subject can be reduced to an affirmation of their imperative need to keep total control over the western aquifer. The reason offered is that they can't trust the Palestinians because they would extract excessive quantities of water, compromising Israeli interests.

what are the developments in the energy sector?

Based on the Oslo Agreements, there should be freedom to import oil from the Arab countries, meaning that the oil could be sold at a price 15 percent lower than the current price in Israel. Obviously, Israel has done everything in its power to prevent this from happening, with the result that now Palestinians import oil from Israel.

There is a mixed committee, the Higher Commission for Petrol, in place. Palestinians receive enough oil, but at a very high price. If we examine the electricity

costs in the area, we can see that it is much higher than in any other neighbouring country, which is a limiting factor for economic development. Electricity is also more expensive than in Israel because it is bought from Israel. Palestinians currently don't produce electricity. Jerusalem's power company, which had generators and produced electricity, is today only a distributing company, with an obsolete system and many energy leaks, causing an increase in electricity prices.

What is in the future for transportation and infrastructures?

Driving around, it is easy to know if we are approaching a Palestinian or an Israeli city. If the roads are good, it means that we are in an area leading to an Israeli settlement. Road conditions in Palestinian territories are still miserable. In 30 years of occupation, Palestinians have been subjected to heavy taxes, but the funds collected this way have never been spent to their advantage, having instead been used to build roads for the settlements, or for their building expansion. Municipal administrations have been forced to turn to the Arab world or to the Europeans or to the PLO in order to collect funds to guarantee municipal services and the construction of roads for Palestinian villages and cities.

Since the creation of the Palestinian Authority, large sums have been invested in infrastructures. During the period 1995 to 1998, Palestinians have built more infrastructures than the Israelis have built in 30 years of occupation: sewer systems, wastewater treatment plants, water collection systems, road construction, etc. According to the World Bank, the Palestinian Authority inherited a situation of complete disaster. Much has been done, is being done, and is expected to be done.

The occupiers shouldn't have collected taxes. The Israelis have never made the civil administration budget public. When the residents of Beit Sahur decided to launch the slogan "no taxation without representation" and to boycott the Israeli tax system, the Israelis completely destroyed that city's commercial and economic structure. Beit Sahur was put under siege for six weeks and then the army confiscated property, for a total value of 5 million dollars in furniture, goods, manufacturing plants, and factories, all to force local residents to pay taxes.

what's the impact of the peace process on the balance between urbanisation and agriculture?

It is crystal clear that Gaza will become a big urban centre. Today, already one million people live on just 36,500 hectares, of which only 78 percent are under Palestinian control. There are no chances for extensive open space plans. The reason is that the majority of Gaza's residents are the biggest victims of the Israeli-Palestinian conflict, that is, refugees. These people continue to wait for a solution to their problem to go back to their native lands.

The West Bank is not densely populated, but currently there are 350,000 foreign occupants who control the majority of it, obviously including the Israeli residents of

East Jerusalem, because Arab Jerusalem is not part of the Israeli State according to UN Resolution 242.

The result is that the Palestinians have been confined to less and less land. Under British mandate first, and then under Jordanian administration, all the West **Bank** was divided into municipalities whose administrative jurisdiction extended also to privately and municipally owned lands. Israel abolished those plans and acknowledged only built Palestinian areas, not accepting the extended boundaries, hence separating the people **from** their land. Furthermore, Israel declared part of the territory **as** a military zone, another part as presumed State property, other parts were assigned to military bases, still others as nature reserves. The result is that 62 percent of the territory is subject to restrictions, with fewer possibilities for agricultural use and, instead, a more intense urbanisation.

Then there is the desertification problem. If we observe an aerial photograph of the West **Bank**, it is easy to see the degradation and soil erosion, which are at the root of the West **Bank** eastern hills' progressive desertification. This is mainly due to the closure of these zones for military reasons and to the free breeding of gazelles, which feed in an uncontrolled way on what's **left** of the biomass.

What are the Palestinian Authority's environmental policies?

People subjected to the conditions the Palestinians are subjected to can't put the environment at the top of their priority list. We are talking survival here. When the issues of property and availability of basic resources such as water and land haven't been resolved yet, we must take care of contingencies first. The main goal is to give the population first-need goods and to solve their survival problems, hoping that the peace process will develop in such a way as to allow the Palestinians to have at their disposal, in a very defined way, water and land resources, so that these resources can be included in integrated plans for healthy management. In this phase, the Palestinian Authority can do almost nothing, because it doesn't know how much land and water it will have available at the end of the process.

Environmental activists and scholars, though, although understanding completely the Palestinian Authority's reasons, have a clearly different approach: apart from the peace process, long- and short-term policies should be in place, and there should be assurances that today's activities will not compromise the availability of environmental resources for future generations.

Let's examine three concrete examples: the port, the airport, and the industrial parks. Studies have been conducted on the environmental impact of the three projects, particularly for Gaza's industrial parks (initially 9 or 10 were planned, today there are two on the drawing board). These studies clearly indicate that some measures are necessary to mitigate the projects' effects on the environment. These are easy measures; it is only an economic issue, dependent on the cost of their realisation if these projects are ever completed.

In the case of the port, if we compare its environmental impact with its economic necessity, we can conclude that we should go ahead with its realisation: Israel uses its control of the borders in a heavily instrumental and political fashion. When, last year, Gaza was completely closed, there were no grain supplies for one or two days. Palestinians need the port to no longer be dependent on Israel, for their daily survival.

The study on the industrial parks clearly described the measures needed to minimise the environmental impact. The same is true for the airport.

The bypass roads threaten the environment much more than the port of Gaza or the industrial parks: the transformation of the West Bank into an asphalt jungle, the destruction of the Gebel Abu Ghenim (GCZ) or Har Homa forest are more harmful to the environment.

There is then, in Gaza but in the West Bank too, the problem of the refugee camps. In the meantime, some remedial measures have been adopted to improve the camps' living, public-health, and environmental conditions, such as improvements to the sewer and waste-dump systems. The refugees' problem, though, must be dealt with in an exhaustive and global way, and in accordance with international law, not only from a political and justice standpoint, but also from an environmental standpoint. So, remedial measures can be taken, but it is impossible to have a sound management in refugee camps with a density of 10,000 residents per square kilometre. Gaza doesn't have enough space to receive the whole population.

Tourism could be an important source of income and employment, and there are also many conditions for the development of ecological tourism. But today, Israel controls buses and tourist agencies; furthermore, the Israeli propaganda organised by the Ministry of Tourism scares tourists, presenting the Palestinians and their areas as breeding grounds for terrorism and theft. So tourists come to Bethlehem for one hour, visit a couple of churches, swing by a souvenir store that will give 40 percent of its earnings to the Israeli bus driver and tourist guide, and leave. In Bethlehem, there is a desire to build hotels to accommodate these tourists, but the shortage of building lots and land prices make building new hotels economically unfeasible. Bethlehem could be a valid complement to Jerusalem. There are many sites throughout Palestine with huge tourist potential - the monasteries around Bethlehem, Solomon's Pools, Sebastia in Nablus, Jericho, the Dead Sea, the desert. But the main problem remains that of territorial control and availability, and of geographic contiguity. Without these essential conditions, no tourist activity can be planned.

Another serious point, over which the will to solve environmental problems clashes with the constraints imposed by the political situation, is that of solid-waste disposal. It must be understood that production of solid waste is a natural thing and its management has a price. The economic pressure imposed by the political situation doesn't allow the Palestinians to have the means for waste management. The result is that waste disposal is a big problem. Strict legislation is needed, with the creation of an organism to control and stabilise standards for waste management in the West Bank, and to stop the proliferation of illegal dumping sites, which are an eyesore and, worse yet, create a great danger for the aquifers. This situation exists in all of Palestine, but

there are positive perspectives and some openings. Gaza is an example; the City of Gaza and the Khan Yunes Regional Council have done a great job. Progress has been made in Rafah; there are some clean areas in Ramallah **and** Nablus. The other municipal administrations should follow these examples.

Another problem related to waste (solid or wastewater) is caused by Israeli settlements in the territories. In this case too, politics have a role. Environmental protection can't be used to legitimise the settlements when they dump their waste on Palestinian land.

What is desirable from an environmental standpoint: separation or integration between the two realities?

Pollution has no political boundaries; the responsibility should be shared between Palestinians and Israelis, in order to protect the environment for our respective peoples and future generations.

If the political conflict is not resolved in a fair and exhaustive manner, the environmental degradation in Palestine will make sustainable development impossible, and hence, the sustainability of the peace process itself.

Appendices

Infrastructures, Natural Resources, and the Environment

Land Use

Land Use Classification (West Bank)

Land use	Area (in hectares)	Percentage of land
Palestinian built areas	21,345.3	3.67
Israeli colonies	7,778.80	1.34
Closed military areas	117,754.00	20.23
Military bases	1,652.37	0.28
State land	141,088.46	24.23
Natural reserves	33,070.15	5.68
Forests	6,391.00	1.10
Dead Sea	17,741.00	3.05
Palestinian cultivated areas	168,200.00	28.9
Israeli cultivated areas	6,362.90	1.09
Unused land and pasture areas	60,815.94	10.44
Total	582,200.00	100.00

Source: ARIJ, GIS Unit, 1996

Land Use Classification (Gaza Strip)

Land use	Area (in hectares)	Percentage of land
Palestinian built areas	4,694	12.90
Israeli security areas	5,821	16.20
Closed military areas	169	0.46
Farmlands	13,975	38.50
Israeli settlements	905	2.50
Unused land and pasture areas	10,742	29.6
Total	36,300	100.00

Source: ARIJ, GIS Unit, 1996

Roads in the West Bank and in Gaza

Roads (km)	West Bank	Gaza Strip
Main roads	1,255	282.7
Secondary roads	2,556	396.4
Existing bypass roads	276	22.6
Planned bypass roads	452	

Source: ARIJ, GIS Unit, 1996

Water

Yearly West Bank aquifers Estimate

Basins	Water (mcm/yr)
Western	335
North-eastern	140
Eastern	125
Total	600

Source: Isaac, 1994

Current Water Extraction in the West Bank (mcm/yr)

springs		Wells		Total	Israeli settlements	Total
Imigation	Domestic	Irrigation	Domestic			
52,053	3,201	37,700	23,684	116,642	61,344	177,991

Source: Isaac, 1994.

Palestinian Domestic Water Supply in the West Bank, 1990

District	Total (mcm/yr)	Per capita use (mcm/yr)
Nablus	10.4	49
Hebron	5.00	21
Ramallah	7.4	35
Jenin	5.2	29
Tulkarm	8.0	43
Bethlehem	3.0	24
East Jerusalem	6.8	45
Jericho	2.2	94
Total	48.17	36

Source: Isaac, 1994.

Water Requirements for Domestic, Agricultural, and Industrial Use for the Years 2000, 2010 and 2020 in mcm

	2000			2010			2020		
	A*	B*	C*	A*	B*	C*	A*	B*	C*
West Bank	125.90	146.3	13.0	231.40	234.3	26.7	313.75	345	43.5
Total West Bank		285.2			492.4			702.25	
Gaza Strip	61.16	70.2	5.2	112.45	70.2	10.6	152.23	70.2	17.4
Total Gaza Strip		136.56			193.25			239.83	
Total Palestine		421.76			685.65			942.08	

A* = Domestic use; B* = Agricultural use; C* = industrial use.

Source: Isaac, 1994.

Energy

Electricity Usage and Leakage in Palestine

Location	Electricity usage (GWH/YR)	Leakage (GWH/YR)	Total (GWH/YR)
Total West Bank	751	751	890
Total Gaza Strip	N/A	N/A	464

Source: PEC, 1995.

Vehicles Estimate in the Gaza Strip, 1996

District	Private	Commercial	Buses	Taxis	Trucks	Motorcycles	Other
Total	96,977	18,130	872	1,558	5,876	781	9,192

Source: Calculation based on the number of vehicles counted by the Transportation Officer, West Bank Department for Vehicle Licensing.

- Number of diesel vehicles in the Gaza Strip: **5,380**
- Number of gasoline vehicles in the Gaza Strip: **38,071**

Amount of Fuel Consumed in Palestine in 1996

Fuel	West Bank	Gaza Strip
Kerosene (cubic metres)	35,200	18,500
Liquid gas (tons)	52,000	32,000
Gasoline (cubic metres)	142,000	56,000
Diesel (cubic metres)	97,000	20,000

Source: ARIJ survey, 1997

Wastewaters

Production and Collection of Wastewater in the West Bank in 1996

District	Population	Wastewater production (mcm/yr)	Percentage of population using septic tanks and open channels	Percentage of population connected to the sewer system	Wastewater in sewer system (mcm/yr)
Total/Average	1,660,000	55.4	75	25	16.31

Source: Al-Khateeb, 1996

Wastewater Collected Through the Sewer System in the Gaza Strip

City	Population	Wastewater produced (mcm/yr)	Wastewater collected (percentage)	Wastewater collected (mcm/yr)
Total	618.000	14.76	45	6.65

Source: Al-Khateeb, 1996

Agriculture

Total Production and Consumption of Main Agricultural Products in Palestine in 1996 in 1000 tons.

	Production (1,000 tons)	Consumption (1,000 tons)	Surplus or Deficit
Vegetables	516.9	645	-128.1
Cultivated land	35.8	350.3	-314.5
Citrus fruits	153.2	42.2	111.0
Fruit	134.6	154.1	-19.5
Olives	126.1	80.4	45.7

Source: Adel Bregheith and Khaled Shadad, 1997 & ARIJ Data Base, 1997

Total Vegetable and Fruit Export and Import in Palestine (West Bank and Gaza) in 1996 (in 1,000 tons)

	Export to and/or through		Total	Import from Israel
	Jordan	Israel		
Vegetables		105.1	105.1	192.7
Fruit	62.7	31.5	94.2*	88.6*
Total	62.7	136.6	199.3	281.3

* Without olives.

Source: Adel Bregheith and Khaled Shadad, 1997.

Tourism

Number of Hotels, Rooms, and Beds in Palestine at the End of 1995

Region	Number of existing hotels	Number of rooms	Number of beds	Number of hotels under construction
East Jerusalem	34	2,097	3,200	5
West Bank and Gaza	37	1,295	2,528	20
Total Palestine	71	3,392	5,728	25

Source: Al-Quds Newspaper, 1998

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Palestinian Territories: Security

*A conversation with Khalil Shikaki**

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What does "security" mean to the Palestinians?

Security is a focal point of the peace process. The problem is often invoked by the Israelis regarding violent acts committed by small groups opposing the peace process, whereas acts of violence committed against Palestinians are committed by Israelis (GCZ) and by the Israeli government. Insecurity is developed in two different ways:

* Individual insecurity: 1) Fear of acts of physical violence committed with firearms; 2) Those due to restrictions of internal and external freedom of movement (the inability to travel between Gaza and the West Bank, in spite of the fact that Israeli-Palestinian agreements provide that the two sides respect the Palestinian people's integrity and unity as a resident in a single territorial entity);

* Economic insecurity: 1) Lack of certainty about land ownership rights; 2) Insecurity about jobs and the ability to make a living (through the territories' closure for people and freight).

Palestinians, therefore, have a completely different way to look at the security aspect. Without trying to minimise the importance of this component for the Israelis, the threat that hangs over them seems small compared with that hanging over the Palestinian people in their everyday life. The non-peace situation that developed in the 1996-97 period worsens the aspects of Palestinian insecurity.

Some problems of relative insecurity have been more or less resolved: the security in one's own house, feeling safe at home. The night arrests that once were a common practice of the Israeli forces have stopped, except for specific groups such as Hamas sympathisers; public order problems have been resolved with the creation of a Palestinian police.

What is the impact of the peace process's unsuccessful development on Palestinian security?

A) The first negative result concerns the relationship between Israeli and Palestinian security forces. Territorial control and range of action are among the crucial points.

The **Oslo 2** Agreements provided for a temporary solution to security problems. The Palestinian Authority controls **3** percent of the West **Bank** territory (the urban centres) and **40** percent of the population. Sixty percent of the Palestinians are left, distributed over approximately 30 percent of the West **Bank**, outside the control of the Palestinian security forces. This kind of situation can work for a short period of time, but if this period is extended, tensions and pockets of insecurity can be created. The security forces' ability to extend their control, to guarantee public order and internal security, is compromised by a lack of physical control over the rest of the territory.

According to the Oslo **2** Agreements, Israel should have already completed its retreat from Area **B** (approximately **25** percent of the West **Bank**). The Israelis have, for the most part, retreated from this zone, but the Palestinians haven't taken control of it. This means that a vacuum was created, which could be easily used by whoever wanted to prevent the peace process progress.

In these areas, a situation has been created in which the Palestinian ability to know what is happening and to take preventative measures against those who plan violent acts is compromised. The Israelis could be tempted to return to these areas, or the Palestinians could be tempted to extend their security control to them as a done deal, without any previous agreement with the Israelis.

This could create problems regarding compliance with the Agreements for both the Israeli and Palestinian sides. **This** situation is therefore intolerable for a long period of time and could be an even bigger problem than the lack of progress of the peace process.

Another serious problem is restrictions **on** the Palestinian security forces' movement ability.

The Area A parcellisation prevents the security forces from acting with the same effectiveness in urban versus rural areas. In the largest urban centres and in the main villages there are 25 police stations; in the rural zones, there are 25 more stations with an average of **6** members per station; but the rural zones include about 400 hamlets, villages, and small towns. The requirement of asking the Israeli forces permission to go **from** one place to another, and the fact that the security forces can't move freely inside Area A, contribute to the creation of criminal and opposition "havens."

The answer to these problems would be for one of the two sides to violate the agreements, which would imply a further degradation of the peace process.

B) A second negative result is the Palestinian society's perception of the security forces.

Although it isn't an immediate aspect of security concern, another real problem is created by the peace process's lack of progress. The Palestinian public is frustrated to see that the security forces' mission is being transformed into one of controlling the common people's rage, and they feel that security forces are becoming Israeli agents doing the dirty work for them. This can lead to a deterioration of the necessary trust between the security forces and the population.

FROM THE END OF 1995 TO SEPTEMBER 1996 (OPENING OF THE TUNNEL IN JERUSALEM)

During this time, the lack of progress in the peace process, the territory closures following the February and March 1996 suicide attacks, and Netanyahu's election in Israel contributed to the degradation of the relationship between the security forces and the population; a degradation particularly felt in the West **Bank**. The security forces were seen more and more **as** external agents (the forces are made up mainly by parts of the Palestine Liberation Army and Gaza residents) who had simply replaced the Israeli security forces, with a very limited ability to communicate with the population, which provoked internal bursts of violence against them.

At the time, outbursts of violence were feared not against the Israelis, but against the Palestinian Authority itself.

