Rethinking the Two-State Solution

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Front cover: A boy helps an elderly Palestinian as they walk past graffiti depicting a fighter on a horse carrying a Palestinian flag; Beach refugee camp, Gaza Strip, 2002. (AP Photo/Lefteris Pitarakis)

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About the Author

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Executive Summary

ALTHOUGH ALL CONFLICTS have their distinguishing features, the Israeli-Palestinian conflict is singular in numerous respects. First, it is not only a territorial dispute between two parties, but also a situation in which one nation is under occupation by another. While once a familiar if not an acceptable international norm, occupation has become an untenable practice.

Moreover, the problems that this conflict creates have implications far beyond the specific interests of the two parties. Many believe that the Israeli-Palestinian dilemma is at the root of most Middle Eastern unrest, and of many other global challenges. As a result, there appears to be clear international interest to resolve it. Significantly, all of the parties directly involved as well as other countries—from China to the United States, and from South Africa to Norway—support the same general approach, namely, the two-state solution.

Today, a genuine attempt is under way to reach a final-status agreement between Israel and the Palestinian Authority. The leaders of both sides meet often, including near-weekly discussions between the foreign ministers. Such a serious effort has not been made since the collapse of peace talks in January 2001.

If the need to resolve the Israeli-Palestinian conflict is so clear, and if the solution is so well known and acceptable, why then has it not been implemented? Therein lies the paradox: at present, the principal parties, Israel and the Palestinians, do not truly desire the conventional two-state solution, and the Arab world—especially Jordan and Egypt—does not truly support it either. In their eyes, the prospects for success are too slim to justify the daunting political risk, including the potential personal cost for the respective leaders. As long as this lack of a comprehensive endorsement exists, it will be very difficult to reach a final-status agreement. Thus, contrary to other disputes—where the devil is usually in the details—here the devil is more in the concept.

This paper offers a three-pronged approach to explaining and resolving this paradox:

1. Examining the differences between the situation that existed in 2000–2001 and the situation today. The main conclusion is that the circumstances at the beginning of the decade were far more favorable, and that the chances of reaching a final agreement this year are therefore very slim.

2. Analyzing the core issues underlying the conflict. Chapters 2–8 explain these problems and the suggested solutions to each of them. In short, there are four main dilemmas that seem almost impossible to resolve:

- **Borders and security.** This topic has become even more difficult because new weapons—including rockets and advanced antitank and antiaircraft missiles—have entered the arena. The old concept of a demilitarized Palestinian state can no longer satisfy Israel because these new weapons can easily bypass any monitoring arrangement.

- **Refugees.** The "right of return" quandary is a dispute over historical narrative rather than an actual practical problem. Nevertheless, it represents the difficulty of ending the conflict and agreeing on a finality of claims, two fundamental conditions for Israel.

- **Settlements.** Neither the Palestinians nor many Israelis believe that Israel will be able to dismantle the bulk of its large settlements and relocate the 100,000 people who currently live there. The settlement problem reflects the wider territorial dispute: the "pie" that has to be divided is too small, and neither side is ready to give up vital areas. If, for example, the Palestinians had been willing to give up 15 percent of the West Bank during past negotiations, the settlement problem could have been solved far more easily. (This figure was among Ehud Barak's ideas when he initiated talks in July 2000.)

- **Jerusalem.** In addition to the basic dispute that already existed in 2000 regarding the city's future,

there is a newer difficulty that further obstructs any potential agreement: many Israelis do not believe that the Palestinians will be able to prevent Hamas from taking over the West Bank. Although Israel could incur the risk of Hamas eventually controlling Jenin or Hebron, it could not tolerate the possibility of the group controlling an area located a few hundred meters from some of the nation's most important holy sites and government institutions.