AFTER THE SEPTEMBER 1996 EVENTS

In September 1996, the dramatic events of the fights between the Palestinian population, with the Palestinian security forces at their side, and the Israelis galvanised the population, creating a new relationship of trust that still exists today.

However, the continuing non-peace could bring this relationship of trust up for discussion again, with clashes and violence. For the moment, clashes between Palestinian security forces and the population haven't happened. In cases of violence, who knows what the security forces' reaction would be, and what would be their ability to contain and control the escalation of violence? We could even witness a huge confrontation between the Israeli and Palestinian security forces.

Today the majority of Palestinians continue to hope in the peace process, supporting Arafat and the Palestinian Authority. But if the latter were to show indifference toward the population's feelings of rage and frustration, then we could imagine situations where the security forces would have to defend themselves from the Palestinian population.

At the same time, the risk of a return to Intifada, basically of a revolt against the Israelis without firearms - provided that the Israelis don't use them first - is high.

In September 1996, the Palestinian security forces tried to contain the protesters and stop them from getting close to the Israeli posts; but in many cases, they were overcome by the protesters, and the Israelis started to shoot -with our security forces in the middle - hitting several of their members. This unleashed the reaction of the Palestinian security forces who, seeing their comrades fall, joined the crowd and returned the Israeli's fire, which led to a further exacerbation of the clashes.

This scenario could happen again. We can imagine a situation where the Palestinian security forces, although under strict orders to not open fire against the Israelis, are forced to defend themselves because they find themselves caught in the middle between the two sides.

What are the effects of non-peace on the security forces' strategic and political choices?

The security forces' tasks in their areas of competence are: 1) maintaining the public order; **2)** guaranteeing internal security. This involves the need for a reduced number of police forces and a higher number of secret service members to gather intelligence.

The following tasks aren't missions of the security forces: confrontation with the Israeli forces; protection of borders (except for the port of Gaza); dealing with any problems caused by settlers' provocative acts in the territories (these problems are left to the Israelis.)

Currently, no political decision has been made to **transform** the security forces into a Palestinian army. There have been no changes in the security forces' structure, deployment, and training.

The persistence of non-peace would create a huge political problem about the political strategy to use. The possible scenarios in case of a street revolt are three: 1) the status **quo** and intermediary position of the security forces, without clear direction for containing the protest; **2)** a union of security forces with the population to face the Israelis; **3)** the repression of the population. In this case, the violent reaction would certainly **turn** against the Palestinian security forces.

Today we are somewhere in the middle between having to repress the Palestinians or simply wait and see how things turn out, hoping for the best-of and of (GCZ) being able to contain the protesters.

In March and May 1997, after the building of settlements had began in Har Homa, there were many clashes. In two cases, some protesters headed from downtown Nablus to the Tomb of Joseph the Patriarch. In both cases, the security forces were able to disperse the protesters about 100 metres before they reached their destination. The protesters nearly overcame the Palestinian security forces and reached the settlement, where there were about 20 students and as many Israeli soldiers. We could have witnessed bloodshed and an escalation, with the intervention of Israeli tanks, which were positioned just outside the city, ready to intervene. Similar situations could be repeated, at the Tomb of Joseph in Nablus; at the Tomb of Rachel in Bethlehem; and clearly, in Hebron, in Ramallah, where the Bet Eli settlement and the military headquarters-in 1996 the worst clashes and the most victims were there-are just a few metres away from the city.

All the main cities could explode, and this is the point on which the Palestinian strategy for the moment doesn't have an answer with regard to the security forces' mission, remaining for the time being in a situation of waiting and bland repression. If the deterioration of the peace process continues, there almost certainly will be an escalation: the security forces will not be able to control the revolt at all, and there will be serious incidents and bloodshed.

What is the role of the Palestinian security forces in the repression of those opposed to the peace process? How much does the pressure put on the Palestinians by the Israelis count?

Among the security forces' tasks is internal security; this implies that political opponents are forbidden from creating militias and owning firearms to advance their ideas. There could be circumstances, however, where Palestinian security services wouldn't be able to prevent every kind of violence, and we could get to situations similar to those of February and March 1996, with the suicide attacks. On that occasion, the Palestinian Authority and security services' efforts, their ability to discuss, didn't have any effect and Hamas attacked Israeli civilians, causing a serious paralysis of the peace process.

A decision has been made to deal with the Hamas problem in a political way: a recourse to violent means should be only a last resort, after all other alternatives have been completely explored. This approach has been relatively successful. The number of violent incidents against Israelis has dropped **from** 9,000-10,000 to a few hundred (stonings included). The intensity of terrorist attacks since Baruch Goldstein's attack in Hebron has, instead, hugely increased.

Terrorist repression is a process, not a precise decision; success conditions for the repression of Hamas's armed elements and military infrastructures are tied to the peace process and depend on specific factors: the security forces' ability to assume risks against armed militias, the population's support and co-operation with the armed forces, the security forces' morale.

The last one is a particularly serious problem. The security forces' motivation, in the absence of progress in the peace process, is in sharp decline. Their members see the Israelis arrive with bulldozers, expropriate Palestinian land, and cannot react in any way. They are forced to repress those among their people who have chosen the road of protest, which itself seems to be the only possible alternative. Without progress in the peace process, there seems to be no possibility of completely eradicating Palestinian violence.

We shouldn't forget that Hamas is a social movement, with the support of a large portion of society. It is a charitable organisation, with schools, hospitals, universities, newspapers. The armed arm of Hamas is a very small part of the movement; within Hamas there is large debate and much disagreement about the use of violence. The majority of Hamas leaders in the West Bank and Gaza are opposed to the continuing violence. Our polls also show that the majority of Hamas sympathisers don't support the suicide attacks, particularly against civilians.

The choice to take measures and use force exclusively against military infrastructures can therefore be made without too much risk of reaction by the Palestinian population; but the Israelis demand that the Palestinian Authority take action against the entire Hamas movement - against its social, economic, and political infrastructure. Doing so would almost certainly set off a social conflict in which the

majority of Palestinian society would have to face a minority that supports Hamas. This would be crazy, and could cause a sharp increase in violence, this time aimed against the Palestinian Authority, with a possible civil war.

How does the co-operation between Israeli and Palestinian security forces work?

The co-operation between Israeli and Palestinian security forces is developed at two levels: **A**) low-level direct co-operation, with joint patrols of regular soldiers; **B**) high-level co-operation between officers and representatives of the Israeli government and the Palestinian Authority.

Initially, the Palestinians were adamantly against the first type of co-operation. Despite this, in order to facilitate the passing of responsibility from the Israelis to the Palestinians in Area **A**, both sides had to reconsider the issue. Today, the low-level co-operation should be minimised, because it is no longer necessary. The continuation of a situation of non-peace and the arrest of the peace process have created a climate in which the mixed patrols and open co-operation have to be reduced. There have been cases in which Israeli and Palestinian soldiers in mixed patrols shot at each other; this kind of situation could be repeated.

High-level co-operation has had very good results, has worked very well on numerous occasions, and has been more successful than political or economic co-operation. This is a co-operation led by professionals, without fanfare or publicity.

But, because of its success, co-operation in the security field has also become a political instrument: if there isn't progress in the peace process, the temptation is to stop it. We saw this after Har Homa, when the Palestinians decided to reduce their level of co-operation because the Israelis couldn't pretend to have their cake and eat it too - to build settlements and at the same time have co-operation for their security. The same thing happened after the Israeli security services' decision-as far as we **know** a unilateral decision-to arrest two Hamas members who were in the Palestinian Authority's custody. In this example, the Israelis simply didn't believe in the co-operation mechanisms, but turned to unilateral measures, provoking security reprisals by the Palestinians.

Recently there have been cases in which co-operation has worked, such as that of the Nablus explosives factory that was closed by the Palestinians thanks to information provided by the Israelis, which also led to the arrest of about 20 people. Without co-operation, the Israelis could have acted unilaterally, as they have on other occasions, for example in Tulkarem, where they arrested a jihad militant in a coffee shop and then immediately left Area A. Each unilateral act causes Palestinian reactions at the co-operation level. We can therefore say that the degradation of the peace process automatically leads to the degradation of co-operation in the field of security.

What is the structure of the Palestinian security forces?

Aside from the difficulty in obtaining accurate data on the number of agents, we must make a distinction between the numeric quantity of weapons in the hands of the security forces and the number of agents. In fact, the number of agents seems to be greater than the 30,000 **armed** men, **as** provided in the Oslo Agreements (the number seems to be about 42,000); but the number of weapons is really 30,000. The 12,000 people in excess, therefore, are not really part of the security forces, but are on their payroll. To this we must add the co-opting of the Al-Fatah militia. The Israelis could make a big **fuss** about these numbers. The reality is that, with the Netanyahu government, we find ourselves in a paradoxical situation: on the one hand, they expected tighter control, and at the same time, they requested the reduction of the security forces by 12,000 men. The Labourist government had always encouraged the Palestinian Authority to hire more personnel if necessary.

Are the forces efficient?

One of the security forces' biggest problems is that of inefficiency and waste. This problem can be seen in many fields: information collection, information analysis, security forces co-ordination. Other problems that need to be solved are the low quality of the equipment, the security forces' morale as part of the political process, integrity and corruption, and training.

In general, as long as there is co-operation between Israelis and Palestinians, the results obtained by the Palestinian security forces can be improved; but without **co**-operation, there will automatically be negative consequences on the Palestinian security forces' efficiency. At any rate, Palestinians still need a number of years to come close to the Israeli's levels.

The degradation of the peace process and the fact that the Palestinians only control a minimal part of the territory compromise the security forces' job. Control of the territory would improve security conditions for some specific factors: the capability of deploying forces in areas where this was impossible before; information co-ordination and collection - some villages are impossible to get to and nobody worries about the problem; physical and geographical control; freedom of movement for the security forces; effective maintenance of the public order; improvement of (GCZ) the economic situation.

Palestinian security forces are accused of corruption.

The problem of corruption is very serious, but this doesn't mean that the opposition can corrupt the **officers** or members of the security structure.

The problem is that corruption leads to inefficiency, and that members of the security services don't concentrate on their jobs, but instead on problems that shouldn't concern them - more on financial than on security problems.

The problem is very serious, more serious than the Palestinian Authority wants to admit, and there is a tendency to close an eye. This is partly due to the Palestinian Authority's reluctance to take drastic measures at this time: to fight corruption would mean that some people would have to resign, which is not convenient in the middle of a crisis in the peace process and of a hard fight against terrorism. At this critical stage, therefore, at the political level, hands are tied; they're not willing to change personnel, and this means that there is more corruption.

It is difficult to think that the cause of this situation could be cultural factors (the tribal mentality or others). Corruption doesn't breed on culture, but on structural conditions: on the lack of laws and regulations, of procedures, of institutions; on the lack of a political will on the part of the political leadership. There are problems associated with the tribal system, but corruption is not one of them.

Appendices

Security

Palestinian Police and Security Forces

Branches and commanders:

- National Public Security, Naser Yousuf
- Preventive Security, Mohammad Dahlan, (Gaza), Jibril Rajoub (West **Bank**)
- General Intelligence, Amin al-Hindi
- Military Intelligence, Musa Arafat
- Presidential Security Force 17 ("amn al-ri'asa"), Faisal Abu Shark
- Coastal Police, Jum'ah Abu Zaki
- Civil Police ("Shurta"), Ghazi al-Jabali
- Civil Defence ("al-difa' al-madani"), Mahmoud Abu Marzouq

SIZE:

The size of the whole police and security force is estimated to be between 36,000 and **40,000** men.

BUDGET:

The budget allocation for 1997 is estimated approximately at **248** million dollars.

EQUIPMENT:

1 1,000 rifles

4,000 pistols

240 machine guns calibre 0.3" or **0.5"**

15 light armoured vehicles, not armed

45 armoured vehicles

Personal Security

PEOPLE KILLED

Between 1988 and 1991, 798 Palestinians had been killed by the IDF, but in 1990 the number of people killed had already dropped to 126. At all levels it is possible to note a clear reduction in the number of dead since 1995. The relative spike in 1996 was due to the clashes that followed the opening of the Jerusalem tunnel in September of that year.

Since **1988**, **1,346** Palestinians have been killed by the IDF: in conformity with military regulations, the Israeli soldiers are authorised to shoot only when their life is in danger. The military spokesman acknowledges that often there weren't situations of real danger: despite this, only **55** cases have been brought to trial, only **19** soldiers have been convicted for killing somebody, and **17** have been convicted for different reasons (wounding, negligence, etc.)

Palestinians killed in **1992-1997** by the Israeli Defence Forces (IDF)

Year	Killed by IDF	Of which by secret units	Of which under the age of 17
1992	136	45	23
1993	166	24	40
1994	112	12	16
1995	38	10	4
1996	56	1	10
1997	18	2	5

Source: B'Tselem - **1987-1997: Ten Years Since the Beginning of the Intifada, 1998.**

ARRESTS AND DETENTIONS

On November **12, 1997**, approximately 3,000 Palestinians from the territories were in prison, **25** percent of them detained by the IDF and **75** percent by the Bureau of Prisons. Through the years there has been a significant decrease in the number of Palestinians detained: in **1989**, approximately 12,000 Palestinians were detained in Israeli prisons.

Prison conditions are very hard, many prisoners live in crowded and poorly ventilated cells, without adequate sanitary installations. All of the prisons are in Israel, in violation of international law. In the context of territory closures, Israel imposes strict restrictions to the visitation rights of family and lawyers. During the past decade, **24** Palestinians have died in prison; of these, ten died during interrogations, as a direct or indirect result of the interrogation.

ADMINISTRATIVE DETENTION

Israel detains Palestinians ~~from~~ the territories with a discretionary police arrest. The imprisonment is carried out without a trial or charges, but solely through an administrative order. The military commander can issue a six-month detention order, which can be indefinitely renewed every six months.

On November **12, 1997**, **441** Palestinians were under discretionary arrest. More than **100** have been in this situation for over a year and more than **40** for over two years, all of them without trial.

TORTURE

The interrogation methods used by the General Security Services (GSS) include also torture. Among them are sleep deprivation, strapping the prisoner in painful positions for long periods of time, sensorial exposure (loud music, exposure to extreme heat or cold), abuse and humiliations, threats, etc.

Israel allows the **GSS** members to use violent methods on the basis of the Landau Committee conclusions, which recommended the use of "non-violent physical pressures during intense and continuous interrogations" and "moderate measures of physical pressure." Israel doesn't accept that these measures be defined as torture. The UN committee in charge of overseeing the implementation of the Agreement Against Torture, undersigned by Israel too, believed in 1994 that the "moderate measures of physical pressure" were "totally unacceptable."

The interrogation methods haven't changed after the Oslo Agreements.

DEMOLITION OF BUILDINGS AND AFFIXING SEALS TO **HOUSES**

1) AS PUNISHMENT

Between 1992 and 1996, with the installation of a new government, Israel stopped the practice of completely destroying houses as punishment (except for one case in 1993.) The affixing of seals and the partial destruction of houses has however continued in this period. In 1996 Israel has used again the total destruction of houses as punishment of families of people involved in attacks against Israeli civilians. Since September 1993, Israel has demolished 15 houses as punishment in the occupied territories.

2) TRYING TO FIND PEOPLE WANTED

Since the signing of the Declaration of Principles in September 1993, the Israeli security forces have completely demolished 25 houses and partially demolished another 8, using an intense barrage of fire toward those houses where they suspected wanted people were habitually hiding.

3) DEMOLITION OF **HOUSES** BUILT WITHOUT A PERMIT

Through the years, the Israeli have systematically denied building permits to thousands of Palestinians, forcing them to build in violation of operative administrative regulations. As a response, Israel has therefore adopted a demolition policy. In the past 10 years, 1,800 houses have been destroyed, leaving 10,000 Palestinians homeless. This policy continues to be enforced in Area C.

BRUTALITY **AND** HUMILIATIONS

During the Intifada, brutality, abuse, and humiliations of Palestinians by [Israeli] security forces were a fact of life. After the territory transfer to the Palestinian Authority, the frictions between the Israeli security forces and the Palestinians have diminishes, as have the number of incidents.

Brutality and humiliations however continue to be used, mostly at the border checkpoints between Israel and the Palestinian areas, where Border Police is in charge. Complaints filed with human rights organisations and with Public Prosecution offices indicate that there is an unwritten policy of using brutality and humiliations to discourage Palestinians without a permit from entering Israel.

DISCRIMINATION IN LAW ENFORCEMENT

The Israeli authorities have demonstrated to be unable to effectively deal with settlers' violence against Palestinians. The security forces' attempts to prevent these violences or to arrest the perpetrators have been minimal. This attitude is diametrically opposed to that toward Palestinian perpetrators of violence against Israelis. In these cases, a curfew is imposed in the villages and surroundings of the place where the incident occurred, and the security forces conduct extensive searches, make arrests and roundups, etc.

The Palestinian Public Opinion

EVALUATION OF THE PALESTINIAN AUTHORITY AND OF THE LEGISLATIVE COUNCIL

The results of surveys conducted by CPRS on the whole Palestinian territory show that the evaluation of the government by the Palestinians varies by sector. In general, the evaluation is positive in the security, education, and public health sectors, while it is relatively negative in the democratic and human rights and economy sectors.

Particularly in the justice and security sectors the positive evaluation confirms past results, consistently favourable since the Israeli-Palestinian clashes in September 1996. 87.5 percent of the population give a positive evaluation of the job done by police and security forces, and 71.1 percent give the same evaluation for the Palestinian judicial system.

Positive Evaluation of the Government's Job in Various Sectors

Guaranteeing security	69%
Education	70%
Public Health	63%
Economy	28%
Democracy and Human Rights	41%

Source: CPRS (1997) - "Results of Poll #3 1" 22-30 December 1997

CORRUPTION

The surveys show that the percentage of Palestinians convinced that there is corruption in Palestinian Authority's institutions and agencies has grown significantly during the past year; in surveys conducted in September 1996, only 49 percent of the people interviewed believed that there was corruption in the Palestinian Authority's institutions; nine months later, this percentage climbed to 63 percent. Following a report on poor management and financial irregularities published by the Palestinian Authority's Accounting Office, 52 percent of the people interviewed declared supporting a Legislative Council no-confidence vote to the government (CPRS, 1997).

POLITICAL AFFILIATION

In surveys conducted by the same Institute on political party affiliation, a constant increase of displays of support for Islamic fundamentalist groups appears, particularly for Hamas. In the meantime, supporters of Fatah went from **44** percent in September 1996 to 39 percent in December 1997; supporters of Islamic fundamentalist parties increased in the same period from 15 percent to 18 percent.

	Dec. 97	Sept. 97
Fatah	39%	44%
Islamics	18%	15%
Lay opposition	5%	5%
Independents and not affiliated	38%	36%

Source: CPRS (1997) - "Results of Poll # 31" 22-30 December 1997

ELECTIONS OF THE PALESTINIAN AUTHORITY PRESIDENT

The results of a survey conducted by CPRS between November 27 and 29, 1997, indicate that, if the elections of the Palestinian Authority president were to be held today, Yasser Arafat would get 62 percent of the votes, while Ahmad Yassin (Hamas) and Abdel Shafi would each get only 3 percent. It should be noted that **44%** of Hamas supporters gave their preference to Arafat, while only 11% of them favored (GCZ) Yassin, confirming a trend observed in past surveys.

	Yasser Arafat	Ahmad Yassin	Haidar Abdel Shafi
November 1994	44%	20%	9%
October 1995	58%	14%	8%
November 1997	62%	3%	3%

Source: CPRS (1997) - "Results of Poll #30" 27-29 November 1997

THE PEACE PROCESS

The majority of Palestinians (68 percent) support the peace process; 28 percent oppose it. These data should be compared to 82 percent of Palestinians who supported the peace process at the beginning. Opposition to the peace process directly derives from the disillusionment caused by its progress (**40** percent of the opposers) and by a series of Palestinian concessions considered unacceptable (33 percent of the opposers.) Only 20 percent of the opposers gives ideological or religious reasons as motivation for their opposition (CPRS, 1997).

Sources:

CPRS (Centre for Palestine Research and Studies) 1997 - "Public Opinion Polls #28, #30, #31".

B'Tselem (The Israeli Information Centre for Human Rights in the Occupied territories) - Extracts from: 1987-1997: Ten Years Since the Beginning of the Intifada, 1998.

THE PRICE OF NON-PEACE
INTERNATIONAL ORGANISATIONS

International organisations: UNDP (United Nations Development Program)

*A conversation with Timothy Rothermel**

**Administrator's Special Representative, UNDP, Jerusalem*

What have been the effects of the Oslo Agreements on the work of international organisations, particularly that of the UNDP?

The peace agreements have had an enormous effect, because for the first time, UN agencies such as the international organisations and our own agency have had a government-like interlocutor. Prior to the Agreements and the establishment of the Palestinian Authority, UNDP had as interlocutors municipalities, minor and unorganised institutions.

With the establishment of the Palestinian Authority, UNDP started to work - as we do in most countries - with counterparts such as the Ministry of Planning, the Ministry of Education, and so on. To give you a concrete example, in more than 20 years of UNDP activity, we have built more than 40 schools in the West Bank and Gaza, building them where we thought they were needed and where the Israeli authorities allowed us to build them. Now when we build a school, it is on the basis of data and analysis by the Ministry of Education, not on the basis of the **UNDP's** subjective best guess.

The second thing that has changed our work is the focus on strengthening governmental institutions, which has been a large part of our efforts for the past three or four years. Prior to that, there were practically no institutions to create, except for the non-governmental ones.

During the first multilateral talks and consulting group meetings, there was a very positive spirit on the part of the Palestinians. A minority of Palestinians were opposed to the Oslo Agreements because they thought they would jeopardise the success of their cause. Currently, when we talk about what percentage of the West Bank should be assigned to the Palestinians, many people seem to forget that by the very fact of signing the Oslo Agreements, the Palestinians gave up their long-held right to any land that is currently inside the State of Israel: this is a very important concession, because the Palestinians have considered it their right to return to their land and their homes in Jaffa, Ashkelon, or Ashdod.

How does the political stall affect the international organisations' work and the Palestinian areas' situation?

The non-progress is pervasive in almost anything that is done. It touches on our activities. If, for example, we are doing infrastructure work in Gaza and the border crossing is closed, our personnel and equipment can't get to the site. The impact is very tangible.

UNDP is also active in a number of **areas** that **affect** water resources. Decisions on water resources, under the Taba Agreements, go to a joint Israeli-Palestinian committee. Sometimes it is very difficult to **get** decisions from that committee.

In many almost unseen ways, our work is affected by the lack of progress in the peace process. Another example is that any construction activity supported by the UNDP in Area C must have the prior approval of the Israeli military authority. For instance, it has been several months, if not over a year now, that the construction of a simple building in Area C - a cowshed with a school -has not been able to move forward, because of lack of approval by the Israeli authorities. In some sectors, such as public health and environment, which don't have geographical boundaries, the co-operation has been greater than in others, such as education, industry, and economy, which are more exclusively the province of a national agenda. Public health, even though it is considered a national sector, involves some daily transnational activities as well.

When there are territory closures, it becomes very difficult to get to work in Jerusalem from the West Bank. When there are full closures, our work is affected in other ways. **If**, for example, we are building a water system for Jericho using a private contractor, his workers coming from Hebron or Bethlehem can't get to the job site and **so** the work is blocked. The restricted mobility for freight and people is therefore **an** obstacle in almost all we do. Last year, our Palestinian engineers based in Jerusalem couldn't go to Gaza for many weeks to check the work progress there. None of the Palestinians working for **us** could come to Jerusalem.

The lack of political stability then diminishes the enthusiasm of the international donor community for development activities. This phenomenon is visible in the sector of international donations as well as in that of private investments. Many Palestinians with funds abroad have invested in housing construction, but few have invested in productive enterprises and sectors: these are the types of investments needed by the Palestinian economy to prosper. Facing the absence of these investments, and in the context of the situation created by the closures, one of our activities that has taken on more marked importance due to the lack of progress of the peace process is the creation of jobs. There is talk of 50 to 60 percent unemployment in Gaza, and we have to work hard in this sector.

From a political standpoint, the current situation is putting the Palestinian Authority in a very difficult position, particularly on the internal front, with respect to the man and woman on the street who see their income drop, whose life is much harder than it was even during the occupation, who see their freedom of movement much more

restricted than before the Oslo Agreements. This hasn't had a big impact on our work, though; we are continuing our infrastructural work, assisting the Palestinian Authority with the gradual creation of its institutions, some of which are extremely efficient and have been created in a very short time. One aspect that has a marginal effect on our work is the lack of clarity on the part of the government. In many cases we have to work with two ministries, one in the West **Bank** and the other in **Gaza**, at times with slightly different points of view, with an overlap of jurisdictions, and with people who more or less work well together. But if we compare the current situation with that at the time of the Oslo Agreements, the government system created by the Palestinians is pretty extraordinary. Just think of the Ministry of Education, for example, or the Palestinian Central Bureau of Statistics, which are very productive.

Therefore, there are difficulties still, but also extraordinary signals of progress and development in such a short time. It wouldn't be fair to criticise the way the Palestinians have organised and conducted their government activities, because I don't think there is a country in the world in which the borders don't allow, at least internally, free transit of people and freight. Palestinians didn't even know, at least not until the completion of the Census, the size of their population. For donors, it is a difficult test to deal with the Palestinian issue with the same level of rationality given to other countries, such as India and Bolivia, due to a whole series of unknown factors that don't exist in other countries.

what are the UNDP's presence and activities, and what results has it achieved?

About 130 people work at the headquarters and in East Jerusalem, but there is an office in Gaza as well. Most of these 130 people work in East Jerusalem or in Gaza, but a sizeable number are posted to the Palestinian ministries and institutions with which we are associated. In other words, we have a project of rural local development with staff working at the Ministry of Local Development in Ramallah, other people working at the Ministry of Planning in Ramallah, and still others working at ministries and government institutions in Gaza.

Five international members and five junior professional members are posted here as full-time international staff, for a lot of the work we count on Palestinian associates, who are extremely competent.

I'm obviously biased, but I'd like to say that UNDP's work has had lasting results. For example, a project in the early Eighties had been the construction of a fisherman's market in Gaza. This market continues to work well; its stores are **full** of shoppers. The effect has been the development of the fishing industry and the ability to preserve fresh fish for a longer period of time. We can also look at the dozens of schools built at the beginning of the Eighties, still well used and maintained today, and which have contributed to the development of society. We can look at new hospital wings fully and competently used; we can look at the distribution of drinking water and electricity in villages that didn't have them before. Then there is the work that UNDP calls sustainable development of human resources; that is, the enrichment of people's capabilities. In the early Eighties, when the program started, there weren't, for example,

laboratory technicians with medical-physiological training, so one of the first things we did was develop a medical training program with scholarships. The result is that today Palestinians are more self-sufficient in their medical services.

Understandably, the Palestinians put some pressure on the UNDP to finance more infrastructures than it normally does. This is an exception to the UNDP's normal work and our governing structure authorised us to do it, for assistance in projects both financial and technical. Usually the UNDP only gives technical assistance, but the difference here is understandable, after years of relative negligence with regard to public infrastructures, schools, housing. Therefore, we built offices for municipalities and communities, to allow these institutions to continue to provide their services to the population. We also encouraged the creation of specific departments for some of the Palestinian Authority's ministries, not to mention the assistance for development given to Palestinian ministries and Palestinian Authority structures to make them self-sufficient.

Our work, therefore, has been a middle ground between technical and financial assistance. We had, for example, a small fund allocated to provide some hospital equipment. One day I found myself on-site with some public health officials, and they said, referring to the sewer system's problems, that they could quickly give me a shopping list that would quickly use up those funds I mentioned, and it would be pointless to buy more hospital equipment. This way we started to finance activities in the health sector to improve the sewer system and to channel wastewaters in the Jebalia refugee camp in Gaza.

My colleagues and I have encouraged the donor community toward certain activities included in the PDP (Palestinian Development Program). We also try, in some of our technical assistance activities, to allocate funds to institutions that we hope will encourage donors to support the Palestinian Authority and that will attract resources. An example is the General Control Office, the Palestinian Audit Office. Last summer it published a report, that drew a lot of attention, both internally and internationally. We worked it so that they would obtain funds to create their own office in Gaza, and so that they could train auditors using a course created by Egypt and Jordan. We sent staff from this office to those two countries, to improve their knowledge and abilities.

Another public administration area that we support is that of the Cabinet Secretary office, which takes care of the Cabinet's meeting agenda and of filing its decisions, to try and make the decision process at the government level as transparent as possible.

The third area where we work with the Palestinian Authority is the Civil Service Administration Commission [CB6]. There are too many poorly paid officials who work for the Palestinian Authority; we are co-operating with the public services to help them set international-level standards for training employees in a way that promotes their professional abilities.

What are the Israeli authorities' attitudes toward your work?

Contacts with the Israelis are mostly for administrative issues, clearance of equipment through customs, visas for the staff, reimbursements and payments of various taxes. In times of closure there are big obstacles, but in general, when we have to deal with the Israelis for administrative procedures, we don't have to deal with large obstacles to our work. I should add that the UNDP is responsible for these contacts with the Israelis on behalf of all the international organisations based in the country, except for the World Bank, the UNRWA, and the UN Truce Supervision Organisation (UNTSO). Every time the World Health Organisation (WHO), the International Labour Organisation (ILO), the Human Rights Office, or the World Food Program (WFP) need a permit, they have to come to the UNDP; these are the administrative directions that the Israelis prefer.

The Israeli authorities in the past 10 years have greatly encouraged the UNDP with regard to the Palestinian territories' economic development. At the beginning there were worries, generally disguised as security concerns, but they were general economic worries about the potential developments in the West Bank and in Gaza. It took many years and many meetings with then Defence Minister Rabin, for example, to obtain the necessary permits for building poultry farming equipment in the West Bank. When I met Rabin, I told him, "Mr. Minister, really, don't tell me that the Israelis are afraid of a few chickens." His answer was that he certainly wasn't afraid of the chickens, but of his colleague at the Ministry of Agriculture. This attitude ended at the time of Intifada.

As for the Israeli authorities' current attitudes toward our work, I can only mention what the Israeli representative said at a meeting of the consulting group in December 1997. In that meeting, he declared that Israel encourages everything that is feasible to make development easier in the Palestinian areas, and that this is an important priority for the Israeli government. This was true even before the Oslo Agreements, during the Intifada, as far as the UNDP was concerned. My analysis is that a person with a well-paying job is less likely to throw stones at some soldiers in a jeep. I think that this was and is the reason for the Israelis' attitude toward us. I repeat, it was during the Intifada that the Israeli government no longer slowed the UNDP's work for internal economic reasons, and that its attitude became very encouraging.

In a way that I don't hesitate to define as paradoxical, the Israelis have even made the UNDP's work easier: the bypass roads have made our staffs and equipment's trips much shorter.

What are the prevailing attitudes among the donor countries?

We are seeing some decrease in the donors' interest. One example is the recent increase in loans compared with direct donations decided by the consulting group. This is testimony on the one hand that the Palestinian Authority is acquiring a certain economic autonomy without depending only on donations, but on the other hand, it is testimony of a reduction in net transfers from the donors to Palestine. Three fairly active bilateral agencies, for example, conducted a review in 1997-98 of their help to Palestine,

not necessarily in terms of reduction. Rather, they tried to define what sectors and problems are worth focusing on more, and where they could give a more valid and useful contribution. There is also the convocation of a new donor conference. At the end of **1998**, it has been five years since the previous conference, when the famous **2.5** million dollars were promised.

On a wider scale, I think that the integration of Palestine in the long term will be inevitable, not only with Israel, but also with other countries in the region, such as Jordan, Egypt, even Syria and Lebanon. Perhaps I'm too optimistic, but I support Peres's idea of an integrated economy, of a political peace, and of reciprocal security in an area from Turkey to Iraq. **This** area is **as big as** the European Union, with very productive people and important natural resources.

What are the general regional perspectives? Is the peace process irreversible?

I'm very optimistic about the future. At times some processes require more time than we would like, but the Madrid Conference started something new, the Oslo Agreements represent another phase, and today there is a Palestinian Authority that works. We've covered a long distance from the times of the Israeli occupation and from when the PLO was kicked out of Beirut. It is a slow process, painful at times, but I think that in **1991**, in **1993** and **1994**, some chapters have been written that will be very hard to delete. Making predictions on what the next chapter will bring may be pure speculation, but some fundamental changes have occurred.

I prefer not to make predictions on the region's political future. When I arrived here, a Swiss colleague who was about to retire advised me to be discreet, telling me that after a week in the Middle East I would probably want to write a book on the situation, that after a year I would probably limit myself to a short article, and if I stayed a little longer, I would learn to keep my mouth shut for the rest of my life. Therefore, I would be crazy to make any prediction on this place's political future. If the Israelis were to again occupy all the Palestinian territories, a scenario that is often pointed to, there would certainly be serious consequences on the international institutions' work and on the future of the Palestinian institutions. If, instead, an independent Palestinian state were to be born with some geographical continuity, this too an often-mentioned scenario, there would be consequences of opposite sign on the same institutions. Currently we are in between these two situations; which will be the effective reality between these two scenarios is pure speculation. I can only hope that things will move in the right direction for everybody, not only for the Israelis or for the Palestinians, but also for the entire region, which is not currently in a very happy position.

International organisations: World Bank (International Bank for Reconstruction and Development)

*A conversation with Joseph Saba**

**World Bank's Mission Representative in the West Bank and Gaza Strip, Ramallah*

What are the World Bank's tasks and operation modes within the peace process framework?

The World Bank arrived in Gaza and the West Bank after the Madrid Conference as part of this process. The first mission occurred at the end of 1992, with a preliminary study of the general economic situation in the Palestinian territories to see what could be done to improve it. This was before the Oslo Agreements.

With the ratification of the Oslo Agreements in 1993, we were asked to come here and begin various programs for an urgent infrastructure rehabilitation and to assist the Palestinian self-government institutions during the first steps of their organisation. On top of that, given the impressive donor response to the Oslo Agreements, the World Bank has sponsored, as it usually does in these instances, a conference where the donors presented help commitments and indications for their funds' allocations.

The first of these conferences was organised in October **1993**, with the intention of providing funds that would cover the period between the complete Israeli occupation and the future final agreements, which were to be initiated at the end of a five-year period, counting from 1994.

Besides co-ordinating this pretty substantial amount, the Bank acts as a secretariat for the local help co-ordination committee, which we administer jointly with the UN's co-ordination office, which is under a Norwegian presidency.

We act, therefore, as the ad hoc link committee secretariat, also presided over by Norway. It is essentially a political group, where there is debate over the implementation of plans and the activity of donors, mostly on political and political economy issues.

The World Bank also participates in various groups that regulate these structures. Therefore, besides carrying out our normal role as donor, we also participate in different ways as co-ordinators or co-co-ordinators for the assistance from (GCZ) other donors in various sectors.

The Palestinian Authority is not a sovereign state, and our agreements are with the PLO, which signs on behalf of the Palestinian Authority: a different situation, therefore, from those in which the **Bank** usually operates.

We also have our own projects, **13** up to **1998**, and we are the trustees of the fund initially established to make up the deficit that fell on the Palestinian Authority's shoulders when it replaced the Israeli Civil Administration in all of its functions. This is a means to provide funds allocated to current government expenses for the Palestinians, including paying the employees' salaries. The majority of those who receive these funds are in the health and education sectors; this is personnel that was previously paid by the Israeli Civil Administration. About **250** million dollars of this fund have been spent for salaries and current expenses. Over time, the development of financial management capabilities by the Palestinian institutions, and the separation of customs-originated and tax-related revenues into Israeli and Palestinian revenues, reduced in **1996** almost to zero the fund's role in covering current expenses. **In 1996**, however, because of the severe closures that year, the fund started to become a vehicle for emergency programs. Initially, these programs were conceived mostly to quickly create jobs for those who had lost jobs in Israel, and also because of the general economic decline caused by the territories' closures.

Now, in the same framework of measures and emergency plans launched **in 1996**, we have community development programs and others intended to provide construction, water, road, and electrical services. These last ones also try to provide some basis for a sustainable development, dealing with priority and strategy issues. In this sense, some funds have been allocated to the increase of the Palestinian institutions' capabilities.

In these programs the World Bank has committed its own funds of some significance. Regarding our commitments, donors big and small have referred to us the management of funds or have participated in a parallel co-funding of some programs. Italy, for instance, has made a commitment to a program for electrical services in the southern West **Bank**.

Another example of a project where good co-ordination among donors has taken place is the industrial project in Gaza. Here the European Bank of Investments (EBI) and the United States each have programs that are separate but well co-ordinated in their initial planning and implementation.

A large part of the World Bank's work has been, therefore, co-ordinating donors; besides this, the **Bank** has tried to define its own programs to attract co-funding and parallel funding.

The World Bank group, which includes the International Financial Co-operation and the Multilateral Co-operation of Guarantee, has provided funds as loans and as stock issues for projects intended to create a better legal and institutional environment, and to make possible the running of the private sector.

We are pretty happy with the level of co-ordination and co-operation that we've been able to achieve. This result was made possible by the fact that Gaza and the West Bank's geographical dimensions are relatively small; and then, because we arrived here in non-conventional circumstances, we've had the ability to work outside normal constraints, in a more flexible way that has been possible in other places.