3. Presenting other possible solutions. The probability of resolving the Israeli-Palestinian conflict based on the traditional two-state concept seems quite remote. Therefore, the time has come to explore other possibilities. Chapters 9 and 10 present two other potential solutions:

- **The Jordanian option.** This proposal suggests that rather than establishing another Arab state, the parties could return control over most of the West Bank to Jordan. Until recently, such an idea was rejected completely by everyone, especially the Jordanians themselves. Today, however, more and more Jordanians, Palestinians, and Israelis have come to believe that this is the right solution. The main reason for this change of heart is the rise of Hamas. Israel can curb the group's ascendancy, but only as long as Israel occupies the West Bank. If a Palestinian state is established there, many fear that it would be taken over by Hamas. Such a scenario could have far-reaching consequences for Jordan. To be sure, the notion of pursuing alternative solutions is not yet politically correct, and therefore no official Jordanian or Palestinian support could be given to such efforts at the moment. Nevertheless, tacit support for this idea has been expressed in private talks.

- **A regional solution.** Because Israel and the Palestinians have to share a parcel of land that is too small for both of them, neither can make substantive concessions, creating a zero-sum game that could lead to a true dead end. The only real contribution that the Arab countries can offer is exactly what the Israelis and Palestinians need—more land. The regional approach proposed in this paper involves a multilateral swap that would produce net gains for all relevant parties. For example, this solution would triple Gaza's size—the only way to offer a real prospect for the poor population of that area, and the only way to shift public opinion away from Hamas and toward a plan with real hope.

Preface

TWICE IN THE PAST TWO DECADES—in 1989 and again in 1999—The Washington Institute turned to Zeev Schiff to explain to the American policymaking community Israel's minimum security requirements in negotiations with the Palestinians. Timing was critical in both cases: diplomacy was gathering steam—originally, as a response to the first Palestinian uprising, and then, a decade later, in anticipation of the "final status" negotiations envisioned by the Oslo Accords. On both occasions, Zeev was the perfect choice to carry out this important task.

The longtime military editor of Israel's newspaper of record, Haaretz, Zeev was more than an accomplished journalist. He was the dean of Israeli defense strategists, a confidant of Israel's national security leadership, and the preeminent interpreter of the Israeli-Palestinian conflict's security aspects for readers around the world. Finally, but no less important, Zeev was a "hawkish dove"—committed to a peaceful resolution of the conflict and ready to pay a price to achieve it, as long as that price did not endanger Israel's vital security interests. He was no ideologue. except in the sense that he was committed to the idea of Israel as a Jewish and a democratic state. He was, to use the sobriquet commonly applied to Yitzhak Rabin, "Mr. Security."

Each of the studies Zeev produced for the Institute broke with conventional wisdom. In the first—*Security for Peace: Israel's Minimal Security Requirements in Negotiations with the Palestinians*—he boldly stated that in order to reach a secure peace, "Israel and the Palestine Liberation Organization (PLO) must eventually come to an understanding," a controversial position at a time when both the Labor and Likud parties in Israel had ruled out any PLO role in the peace process. And while Zeev envisioned a "win-win" situation encompassing both Israeli security and Palestinian statehood in his second study—*Israeli Preconditions for Palestinian Statehood*—he also rejected the idea of "land swaps" and ruled out even theoretical discussion of a Palestinian "right of return" to present-day Israel.

Nearly a decade later, Israel and the Palestinians have once again begun high-level negotiations with the goal of reaching a permanent resolution to their longstanding conflict. The terms of reference and the negotiators have changed, but many of the outstanding issues remain. Other unresolved questions have grown more difficult with the passage of time, as both parties have internalized the failed attempts at reconciliation and cooperation—particularly with regard to the central issue of security.

In this current context, The Washington Institute has recognized the need to reclarify Israel's minimum security requirements for American policymakers addressing this enduring policy challenge. With great sadness, we could not turn to Zeev, who passed away in June 2007. Instead, we enlisted one of Israel's most insightful strategists, Maj. Gen. (Ret.) Giora Eiland (Israel Defense Forces), to take up the task.