Finally, we have organised several meetings of the consulting group, the Bank, and some donor countries that have supported the Ministry of Planning in preparing the Palestinian Development Plan (PDP). The process was gradual: first with donor countries' project proposals, then with the Palestinians' project proposals, finally arriving at a three-year plan, in **1998**, that **can** be compared to a governmental investment plan with conventional capital. True, this plan has some problems, but on the other hand, in a relatively short time the Palestinians have been able to present a document that has surprised many donor countries. In fact, the plan is in many regards better than the international aid plans of other recipient countries that have been presented in similar meetings, despite the fact that these other countries have similar institutions that have been operating for a much longer time.

All of our programs are under very strict control. We give our donors financial statements; this has sufficiently reassured the donors about the transparent management of the allocated funds. Aside from a couple of small exceptions in 1995, no serious problem in account transparency has been recorded. We haven't been subjected to any interference by the Palestinian Authority trying to channel funds using different procedures than those normally followed by the World Bank. Some of our staff control the funds' allocation; we publish a weekly report on this subject and on the projects' progress. Each month and every four months we do comparative price verifications for roads and schools, to make sure that the prices paid are in line with the market prices and that there is no waste. We have external auditors who conduct field checks and work full-time with us. From our point of view, the controls are numerous, and for them we charge an administrative fee of about **2** percent of the funds entrusted to us. **As** for other World Bank programs, the administrative expenses are pretty high; the majority of these funds are assigned to quality control, but also to financial control.

Recently, many of the training funds have been channelled to Palestinian institutions (PECDAR - Palestinian Economic Council for Development and Reconstruction - or various Ministries) in order to assign to them the supervision of what we haven't been able to control.

Besides this, we have a group at the World Bank in Washington, D.C., that has daily control of our relationships and activities, and that spots irregularities and discrepancies. This helps and alerts us of potential particular situations. The Palestinians complain that it is a cumbersome bureaucracy with unnecessary added costs.

In some of our initial projects creating infrastructures for schools or hospitals, once a project was completed, we delivered it and considered our work done. Now we try instead to stay involved in a project. In many cases, we try to develop twin solutions: to build both infrastructures and create institutional competencies, which means following a project throughout its realisation, and often after. These are, for the most

part, abstract projects; it is more difficult to study how an administration works than to verify the construction of a school or a building.

On the positive side, this is the development process; this is what we do everywhere in the world.

What are the biggest operational problems caused by the current situation?

A negative aspect, which affects all operators, is the high level of transaction costs caused by the extremely complex series of permits and by the absence of any predictable policies regarding the transit of people and freight—not only during closures, but as a constant factor. The only constant here is exactly the lack of predictability, of certainty. This situation aggravates our costs. We are the only mission of the Bank that has a large fleet of cars with which we can't do without, despite the fact that in other countries where the Bank has even bigger programs the missions don't need this kind of infrastructure.

Among the Israelis we always find people willing to help **us**: therefore, it isn't an issue of people's willingness, but rather of the entire Israeli system, based on the multiplication of permits and decision-making levels, and, in general, on very complex politics intended to limit the mobility of people and freight. There are five separate zones: Gaza, the northern West Bank, the so-called Jerusalem metropolitan area, Bethlehem's central area, and the southern West Bank. The issue of people and freight mobility exists in all of these zones, toward Israel and toward foreign countries, and it has a negative effect on our projects.

We continue to have problems with the transit of freight, particularly in the pharmaceutical field and in sectors where there are no ratified Israeli standards for some of our equipment. In general, whenever we request information and assistance, we obtain them and after a certain amount of time the problem is resolved, but on an ad hoc basis. The absence of rules that can be known in advance, the lack of economic legality, is one of our problems in our relationship with Israel and it explains why our office is among the World Bank's most expensive. From the standpoint of our Palestinian staff, this problem takes on aspects **so** humiliating that often they would like to totally give up the trip. We ask ourselves, then, as foreigners, if this isn't exactly the expected goal; if the idea might be that of making everything **so** arbitrary, confusing, and complicated that these people stay in their little spot without going anywhere.

There is then a totally different treatment of Gaza from the West Bank. While Gaza is completely surrounded by electrical barriers, almost a sanitary cordon, the border between the West Bank and Israel can be relatively easily crossed; there is no proof, though, that more terrorist activities come from Gaza than from the West Bank. It could be said that this wouldn't be true if Gaza weren't hermetically closed, but I'm not sure of this. This different treatment is harmful to Gaza. But I must say that at the higher levels I've always found goodwill on the Israelis' part.

Operational difficulties sometimes also come from the Palestinian side: often the Palestinians, for their own political reasons, don't want to solve potential obstacles on an ad hoc basis. Therefore, many times when we have problems regarding the transit of people or freight and we receive assistance from the Israelis, the exceptions and solutions proposed by the Israelis - perfectly adequate for our needs - are deemed unacceptable by the Palestinians, because they are afraid to create a precedent or to indirectly assent to politics indicative of something else that doesn't match their perception of their own rights in this sector. They don't want solutions for individual projects, but rather global solutions. This is politically understandable, but it makes life more expensive and more unpredictable for the donors. Currently, things are going pretty well, as much as **can** be expected. I believe this is because for some time there haven't been any terrorist attacks and because at the operational level we are seeing many Israelis helping **us** to remove obstacles. **An** empirical indicator is the number of trucks that enter **Gaza** - strongly on the rise throughout 1997 - and the increase of donor funding. On the one side there is the maturation of our projects, but a closer co-operation at both at the Palestinian and the Israeli level must be recorded.

Have there been changes from 1993 to today?

The positive aspects are that we are receiving strong co-operation from the Israelis and there is a dialogue with a search for solutions. **As** for the Palestinians, despite the accusations made in the summer of 1997, many of which were unfounded, and despite the sometimes chaotic administration, if we compare them with other emerging states, we can see that in three years the Palestinian Authority has obtained rather positive results, keeping in mind the political situation.

Here's **an** example. When we arrived here in **1993-94**, the infrastructure's status was disastrous. The immediate needs were pressing; there was a need for immediate, concrete, and tangible results and benefits. Hence, the many rehabilitation programs - roads, sewer systems - the important thing was to restore what we could in the shortest time possible. Now we need to look at sustainable development. The European Union, for example, has built a huge hospital in **Gaza**, where there was a lack of hospitals, but the Palestinian ability to maintain and operate such a hospital is today questioned. For this reason, the World Health organisation and a couple of European countries have completed a sectorial study on the subject and we are examining it to understand what the needs are in this field besides simple emergency physical rehabilitation. If we go to a city or a village, the mayor will list how many buildings are needed, asking to quickly receive funds: he has no alternative because he doesn't have his own resources to finance his projects. One of the donors' complaints is precisely the absence of selection, of clear priorities expressed by the beneficiary. On the other hand, why should the Palestinians establish these priorities given the fact that their budget isn't in **a** normal state? When they need to decide how to use a certain amount of money, to select the most important projects, the task of rejecting projects is **left** to the donors.

However, things are slowly changing. The Palestinian Ministry of Planning tries, in its meetings with donor countries and in individual meetings, to set hierarchies. We are trying to do this too, in what we call sectorial workgroups; sometime successfully,

sometimes not. We are trying to perform sectorial studies in co-operation with the Palestinian institutions, studies that we then distribute to the donor countries.

This change is normal and physiological. Prior to 1994, there was nothing. After 1994, the Palestinian Authority started to grow and to affirm itself. In 1995 and 1996 we witnessed the growth of Palestinian institutions. Since 1997, we are certainly dealing with stable and sound Palestinian institutions, which have started to compile an inventory of what's there and of what they need.

Another often-raised point, besides the stability of political conditions, is that of the alleged lack of certainty of the law. Let's explain. In the West **Bank** and in **Gaza**, there is a particular judicial system, very complex because of the presence of multiple judicial sources - Ottoman, British, Jordanian, Egyptian, Israeli, and Palestinian - and this system is not uniform among all the territories. But it can't be said that there is no law. I think that this statement is often a kind of smoke screen used by those who don't want to study the problem in depth. The law exists; it is published, ratified, and available. The various countries' judicial systems aren't alike; they need to be studied. If we spent some time on this task, we would find a very rich judicial tradition. As for the new laws, in many cases we have found that the Palestinian laws are better than those, complex and discretionary, of the neighbouring countries, Israel included.

The problem is the enforcement and administration of the law. There is an Australian project for the construction in Gaza of a courthouse with a public library, some classrooms and courtrooms. This project will be very expensive, about 5 or 6 million dollars. Despite all the donors' financing, I'm having a hard time convincing anyone that this kind of operation is a priority.

To be serious about the issue of developing a state subject to the rule of law-and here I refer to the international community and to the Palestinian Authority-then it must be clear that this kind of project, which is also symbolic, and the education of the Palestinian population to the meaning and the sense of the law-what it applies to, how it develops-must become a priority.

What is preferable for the Palestinians: separation or integration with the neighbouring economies?

No Middle Eastern country will be able to enjoy significant growth margins without regional integration and co-operation, particularly on natural resources. Because of its inability to trade with its neighbours, Israel has integrated its foreign trade with the European and North American trade. The trade between Arab countries, by comparison, totals about 6 percent; therefore, these countries aren't particularly integrated among themselves. The Palestinian economy was integrated many years ago with the Israeli economy. **As** a result, a certain standard of living has been achieved, due in part also to money sent by those who emigrated to other countries.

It is difficult to imagine how this growth can be sustained without relative integration with the Israeli economy; nor we can imagine how the entire population

living west of the Jordan River can think of achieving sustainable growth without dealing with the problem of regional water and land resources even with Jordan. Jordan, Israel, and the Palestinians live in the same economic space, and in the absence of a good level of co-operation and trade, we'll see a stagnation of all these economies.

Internally, there are important economic and social differences between the West Bank and the Gaza Strip: in income, in per capita economic activity, in birthrate, in education, in natural resources. From ours and other studies, it appears that Gaza residents would have a better chance of reducing the differences, with reciprocal advantages, if the trade connections were more open. It appears also that with a higher access to the Israeli market and the release from subjection to Israeli protectionist measures - or, in the World Bank's general perspective, with the elimination of Israel's protectionist barriers - it would be possible to reduce the differences between the West Bank and the Gaza Strip. If we look at the Gaza Strip and its population, it is hard to imagine how this small piece of land will be able, in the long term, to support such a large number of people.

But there is a rather sad point that needs to be put in its rightful evidence: in the Palestinian economy the peace dividends have never been made real. We are seeing a substantial improvement of all the Israeli economy indicators in terms of GNP, of GDP, of foreign investments, and private consumption. At the same time, we see an almost proportional worsening of the Palestinian indicators. For the Palestinians, this is a doubly bitter pill, because on the one hand they expected something better, and on the other because, despite the fact that the Palestinian situation cannot be compared to that of really poor Arab countries such as Yemen, the standards that are considered here are those of the Israeli economy. Therefore, what the Palestinians see, in terms of waits and of economic data, is that peace has brought forth a huge increase in prosperity only to one of the two communities, while to them it has brought more humiliation, together with a sharp economic decline. In the current situation, where the Palestinians are confined to small communities, practically without control over water and land resources, and unable to go anywhere, there truly are absolute limitations to the development.

The private sector has always reacted pretty well. Even during the Intifada, the private sector's investments were about one billion dollars per year; now they have dropped to somewhere between 200 and 225 million. If we look at the indicators, at the decisions that have been made in the private sector, it seems clear that private economic development cannot happen without true political progress that can set more predictable rules, an economic legality, and different agreements for trade and market access.

To get an idea, just think about how much yoghurt costs in Israel and in the Palestinian territories; it is a very high price compared with world prices. The Palestinians pay this high price, and the same can be said for other products subjected to Israeli protectionist measures because of Israel's own reasons, but the Palestinians' per capita income is one-eighth of the Israelis'. Despite this difference, the Palestinians subsidise Israeli industries at the same level as the Israelis. The Palestinians are forced to pay the same price for yoghurt as the Israelis. This is in part due to the fact that they can't freely import the products necessary to produce a less expensive yoghurt. The

Palestinian economy is in many aspects a prisoner of Israel, and proportionally subsidises the same Israeli economic sectors that Israel has decided to subsidise.

As for integration and forced separation, if you visit a village in the West **Bank** and ask how many people work in Israel, you will see that the number of permits has been reduced, but that one part continues to work in Israel doing what Israel calls "illegal work." E we look ~~at~~ checkpoints between the West **Bank** and Israel, we *can see* that these workers are sometimes arrested, sometimes fined, or sometimes let through. This allows Israeli employers to state that they can employ fewer Palestinian workers, or that they can pay them less because they never know what will happen the following week. In the absence of known and established rules, economic planning is impossible.

On the other hand, we ask why the Palestinians can't export what they want to Egypt through the border at Rafah. The Israelis say that the problem is in the Palestinians' and Egyptians' inability to reach an agreement on the terms of bilateral trade and that for this reason the trade remains minimal. I think that, in general, this is true, but the reason why there isn't an agreement between the Palestinians and the Egyptians is the unpredictability of the procedures for freight transit imposed by Israel, which interposes itself between the two. Under these conditions, no side can guarantee the other that the goods will really be delivered. It is hard to understand why Rafah is **so** important from the Israeli security standpoint, given the fact that the Gaza Strip is completely isolated. And yet, the Israelis exercise complete control over this border crossing. The whole situation is illogical. If the borders can be open to 50 trucks instead of 20, why not to 100, and why only to container trucks?

Therefore, we need to watch what happens in the field, in the bureaucratic and administrative process, in the framework of what remains discretionary and unpredictable politics, in the control of people and freight transit, politics that ruin the economy. One more example: if we look at the Palestinian centres' bypass roads built by the Israelis, we see that Palestinians can access them, but without an Israeli license plate the number of times they have to exit and re-enter them makes them practically unusable. This is what we call an economic planning cooling factor.

International organisations: European Union

*A conversation with Geoffrey Haley**

**Economist - European Union, Office for the West Bank and Gaza Strip, Jerusalem*

How have the Osloformula and the peace process been perceived?

The Oslo Agreements weren't and aren't a peace treaty. The Agreements were **so** unexpected that Palestinians and Israelis put in them excessive and unreasonable hopes, at the political level and mostly at the economic level. At the political level a great lack of confidence still exists between the two sides: the two main interlocutors knew each other very little, or weren't at any rate used to negotiating, and there was a lot of reciprocal mistrust.

Under the economic profile, the expectations that arose around the middle of **1994** were decisively unrealistic and unreasonable. Economic changes don't happen in revolutionary ways, but in gradual increments, sometimes of small, sometimes of great dimensions. The circumstances, the facts indicated that here the increments would be small. There should have been a time dedicated to building and consolidating people's trust in the process and in the new administration. Only later could we have expected a faster incrementation of the factors capable of resolving the economic aspect of the Palestinian issue: jobs, Palestinian participation in the world community. For the majority of Palestinians, "participation" is a word that has to do with the solution of basic economic and existential problems: jobs, health conditions, prosperity, average life expectancy. These aspects are slow to change, but nobody said this in **1994**.

The excessive illusions have been followed not by correction dictated by maturity, but by the bitterest disillusionment. The restrictions to the freedom of movement, even more widespread than at the time of the Intifada, do nothing but worsen this negative perception and the lack of hope in the future.

For **an** economist, one of the clearest signs in this sense is the failure of investments in the private sector (see IMF data), a true disaster in the face of completely opposite expectations.

What are the mid-term expectations and what are the tasks to tackle?

The **Oslo** Agreements offered opportunities that needed to be intelligently exploited; they were seen instead as a solution to the problems. The international

organisations should have committed to creating a more realistic climate, in political and in economic terms. In this we all have completely failed.

In the short term, we can't expect very quick developments. We aren't planting flowers, but something that grows very slowly, and we should have communicated this message to the Palestinians. Perhaps we could have changed the situation and given hope over two decades, but we haven't done it. We could have clearly pointed out to the Israelis and the Palestinians that we were getting into **this** process for the long run, that in Oslo we had given financial indications for a five-year period, but that our perspective of being able to create growth and better economic conditions could have been implemented only in a much longer time span. The issues dealt with in the "Communications to the European Commission" aren't the right ones, and certainly don't give the right answers. We shouldn't worry about why we are not successful, but how and in what time span we can be successful. Personally, I'm not aware of any changes in political relations between reciprocally hostile communities that have been achieved in less than a generation.

This is also true for human rights, for the expectations about the rhythm of development: none of these aspects ever changes very rapidly. Even institutions like the World Bank, with their great experience, have had a pretty naive and short-term vision. Just examine the World Bank's program for the creation of jobs: with an ill-conceived plan and facing the first signs of failure, the institution panicked. The reality is that here it's impossible to create jobs in a short time, the problem is long term.

On the other hand - if I can add a personal note - I wrote about Palestine for the first time in 1977, and I came here for the first time in **1978**. For this reason, perhaps, I can appreciate and appraise the value of the small changes, which happened in small steps, better than can people who came here recently, believing that it is possible to follow precise time stages.

There was no hope that the Israelis could start to fully trust the Palestinians at the time of the Oslo Agreements or that there would be a sudden magical event that would open the heart of a man or a family that has lost a son in an Israeli prison or during the Intifada, and that would let them forgive and forget in the name of a future good for which it is right to build new relations. The same is true for the Israelis, who see the Palestinians as a people constantly associated with terrorist activities and, in fact, ask how much they can trust them. Just look, for a parallel case, at what is happening in Ireland. We need to work hard and give people time to adapt their values and points of view to a situation of peace, and to be able to say "perhaps with these Palestinians.." or, on the other side, "perhaps with these Israelis we can live as neighbours." We need to look to the long term to see how well these societies can live next to each other and to put the bumps in the road into perspective.

The Netanyahu government has been one of these bumps in the road, but it is difficult to see big differences between the Netanyahu government and the previous one. After all, the closures were invented by a Labourist government; the hermetic and prolonged closures that we have had since the beginning of 1996 were a creation of the Peres government. The change in relationship between the government and the military

took place when Peres became prime minister. The Netanyahu government's positions have been rigid. But what have the Palestinians done in the meantime? They haven't co-operated with Netanyahu because he hasn't given them what they wanted, but they should have tried to do more to build their society.

Many of the things that the Palestinians had and have to do have nothing to do with Netanyahu: better economic politics, a more rational and efficient fiscal system, better school curricula, a better health system, better police behaviour; on all these things they can work independently from what the Israeli government is or isn't conceding. Some people are beginning to understand and are trying to focus on how to make this administration work better.

Arafat has his sight on the big political picture, but many people in the Palestinian administration are realising that because the leader is looking at the stars doesn't mean everybody else should do so too. This is what's happening in the best ministries.