This study is General Eiland's update of Zeev's 1999 paper, Israeli Preconditions for Palestinian Statehood. In it, he draws heavily from Zeev's incisive analysis, much of which has stood the test of time. Indeed, the chapters 4, 5, and 6 follow much the same format as Zeev's examination of those topics and incorporate much of his writing verbatim.

But this new study also reflects General Eiland's own critical thinking and innovative ideas. He delves into key issues on the final-status agenda, identifying precisely where he believes Israel can make compromises and where its "red lines" should be drawn. The chapters on such topics as borders, Jerusalem, and security arrangements reveal—in stark detail—what Israel's top security echelon is contemplating with regard to the most contentious issues in Israeli-Palestinian negotiations.

In the framework of this analytical process, General Eiland reaches a startling conclusion about the pursuit of a permanent agreement: given the cumulative weight of the compromises that both sides would need to make to achieve such an agreement, it will be virtu-

ally impossible to produce a secure and lasting Israeli-Palestinian peace within the traditional framework of a "two-state solution."

General Eiland takes his innovative analysis even further. If the longstanding paradigm of peacemaking—in essence, the repartition of historical Palestine—is unlikely to achieve the desired results, do conceptual alternatives exist? In his view, the answer is yes, and at the end of this study General Eiland provides not one but two such alternatives: a "Jordanian option" and a "regional solution." At the moment, neither seems plausible; however, he argues, should enthusiasm for the traditional two-state solution continue to wane with the passage of time and failed efforts, one of these two alternatives could come prominently to the fore.

This study is a bold break from conventional thinking. It combines highly professional analysis with the ability to consider options unconstrained by narrow, urgent political pressures. It is controversial in the best sense—it will provoke debate and trigger new thinking about old topics and concepts. For these reasons, in the tradition of Zeev Schiff's now-classic studies on Israeli-Palestinian peacemaking, we are confident that General Eiland's contribution will stimulate and enrich policy discussion of this topic in Washington.

Robert Satloff
Executive Director

Introduction

BETWEEN JULY 2000 and January 2001, an intensive effort was made to reach a permanent solution to the Israeli-Palestinian conflict. The conditions seemed optimal: Israel and the Palestinian Authority (PA) had maintained political ties for seven years, the transfer of responsibility from Israel to the PA had been successfully implemented twice (first in the Gaza Strip and Jericho, and then in other West Bank cities), the security situation was relatively good, and security cooperation between the two sides was steady. Moreover, the three relevant leaders seemed the best people to undertake such a crucial historic step. President Bill Clinton knew the issues well and was willing to exert every effort to complete the process he had led since September 1993. Prime Minister Ehud Barak had just proven his determination and leadership by instructing the Israel Defense Forces to leave Lebanon, against the military's advice. He went to Camp David in July 2000 with that same determination, convinced he could do the job. And Yasser Arafat, despite his problems, was the recognized leader of the Palestinian nation—even his greatest rivals did not dare challenge this fact. Arafat was a leader who could inspire his people, and such a capability is essential when difficult decisions must be made.

Despite these promising conditions, the process ended in bitter disappointment. Meanwhile, the second intifada broke out, and most of the events since then have had a detrimental impact on the situation.

Nevertheless, in November 2007 the United States attempted to renew the political process at Annapolis. Israel's prime minister and foreign minister met with their Palestinian counterparts in discussions that echoed the intensity of the talks seven years prior. Since then, most U.S., Israeli, and Palestinian negotiators have joined one of two camps: the very optimistic and the optimistic. The very optimistic believe that an agreement can be both reached and implemented in the near term. The optimistic believe an agreement can be reached but argue that it should be a "shelf agreement," given that the essential conditions for its implementation are missing. As such, they argue, implementation need only be deferred to a more opportune time.

In both camps, however, the sense of optimism is exaggerated. Why would an approach that failed in 2000 succeed in 2008? As will be shown in the next chapter, most of the changes that have occurred since then have had a negative impact on this situation.

The Israeli-Palestinian conflict is something of a paradox. Its solution is important not only for those directly involved, but also for many other parties. In the eyes of most of the world, it is a situation in which one people occupy another—a morally untenable situation in the twenty-first century.

In addition, the basic approach to resolving the conflict is ostensibly known and agreed on: a two-state solution, first proffered in 1937 by Britain's Peel Commission and subsequently proposed by the United Nations in the 1947 partition plan. Since 1993, this solution has been accepted not only by the international community, but also by Israel and the Palestinians themselves. In addition, it has been supported publicly by the Arab League since 2002. This acceptance extends beyond the solution's organizing principle ("two states for two peoples"), embracing its two fundamental parameters as well: first, that the two states will be contained between the Jordan River and the Mediterranean Sea, and second, that the future border between them will run along the 1967 lines (or, more precisely, the 1949 armistice lines), with minor changes.

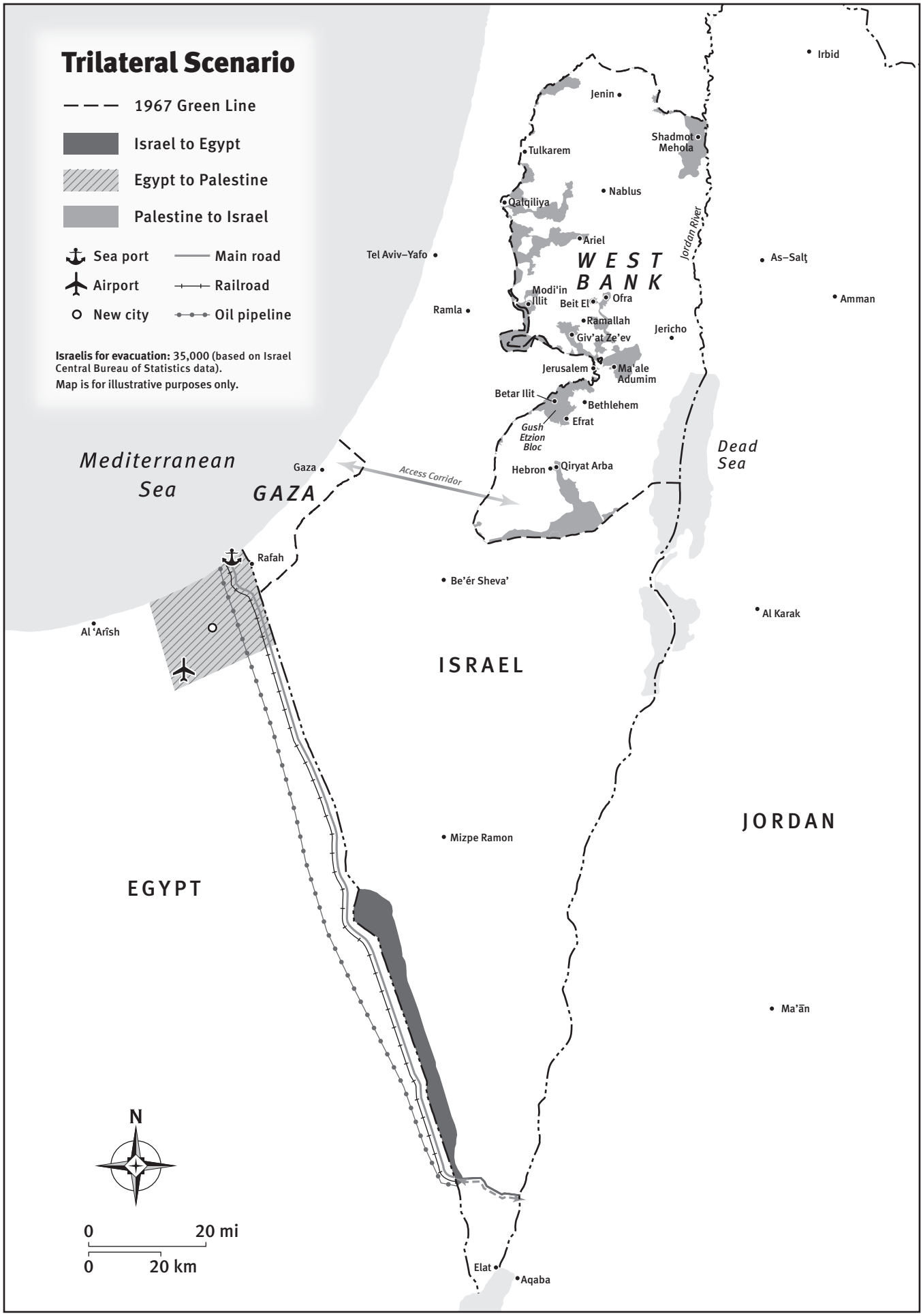
Acceptance of these two premises creates a situation in which most of the resultant details are clear as well. Anyone who conducts negotiations toward a final-status agreement today or in the near future will ultimately arrive at the Clinton plan presented to the two sides in November 2001. Israel and the Palestinians showed minimal flexibility on the core issues at that time. Therefore, no matter who takes part in subsequent negotiating teams or how long the negotiations last, 95 percent of the solution is already known, and changes to the Clinton plan will be marginal.