The political situation is important, but there are other places in the world where the political future is also uncertain, where there are regular civil conflicts, but where a lot of foreign investments have been attracted: for example, Ireland, and particularly Northern Ireland, which has gone from an economy based on small factories and a very large shipyard to a highly diversified economy. The political problem hasn't been completely solved, but the economic system has been helped.

If the Palestinians could find more jobs, if they could see that the administration under which they live is improving with regard to economic, social, and human rights aspects, then they could prepare for the next step, for a more prominent progress. **But** it is difficult to believe that this could happen, because too many people still are looking at the stars and saying that what they need is a State, right now. The Palestinians, despite all, have at this time an opportunity bigger than ever before and they aren't getting much out of it, which is pretty sad.

Simply put, the problem doesn't have just one measure or one face: it is a range of different factors, some painfully domestic and very trivial. For example, some laws that Arafat tried not to enforce - not particularly significant in themselves, but useful for allowing the creation of jobs - and some economic decisions - such as the imposition of taxes on energy supplies - have been decisively counterproductive. There are companies operating in Ramallah and elsewhere that in Ramallah pay **32** percent more for the energy they use. The Palestinian economy's biggest problem is unemployment, lately in constant increase: by overtaxing the people, the profit margins go down; the incentive to be productive, to invest, to take initiatives is depressed; investments diminish; the work force doesn't grow; and the unemployment remains. These are logical sequences.

The public finance system can only be described as chaotic. There has been a minister of finance sitting on the economy and the fiscal system like an old-fashioned accountant, without the slightest idea of what was happening. He was a pleasant man, but not a true minister of finance. The same can be said for many other ministers, nominated for the wrong reasons and kept in their positions for the wrong reasons.

This is where Arafat is damaging the Palestinians, by not leading them well. He's still playing the old PLO's game, putting one against the others; creating, for example, a ministry, and then immediately after creating an agency with similar responsibilities. In the fields of energy, environment, and many others, nobody has any idea who is really responsible.

To set in motion the internal affairs, to build the administration well, would give the Palestinians faith in all of their relations with Israel, and the Israelis the reassuring impression of dealing with an administration that can get results on all fronts. Many Israelis ask us how much can the Palestinians accomplish: in our responses we are as generous as possible, and, in fact, in certain fields the Palestinians are doing well; but if we had to list these sectors and those where they aren't doing so well, the second list would be much longer.

Arafat must make clear that he sees in the private sector the road to creating the majority of jobs. The Palestinian Authority needs something that can be taxed, something independent that can generate revenue. Arafat should have clarified from the beginning that he didn't have any intention of interfering in this field. The signals sent from the beginning were instead very different: 62 monopolies were created, each in some way in the hands of the government, which expected some advantages from them. The expectations were at times exorbitant. The phone monopoly was offered to a company with the condition that 51 percent of the shares remained in Palestinian hands, but without them having to invest any kind of funds or capitals. The international private sector will not invest here because there isn't an approved law on trade and they don't know in what legal situation they would put themselves. The signal sent by the Palestinian Diaspora is also very contradictory, because the Palestinian Authority wanted detailed control of all that happened or would happen in the economic field.

All the documents say that the private sector will be the main vehicle for the creation of jobs, but in reality it isn't. From the beginning, Arafat and his closest associates have tried to take control of the private sector. What the current Palestinian political leadership doesn't fully understand is that those who have capital can choose to invest it here or somewhere else, and to invest here is more risky because of the arbitrary and ill-defined nature of the relationship between the private sector and the authorities, in general, and with the fiscal authorities, in particular, with frequent interference on their part in any kind of transaction. If you own a large amount of capital in Jordan, frankly, you'll invest it in the London stock market, not here.

The main problem today is the Palestinian administration. The government politics and attitudes are crucial. A foreseeable solution to the problem can only be achieved through crises. Arafat and the circle of the people closest to him will not convert on the road to Damascus in favour of more liberal politics. What is involved here is not an Anglo-Saxon-type economic philosophy; I'm simply referring to a more European vision of the relationship between economy and authority, to a reality in which activities are controlled and regulated, and people are subjected to rules that are honestly enforced. For now, we are far from this kind of situation.

What are the working institutions and projects, and what are the prospects for improvement?

The Ministry of Health is a modest ministry that is trying to improve some situations. One of the most successful and least mentioned European projects is developed jointly with the **Ministry** of Health: we are trying to introduce some gradual changes in the population's attitude toward the size of their families. The ministry staff is specifically trained to offer advice and assistance to the population on the subject. Among the people affected by this project it's common to find fathers and mothers coming from families with ten children who have come to the conclusion that four children are more than enough for their own families. **A** demographer would certainly say that to stabilise the population this number should drop to two children, but the most difficult thing is to go from ten to four; going from four to two will be much easier. This is the kind of program that the Ministry of Health [CB12] has initiated gradually. This is a very small and, in a way, very particular success in the field of development, but it is significant and impacts people's lives.

This is also the correct approach: the introduction of gradual changes in many aspects of life and structures. **As** for the general prospects, we need to keep in mind Palestine's basic conditions, beginning with its resources. Water resources are very limited, and so are other natural mineral resources. The public infrastructure is very limited, but is slowly improving, thanks to the donors' investments. To be able to work, this economy must take the role of a trade economy: import products, add value to them, and then export them.

Some compare Palestine, Gaza in particular, to Singapore. Besides the fact that Singapore has an enchanting natural harbour, the other valuable asset is its population. They don't have big oil wells or other important minerals, nor do they have a large farming area; for this reason they need large trading capabilities. **An** international investor not willing to import and export goods for his company probably will not have a big interest in coming here. This is why the closures are very significant weapons: we must find a solution. It is possible that at times there will be closures affecting people, but the circulation of goods is not a security problem that couldn't be technically solved. There is no reason why every truck transporting goods from Gaza can't be quickly checked - there are places in the world where huge containers are checked in a few minutes - it is a technical solution. We need to create the legal circumstances that invite investors, allowing them to operate. Many have worked on this aspect since **1994**. The only problem is to establish the right priorities, and it is for this reason that I think it is so important that people focus on internal, domestic aspects.

We absolutely need to develop a qualified workforce. It is true that the general level of qualifications is fair. If we compare Palestine with other countries, parameters such as rate of school attendance, the number of universities created, and others, are clearly higher. **A** problem common to other developing countries is the gap between university graduates and unskilled workers: what's missing are the skilled workers and artisans, the technicians, the middle management. It seems, therefore, that less emphasis should be put on college education - and here the criticism is directed toward the

Europeans - being prepared to give more emphasis to job training institutions and programs, which are the basis of modern industry, with its procedures based on electronics and binary data processing. Job training is paramount.

Then there are politics that encourage foreign investments. These politics aren't adequate, because we have to be compared with other areas of the world, with other options. The investors **can** choose; they aren't forced to invest in Jerusalem; they can invest somewhere else, in southern Italy, for example, or in Wales, or in Taiwan. For this reason, Palestine must be able to offer at least **as much as** the others, and to **do** it as well as them, in all aspects. The Palestinians should offer at least the same incentives proposed by the Israelis, instead of presenting disincentives.

The investors, for their part, could act as a pressure group - this is possible, but not at the international level. The only ones that could get Arafat to listen would be the expatriated (GCZ) Palestinians. The minister of economy is very reasonable and receptive, but the problem is that the rest of the administration isn't. The administration upper echelons were trained in Eastern Europe under the Soviet regime, when they were teaching planned economy. Those that can apply direct pressure on the ministers and on Arafat, then, are probably the expatriated Palestinians. Arafat has gone from revolutionary leader to chief executive, but in this passage he hasn't been able to change his values, and therefore, a large part of **his** administration.

The only thing Arafat is trying to do is maximise revenues. There are two ways of doing this: increasing taxes, which Arafat hasn't done, or have lower taxes and a higher level of economic activity, with a global positive result on the economy and higher revenues. But they didn't think of this, because at the head of the Ministry of Finances was put an accountant with no economic perspective, who doesn't ask himself how to maximise the revenues in a certain period of (GCZ) time, who has very short-term vision and tries to obtain the highest possible revenues for the current year.

We can also ask what the government role should be in this society. The answer is that it should be relatively small. This is the most pluralistic Arab society; those who came back here are caught in a political misunderstanding on this point. Wanting to take apart this pluralism is not only a mistake, but also a very difficult task that would create enemies within the society instead of much-needed allies.

The big worry in the short term is what could happen to this society if Arafat doesn't change his values, and what will happen when Arafat is no longer there. Now we have a pretty well-organised and well-armed internal police force: it would be a tragedy if Arafat's successors were to be the police chiefs. From an economic standpoint, if this were to happen, we would need to ask if we could keep financing a police state just because it is Palestinian.

This is a more probable scenario than that of a take-over of power by Hamas. Hamas has two faces. One is the association with terrorism, which is negative and should be condemned. The other face is that of social assistance and of work performed for the people, pretty positive, but which should be seen in terms of its long-term values. These values are totalitarian, and this must be judged negatively, because this is

not a totalitarian place, and it is precisely the pluralism that represents the best guarantee against Hamas. The danger is that if Arafat decided to get rid of the pluralism, it would create a bipolar system where the choice would be between Arafat and Hamas.

what choice is the Palestinian economy facing: integration or separation from the Israeli economy?

When we talk of economic integration, we mean the integration of Palestine into the Israeli economy. This perception is wrong. Israel must open more to the world economy. The Israeli economy is protected and very inefficient, with high costs, especially in larger sectors, and others that work well, like the technology sector. Many economic reforms should be undertaken in Israel. Israel should arrive at the level of liberalisation that the rest of the world is achieving. This is also true for the Arab world, which has an autarchic concept of the economy. Integration is therefore a problem for the entire region, which must be integrated into the world economy in general, not only for what concerns the relationship between Israelis and Palestinians.

We haven't done much in this direction. For the Mediterranean policy there are the **MEDA** agreements, but they certainly aren't enough. For example, we are making life very difficult for two societies, the Egyptian and the Jordanian, which decided to jointly manufacture products and sell them to the European Union. We, therefore, not only the Israelis, must undertake some reforms. But in the long run, the economic integration is with the world, not that of Israel with Jordan or of both with the European Union. We need to have more open relationships with all these countries, eliminating non-tariff barriers, reducing them, changing the taxation system, which wasn't essentially based on an economy built toward foreign trade. It is a structural adaptation process that has been proceeding very slowly for a long time; it must proceed more rapidly and deeply.

The problem of separation or integration, therefore, should not be seen in Israeli-Palestinian terms, but in much more general terms.

The lack of progress in the political field is jeopardising Israel's ability to integrate itself into the region, but not the region's ability to integrate itself with the world, or more specifically, with Europe, or even within itself. The upper echelons of the Palestinian Ministry of Economy and Trade tell of having had undoubtedly bad experiences with the Israelis, but **also** of going to Tunisia, Morocco, Cairo, trying to start a debate on the liberalisation of bilateral trade within the Arab world, without obtaining anything.

These are political and trade aspects independent from the peace process. Why can't Tunisia and Morocco trade more freely with Palestine; why does Palestine have trade problems with Egypt? Many problems concerning products exiting Gaza are problems with the Egyptians, not with the Israelis. We need to examine the entire context. From this standpoint, the Palestinians too made a mistake at the time of the Economic Conference in Casablanca, and then of that in Amman. They had a particular point of view on the nature of their relationship with their neighbours. They maintained

that they first needed to solve their internal problems before dealing with their neighbours. This is the wrong approach, because being involved at the regional level is a way to solve the problems at home.

What can Europe do?

There is undoubtedly a difference between what Europe can do economically and what it can do politically. There are many reasons for this. The peace process here and the one in Bosnia are the first two pieces of foreign politics that Europe is trying to put together collectively. This is essentially a consequence of the Maastricht Treaty. Perhaps we should be amazed by how much has been accomplished, rather than by how little. Historically, there have been various diplomatic services, specifically articulated in this part of the world in particular, with distinct interests. Until a short time ago, France and Great Britain had here very relevant responsibilities. To expect that all of this can suddenly end and that suddenly a common perception will be born is to challenge the logic of things. The European Commission doesn't have a real and effective diplomatic service. In Italy, in Great Britain, for example, within the diplomatic services are Arabists and linguists specialised in the Arabic language, who sometimes spend two-thirds of their career working in the country of their specialisation, or on-site, or in their own capital city. The European Commission has nothing similar. By chance we had as delegation chief a Belgian diplomat who had served in the region, but this was pretty strange. If we look at the chiefs of other regional delegations, not one has diplomatic experience, and many are very talented managers, but within a non-existent system. This is also true of those who deal with development programs. The European Commission doesn't provide adequate training for its staff in these areas. If we compare the European embassies in the Middle East to the European Union delegations, we can see that the best systems, the best qualifications, the people with the best abilities are in the member states' delegations, not in the Commission's delegation. And we are paying the price for this. There are precise effects on the European Commission's economic politics and on the perception of what can be gained. **As** a result, the Commission has a tendency to promote social and humanitarian aspects and to undervalue those of long-term development with regard to the creation of prosperity, to the creation of internal revenues, which would put the local people in a position of making their own choices. In terms of economic politics, these shortcomings and the consequent results lead to a situation in which we can only imagine bilateral, not diagonal and regional, relationships.

*What is the perception of Europe **and** of its role on the part of Israelis and Palestinians?*

When the Israelis discovered that I had worked in Brussels on the Israeli-Palestinian conflict and on its economic dimension, they sent somebody to ask me a whole series of questions about the nature of my activities. They probably thought, "Here's an Englishman, an ex-Foreign Office employee, therefore pro-Arab, and therefore against **us**." My answer to them was totally personal. I suggested that the only way to make progress in the peace process and in the regional economy is to be

reciprocally very open and not to hide anything. I think that, since then, the Israelis **have** dropped this idea of me being so full of prejudice and have started to listen to **what I** have to say.

The Israelis have many fears, but they must face them. I can understand how many of them come from families whose experiences in Europe have been frightful, horrible, devastating, among the worst things that ever happened in the world, and that for this reason they have good reasons not to **trust** Europe very much, but it is up to them to grow in their relationships with **us**. Europe acts very clearly on these points.

If we compare the data of Europe's involvement with the Palestinians with those of its involvement with the Israelis, we can see that the latter data are huge compared with the first. Just look at trade relations: Europe is Israel's biggest trade partner. Just looking at the European investments in Israel and to the Israeli investments in Europe, the orders of magnitude are completely different. Europe exports to more than it imports from Israel, but Israel seems to think that, by a strange and perverse logic, this is to their disadvantage; but Europe is their best market and presumably the best they could have. Israel must start to think in a much more subtle way. Let's examine, for example, the trade imbalance. Israel can import more from Europe than it can export because it receives a constant mass of foreign capitals from the United States. You must have the money to be able to spend it, and the Israelis spend in Europe. We can assume they do it because in Europe they get better conditions than in America or in Japan. To think that they do it because they are forced or that for them it is a disadvantage is a completely wrong reading of the situation, a misleading mistake to which the Israelis continue to return.

Is the peace process irreversible?

The peace process is not irreversible and its reversibility is unfortunately very dangerous, with a high price of mourning and pain; but Israel is capable of adopting this kind of line, which would mean for them re-entering all of Area **A** and Gaza.

The process could reverse if the Palestinians' disillusionment toward their administration became very serious. We could witness a collapse of public order, not with a full-fledged civil war, but with unrest. We must acknowledge that the police force is not widely loved and even less respected, and that the more the public administration level is deplorable, the more the police behaves arbitrarily, with lesser and lesser respect for civil rights.

This could bring back the initial scenario, where the Israelis, witnessing the collapse of public order in the West **Bank** and in Gaza, could decide to go back. This could happen for any other reason, but also as a consequence of terrorist acts.

Reversibility is therefore a real possibility. It is impossible to imagine, however, a collapse of the public order, with American or European troops in Gaza and the West Bank in place of the Israeli forces.

International organisations: UNSCO (United Nations Special Co-ordinator in the Occupied Territories)

*A conversation with Salem Ajluni**

**Director of the Economic and Social Monitoring Unit, UNSCO, Gaza*

What has been the meaning of the peace process from Gaza's point of view?

The Palestinian impression is that there is much more process than peace, in the sense that the majority of people haven't seen tangible benefits. In Gaza this is much more noticeable; in Gaza people live in an open prison. Electrical barriers with only two exits, one toward Egypt and the other toward Israel, surround the entire Gaza Strip. The passage to Israel is called Erez, but to get through you need first of all a permit, and then a reason accepted by the Israelis. Here I refer even to transit toward other areas under the Palestinian Authority or East Jerusalem. Therefore, there is a feeling of claustrophobia among the population living in Gaza. People who five years ago could enter Israel relatively freely can no longer do it today.

For a few months, when peace was in the air, a certain euphoria could be felt in Gaza. This euphoria is now gone, although the majority of Palestinians, according to polls, continue to favour the peace process.

People are asking what can be gained from this peace. People are now confined in a **360** square kilometres area, 40 percent of which is still occupied by Israel - a pretty small area that gives the feeling of smaller horizons. The horizons, the possibilities, the potential for collective or individual progress are narrow. People therefore feel geographically, economically, personally, and socially limited.

All this is obviously due to the territory closures, initially applied pretty rudimentarily in **Gaza**, in 1991; then reintroduced in Gaza, in the West **Bank**; and finally separating Jerusalem from the rest of the West **Bank** in 1993. Gaza's residents have been living in this kind of situation for seven years; it is nothing new.

Whatever the tangible benefits brought by the peace process and the formation of Palestinian institutions (still a very important fact), it would seem that these benefits are, in the regular people's perception, overwhelmed by the negative effects of closures and economic deterioration.

What is the UNSCO's particular role?

The role of the UNSCO's Economic and Social Monitoring Unit is that of regularly compiling reports on the economic and social situation in the West Bank and Gaza Strip. There has been a lack of information, data, and analysis on what exactly is happening in the Gaza Strip and the West Bank in economic and social terms. With these reports, we try to fill the voids so that the donor countries, the UN's agencies, the Palestinian Authority itself, and the international community can be aware of what the conditions are in those areas.

We work with many Palestinian agencies and we have a very good relationship with them. The Palestinians turn to the UN to obtain international legitimisation - in the sense that the UN resolutions guarantee the Palestinian people the right to self-determination and to a Palestinian State, considering us, therefore, as supporters of their aspirations - and to our agency in particular because they see us as a source of information and analysis, an instrument that helps them better understand what's happening. There is, therefore, a very positive co-operation between our agency and the Palestinian Authority.

Since mid-1993, more than 2 million dollars have been spent in the West Bank and Gaza. Donations come for the most part from European Union countries, North America, and Japan, but the conditions have deteriorated. Therefore, while these donor countries have put in approximately half a billion dollars per year, corresponding to about one-eighth of the West Bank and Gaza's GDP, this aid hasn't been enough to avoid the general decline in the standard of living and income that we have documented in the past two years.

Some of our data show how the size of the West Bank and Gaza Strip's economy has diminished by one-fifth during this period, and the GNP diminished by 20 percent between 1993 and 1997. Looking at these data on a per capita basis, the reduction has been about one-third, which means that the average annual income in the West Bank and Gaza Strip dropped to approximately \$1,500-1,600 in the same period of time. There is a difference between the West Bank and Gaza; in the West Bank the average income is about \$1,700, and in the Gaza Strip it's about \$1,100.

What is your system of data collection and processing?

The national accounts, GDP, and GNP data we collect from our colleagues at the World Bank, who have done some preliminary estimates on them. The Palestinian Authority and the PCBS (the Palestinian Central Bureau of Statistics) until today have published only the national accounts for 1994 and are preparing those for 1995 and 1996; when these are published, we'll use them, because they are real accounts, based on research work in the field, while those of the World Bank and of the International Monetary Fund are estimates based on economic models, which, for their part, are based on so many hypotheses and unknowns that they can't be as accurate as the PCBs's. The PCBs's work is high level and meets international standards; their methodologies are

clear and verifiable. In the future, we'll base ourselves more and more on the PCBs's numbers, and I think that the World Bank and the IMF will do the same.

*Did, then, the Palestinians develop autonomous government abilities in the fields of **national budget** and **of planning**?*

Once it was the foreigners, mostly the Israelis, who collected data in the West Bank and in the Gaza Strip, while now we see the development of Palestinian institutions, which is a positive aspect of the peace process. The PCBS is a good example, and so is the Ministry of Planning and International Co-operation. The Palestinians are building their capabilities of self-government. The Palestinian Authority has presented a development plan for the next three years, the PDP (Palestinian Development Plan), which expresses the Palestinian Authority's interests and intentions regarding the economic and social development of the West Bank and the Gaza Strip. This document's compilation has required a great deal of co-operation and interaction among all of the Palestinian agencies to reach a joint formulation. This is the first time such a document has been drafted and it is a milestone for the Palestinian Authority in building their own institutional and government capabilities.

The speed with which these institutions can consolidate depends in large part on the progress of the peace process. Clearly, the closure system, which has separated the West Bank from the Gaza Strip, has created an enormous obstacle to the development of Palestinian institutions, if for no other reason than because it has forced them to act inefficiently, duplicating offices and activities for the West Bank and for Gaza. In other words, you're likely to have a ministerial office in Gaza and one in the West Bank instead of a single one with a regional office. Even the leadership's training has been difficult, because even the training courses have been duplicated.

Non-peace is not only about closures and separation, because this policy has been in existence since before Oslo; it was formally instituted at the beginning of 1993. The Declaration of Principles was signed in September 1993, and therefore, closures and separation preceded Oslo and Netanyahu.

In general, the economic condition's decline has also contributed to the Palestinian Authority's difficulties in developing its own institutions, because the revenues - those coming from the income tax and those connected to foreign trade - have decreased. Currently, the majority of the Palestinian Authority's revenues come from foreign trade, from custom duties, and from VAT (Value Added Tax). In this, Palestine depends on Israel; the same goes for imports. In the long run, though, the Palestinian Authority's ability to develop its own source of revenue based on domestic economic progress is limited by the fact that economic growth itself is very small. Therefore, the inability of the government to finance in capital account its expenses, financed until today by donor countries, and to develop its own institutions, limits the development of the Palestinian Authority itself. With some progress in the peace process, which would mean free access to foreign markets for Palestinian companies and individuals, for both import and export, and freedom for people to circulate, resources could be used much more efficiently and there would be less government

waste. The waste, currently due to the duplication of efforts in the West **Bank** and Gaza Strip, could be avoided and the savings thus achieved could instead be used for capital investments; to build schools and hospitals; to improve roads, the sewer system, the electrical system, the water system; and to build the public infrastructure that has been missing here for **30** years because of the Israeli occupation. The Israelis, for most of the Eighties and up until their retreat from some areas of the West Bank and Gaza Strip, have gained more revenues from the territories than they spent in public infrastructures. This has created almost unfillable setbacks. In **this** period of time, the population has doubled, but the infrastructures haven't been proportionally adjusted. Covering these deficiencies will be extremely expensive; huge differences can be found in roads, telecommunications, schools-in all public and private infrastructures.

Non-peace therefore precludes the creation of resources that the government would need to make **up** for these setbacks, because in an economy under siege, the revenue too is under siege, **so** the resources are limited. In economic terms, huge opportunity costs are created.

What could the prospects be for the Palestinian economy's improvement in this situation of instability?

There is room for improvement in the Palestinians' standards of living: this is one of the benefits of the peace process. There is room for them to develop their institutions, particularly the administrative system and the rules through which they will govern themselves. It is the development of a state subject to the rule of law, of a strong and independent judicial system, the development of democratic institutions such as the Palestinian Legislative Council, the development of a police force respectful of human rights. All of these things are developed with the assistance of the UN and the donor countries.

As for the role of the private sector, the Palestinian economy is privatised as much as an economy, in general, can be, in the sense that five years ago a public sector almost didn't exist - the public sector was the Israeli military authority, which employed 22,000 Palestinians in the institutions, in the health sector, and in the municipal administrations. It can't be said that with 22,000 employees the Israelis had the Palestinian interests at heart in their politics in the West **Bank** and the Gaza Strip. The list of examples showing the Israelis' scarce interest for Palestinian welfare is unending. **A** clear example is the confiscation of resources.

The economy is, for the most part, in private hands. The economic establishment is completely private. Public committees have been established to regulate and watch, such as the Ministry of Post and Telecommunication, which has already privatised the telecommunications system. **A** private Palestinian company, Paltel, now has a 10-year private monopoly for telephone services. Paltel is the new intermediary between the users and the Israeli phone company Bezeq, but is not developing its **own** private telephone service. The economy has been therefore privatised. The development plan includes new sectors, such as production of electrical power. But the fact that the economy is in private hands doesn't mean that it will immediately give good results.

Particularly in Gaza, because of the closure system, the Palestinian Authority has shown a tendency to allow monopolistic practices, but they are private, not public, monopolies. In other words, maybe one or two people or companies buy concrete from the Israeli monopoly, with the silent understanding that the concrete only be sold to these companies, which then can impose their own prices in Gaza. I can't say for sure if these companies have ties with the Palestinian Authority or not.

What is the influence of the peace process on international assistance?

In 1996, during the strict territory closures, donors spent more than they did in 1997, when the number of closures was smaller. The reason is that the need for assistance was high; the total closures imposed by the Israelis had caused a very difficult situation, particularly in **Gaza**, but also in the West **Bank**. Therefore, more conspicuous and immediate assistance was needed to help the Palestinian Authority counter the closures' negative effects. The slow expense rate in 1997 could be due to the fact that the donors decided to slow down the rhythm of their interventions after the 1996 acceleration, despite the fact that the expense level that year was below the amount to which they had committed.

Another reason for the donors' diminished expenditures in 1997 could be the impression of a lack of transparency on the part of the Palestinian Authority regarding the use of funds. I don't think there have been big cases of corruption in the use of donors' funds, because this use is checked twice, sometimes even three times. In Italy's case, for example, there are some funds for projects through the Palestinian Ministry of Housing in the West **Bank** and in the Gaza Strip, and there will be several control levels: one by the Palestinian ministry, one by the Italian Foreign Ministry, and there will be a third if a UN agency assumes the role of intermediary for the project's implementation.

Widespread corruption is therefore improbable, but, if in 1997 the donors had a feeling of lack of transparency, this could explain the reduced aid in 1997 compared with 1996.

The obstacles imposed by the Israelis to the free circulation of people and freight between the West **Bank** and the Gaza Strip imply added costs for the donors, because they make the fund distribution more expensive. Transportation expenses are higher, and so are storage expenses; for example, in the Israeli ports, when there are delays and difficulties in loading and unloading freight, the issuing of transportation permits to the Gaza Strip **or** West **Bank** also becomes more difficult and takes longer.

Private foreign investments have been very few. Foreign banks - mostly Jordanian, but also Egyptian - have probably made the biggest private investments. Currently, about 20 foreign banks operate in the West **Bank** and Gaza Strip, while in 1993, there were only two, and they had been open for four or five years. Only in Gaza, there was the **Bank** of Palestine, whose reopening the Israelis had authorised in 1981.

Besides these, there are very few private foreign investments to speak of. The private domestic investments in the past 30 years have been mostly focused in the housing construction sector to face the rapid population growth; this is about **80 to 90** percent of private investments in the West Bank and Gaza Strip. The income of people working in Israel or in the Gulf countries was relatively high, and these people used it mostly to build residential units. In the agriculture and manufacturing sectors - two strategic economic sectors - the investments have been relatively stagnant or have decreased in the past four years for the same reasons mentioned above, territory closures and income drop. This could **also** be due to the lack of hope in the peace process, although we should keep in mind that Palestinian entrepreneurs are tougher, more determined, more used to taking on **risks**. Thirty years of occupation means that the people have lived in uncertainty and in danger for **a** long time; the Palestinian entrepreneurs have accepted the high level of risk and have invested in spite of that. This doesn't mean that private investments are a good thing: the investments have been mostly in the trade and services sectors. These sectors are larger than the manufacturing one, because they are the ones with fewer risks. The average size of these businesses in the West Bank and Gaza Strip is around \$10,000. There are, therefore, very few reproducing investments creating long-term employment.

Separation or integration with Israel and with the rest of the region?

In the past 30 years, there has been a real integration with the Israeli economy. The Palestinians have different opinions about this integration being positive or negative, and what would be the desirable or necessary degree of this integration. Today, probably 60,000-70,000 Palestinians work in Israel, **90** percent of Palestinian imports come from Israel, and **80 to 90** percent of Palestinian exports are toward Israel: these are facts, positive, negative, or neutral is a matter of opinion. What we hear more and more from the Palestinian Authority is that this degree of integration is unhealthy. From an economic standpoint, this statement seems reasonable. The fact of having Israel, whose economy is **20** times larger, more dynamic and sophisticated, as an almost exclusive business partner makes it so that the Israeli businesses get the biggest advantages - without mentioning the political and military structure controlling the occupied territories, with even more advantages for the Israelis. If, for example, the Palestinians could import food and household goods from Jordan and Egypt instead of from Israel, their buying power would increase, because Jordanian and Egyptian prices are much lower than the Israelis' are; Israeli prices and salaries are high. In the presence of free trade, it wouldn't make sense for the Palestinians to be forced to buy Israeli products; but at this point in time, the Palestinian market is prisoner of Israeli businesses.

We should, furthermore, specify that the separation politics have taken hold only since the suicide attacks, not since the violent revolts. The Intifada progressed for more than four years before the politics of closures and separation were imposed.

Separation has an economic dimension, but its effects are social and political too, in the ever-diminishing interaction between Palestinians and Israelis. People can't physically get together, making it harder to perceive that these two peoples have a

common destiny on the same land and compromising a really peaceful resolution of the conflict.

This situation also has consequences on peace in the region. The peace treaty between Egypt and Israel **has** been in place since 1979 - **19 years** - but there is very little integration between the two countries, mostly due to the Egyptian perception that interactions with the Israelis should be kept to a minimum, given the unresolved Palestinian issue. Almost the same **can** be said for Jordan.

What are the direct effects on the population of the absence of progress in the peace process?

Because of the non-progress of the peace process, the Palestinian Authority's resources are diverted toward non-productive uses, or toward duplicate efforts; this is also true for the education and public health sectors.

The population's health is strictly correlated to the level of unemployment. The number of heart attacks, of suicides, criminality, the number of divorces all increase when the unemployment rises. The unemployment level in the Palestinian territories is almost three times higher than the unemployment rate during the Intifada, which wasn't a politically and socially stable period. This has caused the appearance, for the first time in 30 years, of the child labour emergency on the streets of Gaza; for the first time, we're seeing children selling chewing **gum**, Kleenex, etc. on the street. The informal systems of social solidarity have been weakened by the drop in income. Data published in 1996 show that the phenomenon of child labour already existed in the West **Bank**, where children help in farming jobs, but in the Gaza Strip, the majority of people don't have land, they are refugees; there, the phenomenon of child labour was completely unknown. This phenomenon is becoming standard, constituting a real social change.

Some people maintain that the Israelis had committed to the letter of the Oslo Agreement, while the Palestinians had hoped that their commitment would be to the spirit of it. Probably the hopes were too high, keeping in mind what the Agreement said. The hopes, particularly after the Intifada and the Gulf War, were also due to what politicians from both sides had said. Perhaps the Israelis are still willing to apply the Agreement and even to go further; at least this is what I've seen in some opinion polls, and it **is** clearly also true for the Palestinian side.

There is, therefore, a base in both parties' public opinion that realistically hopes that something better can come out of the Agreements in the future.

What are the possible scenarios?

It is hard to believe that the Israelis could reoccupy Area **A**, the urban areas, and the Gaza Strip: it wouldn't be in their interest. In this sense, there is therefore a certain dynamic that allows the Palestinian economy to develop and consolidate. Whatever

happens, the Palestinian Authority has certain governmental powers in Palestine, meaning in the West **Bank** and Gaza Strip. **This** is, therefore, an irreversible reality.

From a businessman's standpoint, it is certainly important to know the rules of the game before committing to investments. Until the Palestinian Authority has completely revised and established a legal system, a regulatory plan, and a government system clearly defining the citizens' rights and obligations, there will obviously be uncertainty, and not only for business people. It is necessary to define the citizens' human and civil rights, and for this a Constitution must be passed. The Palestinian Legislative Council has formulated a Constitution and I think the President is considering it.

The most damaging effect of the politics of separation and closures is that Israelis and Palestinians don't physically interact anymore as they did before; they live in separate places. This means that those elements on both sides who have an interest in making the other a pure stereotype-describing the Palestinians as people with no dignity, or describing the Israelis as monsters-have more room to do it. In the past, Israelis and Palestinians interacted physically. They could see that the others were not monsters, that they were people like everybody else, which probably is the foundation for a form of pacific cohabitation.

As much as the separation is preventing it, what emerges is that each sees the other as a stranger, dangerous and from whom they must stay away. If the current situation were to persist, this would probably be the highest price of the politics of separation and closures.

International organisations: Italian Co-operation for Development - Health Sector

*A conversation with Marzio Babilie**

**Public Health Co-ordinator, Italian Co-operation for Development, Jerusalem*

What is the work done by the Italian co-operation?

The Italian co-operation has been present in Palestine since the Seventies and Eighties, with a mostly, if not completely, humanitarian focus. During the Intifada, for example, the public health sector mobilised Italian humanitarian resources, which joined the Palestinian resources at the level of direct medical assistance: physicians to employ in medical structures, mostly hospitals; and others working in the field, generally the result of bilateral twin programs between non-governmental health organisations. During this long period of time, the intervention has been rather scattered, very fragmented, and mostly centred in the West **Bank**, because of its easier accessibility. Donors tend in general to invest funds and resources in sectors where geographic accessibility is guaranteed; this problem is still there today, and not only for the Italian co-operation. Regarding the health sector, but not only that, the whole donor community is off balance toward the West **Bank** compared with the initiatives undertaken in Gaza.

Regarding non health-related sectors, considerable development has occurred in agriculture and legal assistance to Palestinian farmers in land expropriation cases, active for a while, with small initiatives and few resources. Education is very important, with support for school infrastructures, for development of primary grades curricula, and a strong support for teaching materials developed in the past few years through a very fruitful relationship with UNESCO on a multilateral channel.

As for the most recent development, since 1993 and the Oslo Agreements, several initiatives at different levels have been undertaken, from the promotion of local Chambers of Commerce and involvement of non-governmental organisations, **up** to significant bilateral commitments supporting the Ministry of Planning.

In short, we can say that the traditional sectors in which the Italian co-operation provided by the Foreign Ministry's Central Office has operated are: first, humanitarian aid, particularly in the socio-sanitary sector; second, public education; and finally, environmental health, with a series of initiatives for the improvement of water resource use, including the distribution of clean water to the population, particularly in Gaza, and the draining of wastewater. There are other initiatives supporting the socio-productive, agricultural, small or very small family business, and commercial exchange sectors;

other initiatives are geared toward the protection of small trade; and some others, extended in time, for the emancipation of women.

Initiatives for small and middle-sized businesses are about to be undertaken multilaterally with the **ILO**. This isn't a financial scale: these are the most important areas of the Italian intervention, with both governmental and non-governmental co-operation, taking advantage of two separate financing channels. The multilateral channel provides for Italian aid transmitted through international agencies and implemented by third parties or, sometimes, by the international agencies themselves; the second, bilateral channel calls for directly implemented initiatives.

After the mission of Under-secretary Serri in May 1997, 70 million dollars at extremely favourable interest rates were allocated to the Palestinian Ministry of Planning for the implementation of relevant initiatives.

We must remember that during the peace process, particularly after the Oslo Agreements, the role of public health leader for the refugees was assigned to Italy. This has allowed Italy, with the co-operation of the *two* sides and strong support from Russia and the United States, under whose auspices the entire process is taking place, to present itself locally and internationally as a reference point for the co-ordination of international aid in the public health sector. This role has been expressed in a series of initiatives, in Italy and in Palestine, for the improvement and homogenisation of the aid distribution sectors in order to decrease overlaps and strengthen the health institution and the Palestinian health authority, the Ministry of Health, which was formally established in August **1995**.

what is, among the population, the perception of the peace process and the role of co-operation?

Traditionally, the co-operation of the Italian Foreign Ministry has been implemented in supporting health services provided by the Palestinian Authority and other organisations or associations connected with it, or private, charitable, and non-governmental institutions. We are committed to supporting the consolidation of the Palestinian health authority, the Ministry of Health; to helping the rationalisation of health care development politics; to preparing, as it has unfortunately been necessary, a response to humanitarian emergency situations in the West Bank and Gaza; to improving the quality of response and the supply of services at both the hospital and territorial levels; to homogenising programs and projects conceived and implemented by international agencies such as **UNICEF**, for example, or the World Food Program (WFP) within the Palestinian national health plan; and to improving - a very timely issue - its strategic contents in the face of several important issues that the Ministry of Health has had to face in its two-and-a-half years of existence. I would like to emphasise particularly the availability we have provided - which remains a priority in the public-health leadership's agenda - to promote human resources development through indications and training initiatives, with methodologies ranging from "permanent education" to the trainers' training, in order to make the Palestinian Ministry

of Health ever more competent to face the challenge of implementing an effective health system at a contained cost.