As such, a strange situation is before us. There is a conflict that all agree should be solved, and the resolution is known, down to the details. Seemingly, all is well. The paradox is that this solution is a poor one, and neither Israel nor the Palestinians actually desires it. Consequently, they are not enthusiastic about taking risks to implement it.

The following chapter explains why this solution is unattractive and therefore unlikely to be achieved in the near future. Part of the explanation lies in the worsening of circumstances over the past eight years. That factor aside, it behooves us to analyze the (limited) scope of possibilities within the familiar two-state solution, indicating where the two sides could be more flexible than they were eight years ago and where they will likely be more rigid (chapters 2–8).

Given that this traditional two-state solution will be difficult if not impossible to achieve, it is important to consider other solutions as well. There are at least two alternatives that could be proposed to the principal parties, namely, Israel, the Palestinians, Jordan, and Egypt. The first is a return to the Jordanian option, according to which the West Bank would become part of a federation (or confederation) with the Kingdom of Jordan (chapter 9). The second is a regional solution that transcends the "zero-sum" game between Israel and the Palestinians, increasing the size of the pie and giving everyone a larger share (chapter 10).

Bilateral Scenario
1967 Green Line
Israeli Annexation
Palestinian Annexation
Israelis for evacuation: 84,500 (based on Israel Central Bureau of Statistics data).
Area annexed: 197 sq. km. representing 3.19% of 6,180.5 sq. km. (calculation is based on 6,205 sq. km. demanded by Palestinian Authority President Mahmoud Abbas minus half the No Man's Land, which are split equally between the parties).
Swap is equal in size.
Jenin
Tulkarem
Nablus
Qalqiliya
Ariel
Tel Aviv–Yafo
WEST BANK
Jordan River
JORDAN
Mediterranean Sea
Modi'in Illit
Beit El
Ofra
Ramla
Ramallah
Jericho
Giv'at Ze'ev
Jerusalem
Ma'ale Adumim
ISRAEL
Betar Ilit
Bethlehem
Gush Etzion Bloc
Efrat
Dead Sea
Gaza
Access Corridor
Hebron
Qiryat Arba
GAZA
Rafah
Be'ér Sheva'
N
0 10 mi
0 10 km
EGYPT


Trilateral Scenario
1967 Green Line
Israel to Egypt
Egypt to Palestine
Palestine to Israel
Sea port
Airport
New city
Main road
Railroad
Oil pipeline
Israelis for evacuation: 35,000 (based on Israel Central Bureau of Statistics data).
Map is for illustrative purposes only.
Irbid
Jenin
Shadmot Mehola
Tulkarem
Nablus
Qalqiliya
Ariel
Jordan River
Tel Aviv–Yafo
WEST BANK
As–Salţ
Modi'in Illit
Beit El
Ofra
Amman
Ramla
Ramallah
Jericho
Giv'at Ze'ev
Jerusalem
Ma'ale Adumim
Betar Ilit
Bethlehem
Efrat
Gush Etzion Bloc
Dead Sea
Mediterranean Sea
Gaza
Access Corridor
Hebron
Qiryat Arba
GAZA
Rafah
Be'ér Sheva'
Al Karak
Al 'Arîsh
ISRAEL
JORDAN
Mizpe Ramon
EGYPT
Ma'ān
N
0
20 mi
0
20 km
Elat
Aqaba