Another challenge, also very important within the health systems, is the coexistence of public and private health care. This aspect of overhauling a health system has been tackled in different ways in the United States and in Europe, but it represents a pivotal and delicate aspect of the development of health systems in Palestine, given the time of epidemiological transition in the territories and in the regional **areas**. The Palestinian context, in fact, is characterised by health indicators very close to those of countries such as Greece, Turkey, and Tunisia, which can't be considered extremely poor countries. We therefore hope that through rational planning and an update of the necessary human resources, the Palestinian Authority can become less dependent on international aid, if nothing else than for planning and system management issues. Obviously, the infrastructural problems on which big donors like the World Bank, and particularly, Japan, are beginning to work, remain open: rebuilding some hospitals certainly needs to be done, not to mention the rehabilitation and modernisation of other structures - necessary operations, which shouldn't nevertheless, in our opinion, prevail in the Palestinian health system's program and priorities, given the underlying sustainability issues.

How are the relationships with the international interlocutors?

The choice of a stable institutional interlocutor is important for several reasons:

1) For a joint verification of potential successes or failures, and of limits imposed by a national health-care plan that was the first one, and therefore, necessarily vague - perhaps too ambitious or too big.

2) The current Palestinian interlocutor, contrary to what some donors say, seems to be much more credible, in general, than a fragmented interlocutor such as many non-government organisations (NGOs). The Ministry of Health has begun, particularly in the past two years, a progressive series of exchanges, interactions, and operational integrations with the agencies that provide non-public services; for example, with the NGOs that own this country's hospitals and important chains of primary and secondary health services. On this basis, the Ministry, with some success, has tried to find common ground for staples planning, somewhat achieving its goals. Given the multiple providers, development plans, objectives, and interests of several implementing agencies, the Ministry of Health -a new ministry, with a sizeable deficit on its shoulders that doesn't seem on its way to being quickly made up - has tried, with its own forces and, perhaps even unknowingly, from a technical standpoint, to take a few settling steps. Before a certain pressure was put on it by the World Bank, the Ministry of Health had already taken some steps toward supplying modern and effective services. It is therefore very positive to have faced an interlocutor who, among numerous problems, not the least of which are political and financial ones, has been able to strategically foresee the relevance of standardising the distribution of services: posing not only the supply, but also the general discipline as a goal, assuming, therefore, a regulatory role for services, which is, after all, what any modern Ministry of Health should set for itself. On the other side of the scale, weigh the strong conditionings of donors who want to see this path implemented, but who pursue their separate interests anyway. Secondarily,

consider an extremely difficult communication with the Israelis, directly tied to the political situation, despite the fact that health-care co-ordination has often successfully taken a common path, putting Palestinian and Israeli institutional health-care personnel side by side with excellent results. The quick containment, for example, of the meningitis epidemic in Gaza at the end of 1997, where the joint concurrence of people, processes, and correct technical and technologic approaches, allowed the Palestinians to quickly set up and implement a sufficiently effective health watch, and the Israelis to make available the technology to pinpoint the etiological agent. These two factors basically consolidated the technical co-operation relationship, which we believe should continue to steadily exist and to be strengthened above and beyond political contingencies. Technicians must keep communication open, as has been the case, albeit among great difficulties during times of strict closures or in moments when security was the first priority. There **is** goodwill, probably on both sides, but someone needs to make this path easier from a political standpoint.

Do the Palestinians have a concrete chance to make progress in building their society under current conditions?

The progress margin is minimal. Let's begin with the contingent problems that still remain: the restriction of health-care personnel's physical mobility, to give a glaring example, which hasn't been eliminated despite many initiatives, including some from Italy, in moments of highest tension. Often the hospitals can't be reached by the people who work there, with an indirect impact on the service supply: among these, the Al Maqassed Hospital in Jerusalem, whose personnel has decreased by almost 70 percent during the closures. The same can be said about the transit of medicines. The distribution chain, which from the centre, Ramallah or Gaza, should lead to a regular and orderly distribution of medicines to hospitals and primary health-care services, can't work as it should under these conditions. These central points haven't been resolved and keep coming back every time a security issue arises. Then there is an even more serious aspect: with the territory closures, frequently the passage of ambulances is blocked, directly causing high costs in human lives (I'm not referring (GCZ) to the probably inappropriate and political use of these data by the Palestinians). But we should remember that there has been and still is a huge separation between the technical level of institutional co-operation initiatives started by the Palestinian and the Israeli Ministry of Health - or other co-operation initiatives implemented and undertaken at a non-governmental level between very progressive Israeli institutions and the Palestinian NGOs-and the military and security level. The first level has always found an insurmountable lack of understanding by the second. The fact that the inaccessibility to health-care structures created by the closures is proportional to increased security has never been proved. Nor has it been proved that the delay or holding of ambulances at checkpoints has benefited Israeli interests and security. These situations should be considered at a higher level than that of promoting or requesting a higher co-operation effort at a technical level: here there already is co-operation, but it clearly isn't endorsed at a higher level.

The Palestinians, as personally confirmed by the Minister of Health, are open to different forms of co-operation with Israel, some of which are already happening, such

as personnel training through the Ychilov Hospital in Tel Aviv, the Hebrew University School of Medicine in Jerusalem at Hadassah Hospital, and the University of Beer Sheva Medical Centre. However, it is completely unthinkable that this kind of joint effort can bring an improvement of relationships at the technical level if the Palestinian personnel can't get through; if the Palestinians who participate in a joint training program-underwritten and agreed upon by the Israelis are stopped at a checkpoint and sent back. Therefore, the separation - pointed out by the Israelis too - between the proponents of these initiatives and those at the decision level, who don't allow its realisation, is big.

If there is co-operation, Palestinians want it to be complete. It is unthinkable that in the past two years, every time closures have been imposed, ambulances have been stopped and technical personnel have been sent home. It isn't our place to advance operative proposals to solve the problem; we are not qualified: but the fact is that co-operation within the peace process doesn't permeate the international meetings because, as I said many times, things can't happen unless different people with different decision-making authority receive institutional approval to contextually implement something. This authorisation and approval can't be put up for discussion every step of the way. If there is co-operation among the health-care sectors, it should be guaranteed even when the mobility of the people and the distribution of transit permits is restricted, unless there are real security reasons.

what is the current relationship between the Palestinian and the Israeli health-care systems?

The Palestinian health-care system is performing, almost at the best of its abilities, a series of functions inherited after the transfer of authority. In recent years and in a constant way, it has sent patients abroad, meaning mostly to Israel and neighbouring countries. Egypt and Jordan absorbs 12 to 15 percent of the public health annual budget. Trying to reabsorb this expense percentage at the planning level by improving the structure and quality of the health-care system's response to patients who need sophisticated care, requires a close co-operation between the two sides. For example, at the cost level, Palestinian patients admitted to Israeli hospitals are treated differently from Israeli patients. In some situations, the Palestinian Authority hasn't been able to guarantee Israel a prompt payment of all expenses related to these patients.

There **is**, therefore, some sort of co-operation for some population segments, but a forced co-operation, because nobody seems to be enthusiastic about it. Israel, however, offers today a level of technology that Palestine can't expect to achieve for another five years or more. It may not be possible to revert the pessimism that, in 1997, led technical and non-technical people on both sides to increase the gap, because of the progressive separation between the two systems, the two peoples, the two economies, the two levels of development. This is a strong fear. The Palestinian health-care system is forced to ask the Israeli system for co-operation, but would rather not do it, and the same is true of the Israeli side, which is not too thrilled to have to train Palestinian personnel or provide services usually reserved for Israeli citizens.

The Israelis' provision of health care to Palestinians works on the basis of health insurance. Obviously, a Palestinian from Jerusalem with an Israeli ID card and with official residence in Jerusalem, and with health insurance - which they usually have - can take advantage of Israeli structures; this isn't true for those not residing in Jerusalem. There is, however, a judicial act that disciplines the ability of Israeli structures to accept paying, non-Israeli citizens, meaning Palestinians. In the same act, the Palestinian Ministry of Health **must** cover the hospital costs in cases where there is a need but there is no insurance coverage, not mandatory in Palestine while it is in Israel. How much of this coverage is really legitimate and how much can be subject to manipulation by either side for opposite interests is hard to know. During 1997, there was certainly a lot of friction between the two sides precisely regarding the amount and the repayment, more or less prompt, of this financial expense: the Palestinian side was considering the expense illegitimate, while the Israelis considered it not only legitimate, but also due. These regulations are tied to the peace agreements.

For what concerns the public health, between Israelis and Palestinians there are two channels: the institutional channel, constricted by many ties, and an informal one. In the informal channel are areas, sectors, and components, which can find ways to keep up the dialogue. We watch and support with strong interest the initiatives of the second channel, because they are the only ones that in the past year have kept alive a technical dialogue - a co-operation in which public health or the distribution of health-care services is a requirement for a technical co-operation, which can't follow the rhythms and times of a peace process conditioned by too many political variables. The two health-care systems are different, with a very different degree of development, but this doesn't preclude the possibility of major meeting points, of major co-operative efforts with regard to training, research, and control of infectious diseases. None of the infectious diseases known today knows boundaries. If, like what happened in 1995, a poliomyelitis epidemic were to spread, it wouldn't recognise the virtual border between Israel and Palestine, and surely, as has happened in the past, it would hit both sides. Not only must there be "forced" co-operation channels in place, these channels need to have resources, even from donors, at their disposal, inverting the logic of "aid in favour of the Palestinians" or "aid in support of Israeli institutions" through a joint gift for underwritten initiatives. For example, an information system for the health watch on infectious diseases is an extremely important thing, affecting Palestinians and Israelis equally.

Another example is that of "essential medicine" politics: the politics concerning the study, evaluation, and quality control of medicine production, not to mention that of the production, sales, distribution, and control procedures.

Specifically regarding medicines, the Palestinians use Israeli products 90 percent of the time. The Palestinians' production is limited to a few essential pharmacological components; the relationship is therefore necessary. Through a series of broad initiatives of high technical profile, it would be possible to achieve a co-operation that would also necessarily become an economic co-operation. When the Palestinian Authority has to produce its own medicines and increase its investments in this sector-reducing for economic reasons the total medicine imports from other countries-a

commercial and sectorial co-operation on this component could be beneficial for both sides.

The same is true for electro-medical equipment, largely imported by both countries, which could become the focus of a joint interest for both sides, using the technological potential of the one and the human potential of the other in order to standardise methodologies and procedures.

And then there is the problem of medical training. Palestinian medical students still study in Europe, in the United States, some even in Russia. The European training is very different from the American, even though they are both very good. The problem of the existence of a professional leadership that can't be standardised will be repeated until there is a local restructuring of the entire sector.

Is the answer separation or integration between the Israeli and the Palestinian reality?

It is important to distinguish between the ideal and the concrete levels. Ideally, the integration scenario has great validity, because it is impossible to think that the two systems can look in opposite directions; they will have and will physiologically need to have some contact points, which will always be multiple and which, among other things, the computer technology will make possible at any moment, even in case of strict closures.

At the concrete level, instead, we can't but be pessimistic, given the recent indications. What we have proposed many times, most recently in January 1997-echoing the contents of previous inter-session, multilateral public health meetings - has been to more aggressively promote forums in which the sides - not necessarily only the bilateral sides, but the multilateral too, therefore also Jordan, Egypt, and other Mediterranean countries through initiatives such as Euromed - could discuss topics of public-health politics: very important topics now under discussion in Europe and which represent the future of health-care systems. For example, how to solve the problem of the systems' current costs, how to plan human resources in light of the training needs, how to improve performance quality in hospitals: these are the great topics of the future, where Israel and Palestine have many worries in common, given the fact that both have budgets that can surely be reduced in the short term, and both share the great worry of the increase of the sectorial debt. We believe that the improvement of a technical dialogue and communication in any form - through the organisation of meetings, talks, forums, in which the technical people, but also the politicians, can talk - has an enormous importance not in improving the prospects of integration versus separation, but in reducing the distance between the two sides.

The most important thing is to find alliance initiatives on some fundamental public health topics: the promotion of women's health, spending control, infectious disease control, and common politics. The Italian community continues to do this work, albeit quietly, and we are convinced that it is a great investment for the future. On one side we are keeping the dialogue open, getting the technical sides closer together,

which, as I've already said, despite all the issues, are continuing to co-operate; on the other side, we are keeping alive a sense of lessening the distance, which can come in handy in an emergency.

What is the Palestinians' relationship with Jordan and Egypt regarding public health issues?

This is a historical relationship. The law, including a set of regulations in the public health field, that disciplines the West Bank draws on Jordanian law. Meanwhile, Gaza clearly keeps some judicial indications from Egyptian law. For example, the criteria to make a dairy product licensable vary substantially between the West Bank and Gaza in terms of control and of small businesses' contractual politics; the public-health controls themselves therefore vary. This said, Jordan's role in the promotion and quality improvement within the organisational aspect of the Palestinian health-care service in the West Bank is very important. There are many interchanges, even at the training level, which we have encouraged and also financed. These interchanges are intended to make the Palestinian health-care service in the West Bank more homogeneous, and, most of all, to increase its quality-particularly in some sectors in which problems have already been faced and solved in Jordan.

There is also some co-operation with Egypt, particularly in Gaza. The Ministry of Health and the NGOs therefore look up to Egypt, particularly at the academic level of training. Egyptian professors from the University of Cairo have often been invited to Gaza to help train human resources; however, the level of co-operation with - or even of Palestinian expectations toward - Egypt is lower than that for Jordan on the whole, because of the similarities between the structure of the Jordanian and Palestinian health-care systems.

What is the correlation between health-care system and economic development in building the Palestinian society?

The relationship between economy and public health is at this time inversely proportional. The World Food Program manages a necessary activity of food integration in Gaza for a huge number of families - around 60,000 - due to the families' financial inability to meet their basic daily needs. These data indicate that, in a health-care system that is no longer able, evidently not even in Palestine, to provide free services for everybody, the relationship between a salary's buying power and the ability to offer direct answers to a family's health problems, is inversely proportional. The buying power has dropped, and it has actually been, according to recent UNDP data, more than halved in the past year, with indirect costs for the benefits that Palestinian families get from health-care services, which are free only if considered essential for some age groups, such as children under three years of age, for immediate preventative medicine services, for immunisations, for pregnant women, etc., and nothing else. All those who can't afford insurance coverage - which in Palestine is still voluntary, and it couldn't be otherwise, not without a social protection net - must necessarily pay for the services received.

The payment of services is an issue affecting everybody, Europe, the United States. But unlike the more developed countries even in the same geographical area, the Palestinian society can't ask for the total acceptance of a private insurance system. This is due to the reasons just mentioned: except for those who are government-employed, that is, in a situation with relatively stable income, albeit rather limited, it is impossible to recover these kinds of expenses at the family level. Here the Palestinian health-care system's future for the next five and possibly even ten years is on the line, depending on the ability of the Ministry of Health to face and solve this issue choosing a modern formula, but also to keep looking for solutions for the less well-off, those already more penalised by the lack of speed in the services' growth and improvement. In March 1999, an important international symposium was organised to discuss these topics, with the goal of promoting new ideas for the Palestinian Ministry of Health and other important partners - ideas that could suggest more appropriate mechanisms for this part of the world, to possibly avoid an exaggeratedly privatised system that cuts costs but, at the same time, cuts many Palestinian families from the fair distribution of services.

The Ministry of Health understands that it can't put all of its cards into structural investments: these investments are often used in a political way, but they create dependency, and most needed are technologic investments for which there is no capital available. The Ministry of Health understands that it therefore needs to invest in the development of human resources and in the improvement of the existing structure's quality; and also, that it can't continue to think that Palestine will offer public services, so it has started to reflect on a different function for itself - one that's more involved in regulation and control than in implementation. However, all this forces another very important reflection: the Palestinian health-care leadership, even at the highest level, isn't adequately trained, because this leap is too great. In this sense, the international community and the donors should participate, with their competencies and experiences, in the improvement of this basic situation.

All this is without dogmatism, as the Italian co-operation has always affirmed. Palestine is too complex to need direct indications; it needs to find its own way. Some had bet, I believe mistakenly, that the Palestinians wouldn't succeed. Probably, time is all that's needed: but time is running out, and the peace process is not very useful in this sense.

What are the immediate risks of the paralysed peace process on the health-care sector?

The immediate risks are a situation in which Palestinians are further isolated. We should worry about the increase of "white time," the time without activities between the budget allocation and the expenditure. The donors put their hat on the chair but they don't sit down: the Ministry of Health knows, based on a direct report, that it will receive financial support for this or that sector, but it doesn't know when this support will materialise.

The second point is undoubtedly the worry that the donors' attention can be attracted elsewhere at any time. At this time, there are at least two or three important realities in the world which, in case of further negative developments, could quickly absorb the major donors' financial resources, commitment, and attention, and which are, in order: Iraq, Kosovo, and Sudan, where a catastrophic famine is expected.

There are therefore three scenarios: a Middle Eastern one, a European one, and an African one, which could certainly drain important and substantial contributions meant for Palestine. Palestine's situation is one of grave delay on some health-care system development points. If the scenarios described were to take place and the donors were to direct elsewhere the flow of aid, an extremely grave situation could occur - one of unexpected deficit increase, so there wouldn't be the resources advocated for the budget's improvement, particularly in the public health sector. We should clarify that today the total international aid budget in the health-care sector, among the different projects, is approximately 178 million dollars.

At the Paris meeting that occurred between the end of 1997 and the beginning of 1998, the expected budget for the Public Health sector was 67.5 million dollars. In the three months following, the donors' aid has been practically unused. There should be less cynicism and a little more commitment on the part of the international agencies and of the donors in supporting, with unselfishness, this process and this path. This also means extending proposals to Israeli forces, institutions, and agencies that have been shown to be not completely reliable.

The last point on which we need to be clear - not too critical, but frank and open - is the role of the international agencies. Their role in this country is pivotal, in the development of policies and in the implementation phase. Just think of the huge role of the UNDP concerning the whole infrastructural development, though certainly not the health-care sector development. But some UN agencies are facing consistent difficulties in validating themselves at an operational level, in proposing themselves as an effective, valid, and concrete instrument for the improvement of the situation in the field. In our opinion and experience - speaking exclusively of the Italian co-operation - the Palestinian health-care authorities don't need strategic plans, perhaps not even integrated plans, coming from different UN agencies. They definitely don't need to continually receive dissonant proposals on what they should or shouldn't do in this or that health-care development sector. The Ministry of Health needs credible interlocutors and, when it requests it, competent, updated, and valid technical assistance.

The Palestinian situation is unique and complex for a series of political, geographical, and economical reasons, but when we speak of health-care system reform, those among the international agencies who have been put in charge to give indications, must be able to provide technically credible answers, competent answers - or at least provide, by definition and mandate, quick technical assistance answers on demand. If all this doesn't happen, as it seems possible to reveal in the remaining few months, then there is a problem, and I don't have a problem agreeing with those who believe, even within the Palestinian health-care authorities, that some UN agencies' functions should be revised and improved.

What are the peace process's prospects from the standpoint of co-operation in the field?

The peace process has been an incredible achievement of global objectives, a meeting of great hopes between different generations. **An** important problem under everybody's eyes is that the process as a whole depended unfortunately too much on the individuals rather than being deeply rooted within the populations or the systems. When a strong pillar on the Israeli side suddenly disappeared, with the assassination of Rabin and later with the government and orientation **shift**, the structure started to wear thin in all sectors. Today there isn't a sectorial workgroup that can feel satisfied with the results achieved or optimistic about the future.

It is undoubtedly an irreversible process, but over which hang huge uncertainties tied to mass psychology. If the recent Iraqi crises had slightly degenerated into a wider conflict, the efforts of the last five years in Palestine would have been frustrated, in all probability, within a week.

The negative feeling is that this separation mentioned by the Israelis and the Palestinians will start to become some kind of a new reference point, which doesn't take into consideration what has historically happened, lacking, among other things, an economic, a social, and, especially, a security basis, but being simply self-promoting. Unfortunately, though, as is often the case, we are talking about it, and the more it is mentioned, the more it becomes real. Therefore, the process's reversibility could in some way be determined by phenomena such as a global lack of satisfaction on the Israelis' side for their own reasons, or on the Palestinians' side for different reasons, which could lead to a quick and perhaps unexpected separation.

In my opinion, from a strategic standpoint, what the donors could do and some important European political forces should consider aren't the big integration programs - which perhaps at this time, although ideologically valid, are realistically not practicable - but rather the improvement of the path along which we have been quietly moving, of reducing the distances. **A** reduction of distances particularly in sectors where it could happen rather easily: education and public health, in particular, which would not be too expensive, and could facilitate and consolidate initiatives of expense and aid-use rationalisation, which could bring closer some segments of both civil societies and, most of all, start concrete implementations.

On this, in particular, I'm basing my reasoning that measuring strategies is an end to itself. If we return here in five years to measure today's health system's strategies, we would probably find them unchanged - or possibly changed, but only and always at the strategic level. There will be no improvement at the implementation level. We should therefore emphasise a path of probably lower profile with the objective of increasing the possibility for moving closer together, of reducing the distance at the technical, strategic, **and**, if possible, implementation levels.

There is the problem - which we have identified and about which we have written - of reciprocal mirroring. The two groups, Israeli and Palestinian, reflect

themselves, one into the other, as in a mirror, although maintaining different cultural, religious, and historical characteristics. Neither of the sides, often for lack of courage, more often still for objective difficulties, takes the first step, for fear of bumping against the glass. So both see reflected in the other their own image, which obviously can be criticised, and evidently, they can't get past this problem.

Appendices

INTERNATIONAL ORGANISATIONS

Abstracts from the most recent research projects conducted by the international organisations on peace themes.

- m Politics
- m Economy
- m Demographics and Society
- m Resources and Infrastructures
- m International Agencies and organisations

1. Politics

The Israeli Ministry of Housing (GCZ) yearly plan anticipates the construction of 200,000 housing units in Arab Jerusalem in **1997**, with the goal of tripling the population of the Ma'ale Adumim settlement, which today has 23,000 people living in 5,000 housing units. According to the Israeli newspaper Kol **Ha'ir**, an official Israeli committee has stated that in the year 2020, the Jews living in Jerusalem will be approximately 77 percent, assuming that the Jews be given incentives to encourage them to move to the settlements in Jerusalem and surroundings. In 1983, **40** percent of the Arab Jerusalem population was made of Israeli settlers. In 1990 this percentage has increased to **49** percent and in **1993** has reached more than 50 percent (HDP).

Beside geographical changes in the Arab identity of Jerusalem, there seems to be an increase in discriminatory bureaucratic procedures intended to remove or at least reduce the Arab presence in Jerusalem. Among the methods used is the revocation of ID cards, forcing the Palestinians to live and work outside the city, living their houses to the Israeli settlers. The Orient House has estimated that this way between 60,000 and 80,000 ID cards have been revoked to Jerusalem citizens living outside the municipal borders defined by Israel (ILO/RDG).

The closure intensification during 1996 has also contributed to the departure of Palestinian residents. Offices and businesses were forced to move outside the city in order to survive, because clients and suppliers weren't allowed to enter the city. Diminished job prospects have also forced the residents to move outside the city limits (ILO/RDG).

2 Economy

Me r the signing of the Declaration of Principles, the donor countries' financial commitment value has reached 802 million dollars in 1994, 753 million dollars in 1995, and 831 million dollars in 1996. In 1997, 881 millions have been allocated (HDP), but the amount of effective disbursements of these funds in mid-1997 was of 106.8 million dollars, **50** percent less than the year before (UNSCO/EcosocRep).

In general, the donor countries have focused their assistance on investment projects, such as infrastructures within the borders of cities and villages. The infrastructure contributions have increased from 57 percent in 1994 to 68 percent in 1996. Despite the fact that these projects are vital, they can't be considered as contributions to the Palestinian development effort. Examples of these projects are municipal services such as roads, sewer systems, and drinking water (HDP).

Due to the constant territory closures, a new condition was added to the assistance programs, under the title "creation of job opportunities," in order to reduce the unemployment created by the closures. The number of people working in emergency programs has reached its maximum level in September 1996, when 25,000 workers were employed for street cleaning and other short-term activities (HDP).

Emergency expenses not planned by the Palestinian Authority have reached in 1997 the amount of **51** million dollars, while the donor countries' assistance for emergency programs intended for employment creation amounts to 49 million dollars. These expenses are a diversion of funds from the Palestinian Authority's public investment program (UNSCO/EcosocRep).

The Israeli market employed 120,000 Palestinian workers at the beginning of the Intifada in 1987. In 1994, the monthly number of Palestinian workers crossing the Israeli border dropped to 46,105, to 30,786 in 1996 (HDP) and to 22,250 in 1997 (UNSCO/EcosocRep).

Measured with the US dollar exchange of 1995, the income earned in Israel by Palestinian workers dropped from 741 million dollars to 70 million dollars between 1992 and 1995, while the export revenues, 80 percent of which derive from trade with Israel, dropped from 280 million dollars to 129 million dollars in the same period (ILO/RDG).

The GDP dropped 22 percent in the period 1992-96 (UNSCO/EcosocRep).

The per capita income decreased from 2,299 dollars in 1985 to 1,305 dollars in 1996 (HDP).

At the end of June 1997, the internal total closures had wiped out approximately 14 percent of potential days of work and economic trade between Israel and the West Bank and Gaza.

The workforce participation rate dropped from an average **42.3** percent in **1996** to **40.9** percent in the first trimester of **1997** (UNSCO/EcosocRep).

The Palestinian Central Bureau of Statistics maintains that the standard definition of unemployment excludes a large number of people. If the "discouraged" workers - those who aren't actively looking for work because they are radically discouraged - and those seriously underemployed were included in the calculation, unemployment in the West Bank and in Gaza in the first trimester of **1997**, which today is **19.5** percent, could reach **49.1** percent (UNSCO/EcosocRep).

In absolute terms, in **1997** the number of employers decreased by **5.3** percent compared with **1996**. This indicates a continuous wave of business bankruptcies, which could be the result of the negative economic tendencies of the past few years in the West Bank and **Gaza**, and of the particularly severe **1996** conditions (UNSCO/EcosocRep).

The growing difficulties and uncertainties about the ability of effectively exporting agricultural products could have also led to a reduction in the production of export products, particularly in **Gaza**, which would indicate a structural change in the job market (UNSCO/EcosocRep).

In the first trimester of **1997**, the daily wages decreased **9.3** percent from a total of **17.23** dollars to **15.62** dollars. The decline of real salaries in **1997** seems to be a cumulative effect of traumas connected with the repeated closures. This created a permanently high unemployment rate and the decline of nominal salaries. At the same time consumer prices have constantly gone up, despite some inflation rate reductions starting in **1994** (UNSCO/EcosocRep).

The UCPS data indicated that there was a monthly drop of **5.8** percent in family unit expenses, from **801** dollars in **1996** to **754.5** dollars in the first trimester of **1997**. Essential expenses, such as food, housing, health care, education, etc., decreased by **8.3** percent. This indicates that the family units adapted to the accrued loss of income (UNSCO/EcosocRep).

The extensive, internal, and total closures imposed in July **1997** following the double suicide attack in Jerusalem have altered the growth prospects in **1997**. As a consequence, the unemployment rate - 20 percent in June - immediately climbed to over **30** percent. At the end of September, the direct loss of income for workers and business owners was estimated around **113.5** million dollars. The economic losses associated with the closures could amount to as much as the direct losses, and perhaps even exceed them. Therefore, the total losses caused by the recent closures could reach 227 million dollars, about twice as much money paid by the donor countries to assist the Palestinians during the first half of **1997** (UNSCO/EcosocRep).

Moreover, the collapse of the job and trade flow implies fiscal losses for the Palestinian Authority, which depends for more than **60** percent of its revenues on authorisations associated with the job and trade flow. These revenues amounted in June **1997** to about **43** million dollars. A slower economic activity in the West Bank and

Gaza would corrode the Palestinian Authority's fiscal revenues, while a reduced family income and a higher unemployment rate would probably increase the pressure on budget items set for social interventions intended to mitigate the difficult economic situation. The national budget deficit is expected to increase in 1997 (UNSCO/EcosocRep).

The internal and total closures imposed in the West **Bank** and in Gaza in August and September have undermined the definite economic improvements recorded during the first half of 1997 (UNSCO/EcosocRep)

The average daily wage in Israel is more than double that of the West **Bank**, and more than two and a half times that of Gaza in the first trimester of 1997: since 1996 therefore, a significant increase in salary inequality has been recorded (UNSCO/EcosocRep).

An indicator of the growing economic uneasiness is the higher level of arrests of Palestinian workers entering Israel illegally in 1996-1997. Every week an average 1,000 Palestinians have been detained in Israel or Jerusalem because they were without a permit, compared with the 150 of 1995. It would therefore seem that, as the closures become an almost daily occurrence, a growing number of Palestinians risk high fines or detention just to find work in Israel (UNSCO/ProgCoop).

The relatively low level of implementation of foreign-financed projects is attributed to the following key factors:

1) procedures of donor countries, which didn't adapt to the West Bank's and Gaza's particular circumstances, and particularly didn't adopt the necessary flexibility in redistributing the funds and in co-ordinating with other donors;

2) official Palestinian institutions involved in the co-ordination effort and in facilitating the donors' assistance, institutions that only recently have strengthened their efficiency;

3) lack of materials and impediments in the mobility of local and international personnel working on the projects due to border closures. While in 1994 and 1995 factors 1 and 2 were the most important problems for the projects' implementation, in 1996 factor 3 has gained importance (IMF/RecEcoDev).

The continued absence of political progress has started to spread to other international initiatives aimed at this Middle Eastern region's stability and prosperity. The international aid should have attracted investments in the private sector, which for their part would have improved the economic standards of the region's peoples, particularly the Palestinians. The European Union's economic assistance program seems to have failed to reach this goal. In reality, the opposite happened: all the Palestinian economic indicators point to a clear deterioration of the conditions of living, there are no tangible results from peace. Despite this, the international economic assistance, and in particular that provided by the European Union, has succeeded in keeping the peace process alive, and with it the Palestinian Authority (EU/Role).

Despite the large investments of material and economic resources made possible by the European Union and by the international community at large, it is more and more clear that regional co-operation and integration can't move forward unless there is a real progress toward a solution of the Arab-Israeli conflict (EU/Role).

The signing of the Declaration of Principles brought with it many hopes for the improvement and rebuilding of the Palestinian economy. While some economic sectors have seen an improvement, in general the West **Bank** and the Gaza Strip have been the victims of the peace process. Economic activity stagnated, with a substantial decline in per capita income. Private investments didn't materialise, trade was interrupted and Palestinian employment in Israel greatly diminished. These conditions were responsible for the very high poverty and unemployment rates. Certainly these economic conditions would have been worse without the international aids to mitigate the impact (**WBNAS**).

The state of the Palestinian economy is particularly disappointing if compared with the performance of the Israeli economy, which has seen an improvement in the Nineties. While the Israeli economy has benefited from the results of peace, the Palestinian economy has been hit hard by them. Economic activity in the West **Bank** and Gaza is surviving in spite of the peace process, rather than being helped by it. If the economic deterioration were to continue, it could lead to a higher level of dissatisfaction with and opposition to the peace process (WB/MAS).

3. Society

POVERTY

There are differences regarding the poverty line depending on the criteria used. It varies from a maximum of **904** dollars a year per capita to a minimum of 500 dollars a year per capita (in Israel the poverty line is set at **3,792** dollars per capita.) Based on the first criterion, about a third of the Palestinian population lives in poverty, based on the other, **14** percent does (HDP).

The poverty rate in refugee camps at the end of **1995** was **31** percent (poverty level at **650** dollars a year per capita), compared to **17** percent for urban and rural family units. Family units in refugee camps count on workers income as their main source of income and are therefore more severely damaged by the job market's traumas and upheavals (WB/MAS).

Currently, a family assisted by the Ministry of Social Affairs receives only **38** percent of the true value of the assistance provided seven years ago, due to price increases. The total individual assistance amounts to **18** dollars per person per month, equivalent to **48** percent of what's necessary to reach the poverty line (**42** dollars a month) (HDP).

In **1996**, the Ministry of Social Affairs assisted **21,550** people, while in January **1997** the number climbed to **30,000** (UNSCO/EcosocRep).

21 schools and 1,707 classrooms have been built since the advent of the Palestinian Authority in 1994. Despite this, 91 communities with a total population of **3** 1,780 people still don't have elementary schools. Moreover, **43** percent of schools lack basic services such as water, electricity, and bathrooms (HDP).

EDUCATION

The closures have **also** damaged education and professional training courses. According to a source, 1,200 Gaza students still can't attend classes at the schools where they are enrolled. This **has** been confirmed by the director of the YMCA's training centre and by the dean of the Hebron Polytechnic, where before the closures were enrolled also students from Gaza, while now there are only students from the West Bank. Considering that education and professional training will be the basis for the Palestinian economic and entrepreneurial capacity, which in turn will contribute to the strengthening of the commitment for a peace process and to the reduction of violence and terrorism, these developments can be counterproductive (ILO/CL).

PUBLIC HEALTH

In addition to the negative impact on the Palestinian economy, the repeated closures have also damaged other crucial sectors of society, such as education and public health. According to the Palestinian Ministry of Health's official data, 16 Palestinians died between the end of February and August 1996 because of the closures and the refusal by the Israeli authorities to allow the patients in need of care to access Israeli hospitals or due to delays caused by the Israeli soldier at checkpoints (HDP).

Besides the substantial economic losses, the closures have also caused considerable loss of human lives. The mobility restrictions, which vary depending on the occurrence, can be strongly punitive for West **Bank** and Gaza residents. The mobility restrictions are also harmful for the majority of Palestinian worshipers to whom is denied access to West Jerusalem and therefore can't practise their faith in the Muslim and Christian holy sites. Medical care too is hindered by the closures. Doctors, health providers, and patients must obtain permits to reach the health centres in Jerusalem or Israel. Sometimes the permits aren't accepted or renewed. During the closures, emergency permits - which in theory should allow health care providers to pass through a checkpoint - often are not issued. In many occasions, valid permits have not been honoured. In case of emergency, access to ambulances is too restrictive, considering the urgent needs and the limited number of medical centres existing in the West **Bank** and in Gaza. At least nine people have died during the first 10 days of closure in the spring of 1996, as a direct result of the delay in access or of the refusal of access given to critical patients at checkpoints (WB/MAS).

In 1992 the Palestinians **NGOs** managed 210 local health care units; with the advent of the Palestinian Authority, the number dropped to 128 (HDP).

The contribution of various government authorities (mostly Israeli in the period examined) to local health care units has dropped from 75 percent in 1967 to 28 percent in 1992, while during the same period the Palestinians have increased the contribution at the local level from **8** percent to **68** percent (HDP).

The main causes of death among adults are cardiovascular diseases (about **27** percent) and cancer (about **10** percent.) At the same time, diseases linked to poverty are still prevalent: respiratory infections and diarrhoea remain among the important causes of mortality among children and of childhood diseases. These conditions are for the most part due to widespread poor hygiene and poor sanitary conditions (only **35** percent of families are connected to sewer systems)) (WHO/Medium).

WORKFORCE

The issues still open for negotiation between Israel and the PLO reflect the current situation of political domination, with all of its complications on development. Because there is no immediate solution, it is impossible to rigorously define long-term and short-term plans. The social conditions' rapid deterioration caused by the deprivation of basic rights means also that the Palestinians will continue to focus good part of their energy and resources to managing the crisis rather than for human development (HDP).

While in absolute terms in **1996** and in the first trimester of **1997** the male workforce increased by 1.2 percent, the female workforce decreased by **16.2** percent (UNSCO/EcosocRep).

Basically, the trend is toward a smaller female representation in the job market, and worse workplace conditions for women on the market (UNSCO/EcosocRep).

While the average income for a worker covered, in **1996**, **62.7** percent of basic needs and **57.4** percent of all expenses, these percentages dropped drastically at the beginning of **1997**, reaching respectively **46.4** percent and **41.4** percent (UNSCO/EcosocRep).

It is estimated that the closure and the denied access to Israel and East Jerusalem to adult workers has led to a loss of income of about **6** million dollars a day for the period between May **1994** and February **1996**. During this period, the closure has been imposed **23** times for a total of **333** days. Consequently, approximately **44** percent of the 300 children that were used as a sample in the UNICEF study in various parts of the Gaza Strip have been forced to enter the job market to compensate for the loss of family income during that period (ILO/CL).

The author of the report believes that children are employed in the West Bank and in Gaza and Israel, while the adult workers aren't, because the employers prefer them, being the children a less protected and more economical workforce that doesn't need a permit to work in Israel (they shouldn't work at all) (ILO/CL).

UNSCO estimates that the juvenile workforce counts **18,490** people. These data however are based on a sample research rather than on an extensive study. Moreover, this research doesn't adequately cover the invisible sectors, such as that of female juvenile labour (ILO/CL).

The main causes of juvenile delinquency in the Gaza Strip, according to information gathered by the Ministry of Social Affairs, are: a social and economic

situation of poverty and unemployment (30 percent), families split by divorce, also on the increase, (30 percent), tensions between parents (25 percent). It is interesting to note that the majority of juvenile delinquents has a middle to high level of education (high school in 41 percent of cases recorded in Gaza in the past few months), while juvenile delinquents with a very low level of education (illiterate) are only 1,4 percent (UNICEF/Juv).

4. Resources

The expansion of settlements assumes the confiscation of Arab-owned land, which often includes olive grooves and pastures, and which therefore has an added negative impact, weakening the Palestinian's survival potential. Approximately 4,000 hectares of Palestinian land have been expropriated since the signing of the Oslo Agreements in September 1993 (ILO/RDG).

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