Part I
Obstacles to the Conventional Two-State Approach

1 | Changes since the Oslo Process

DESPITE SOME POSITIVE developments, most of the changes that have taken place in the Israeli-Palestinian arena over the past eight years do not help facilitate a solution to the conflict—quite the opposite.

Changes for the Worse

Loss of Israeli faith in the Palestinians' desire to reach a genuine peace. The Oslo process (1993–2000) progressed in a largely optimistic atmosphere, based in part on a logical if naive Israeli (and American) estimation that the Palestinians, like any people under occupation, had one main objective: independence. From this perspective, the realization of the Palestinian dream—creating a state—would put an end to the conflict, as the incentive for violence would disappear. Creating a state would also put an end to Palestinian demands, as the ultimate demand—independence—would be achieved.

Today, many Israelis believe that the Palestinians' real aspirations were different, and remain different. According to this view, the Palestinian ethos was never based on a yearning for an independent state—and certainly not a small and divided state—but rather on issues such as justice, revenge, and recognition of Palestinian victimhood. More than anything, the Palestinian ethos stresses the "right of return," i.e., the right of individuals (not of a people generally) to return to their homes (and not to a Palestinian state located elsewhere).

Indeed, Palestinian aspirations have never been characterized by the drive to form a free nation in the small Palestinian homeland. In 1936–1937, Britain's Peel Commission proposed establishing a Palestinian state covering the majority of the territory between the Jordan River and the Mediterranean Sea. The unchallenged Palestinian leader at the time, the mufti of Jerusalem, rejected that proposal out of hand. Among other things he asked, "Why is there a need for another Arab state?"

Between 1949 and 1967, the West Bank and Gaza were under the full control of Jordan and Egypt, respectively. Neither of those countries, nor any other voice in the Arab world or among the Palestinians, believed it was right to establish a Palestinian state in those territories, even as a temporary solution until the land was liberated in its entirety.

This history was of course known before the Oslo process began. Nevertheless, Oslo created an illusory sense that the situation was changing. Many believed that a "new Middle East" was in the making, and that the Palestinians would change and adopt a Western approach.

Today, years after the collapse of the Oslo process, a large part of the Israeli public still believes that it may be possible to reach a political agreement with the Palestinians similar to the one proposed by President Clinton. Yet they doubt that the Palestinians would ultimately accept such an agreement as a permanent deal—one that would truly bring an end to the historic conflict and to Palestinian claims. As a result, Israeli support of the "land for peace" principle has declined sharply; according to a survey published by the Institute for National Security Studies (INSS) in Tel Aviv, only 28 percent of the Jewish population supported this principle as of 2007, compared to 56 percent in 1997.[1]

This point is of immense importance. Generally, when two sides sign an agreement, each assumes the other genuinely intends to honor the agreement. When this premise is missing, it is difficult to be convinced that the price exacted as part of a give-and-take is worthwhile. Many Israelis are concerned that pursuing such an agreement is a lose-lose situation—Israel will pay its part within the framework of the agreement, but the Palestinians will not meet their end of the bargain.

1. Yehuda Ben Meir and Dafna Shaked, *The People Speak: Israeli Public Opinion on National Security, 2005–2007* (Memorandum no. 91) (Tel Aviv: INSS, 2007). Available online (www.inss.org.il/ipo.php).

The lack of Israeli faith in Palestinian intentions can be illustrated with a hypothetical exercise: assume that a referendum is held in which the Palestinian people are asked to vote for one of two alternatives to end the conflict:

1. "Two states for two peoples, based on the Clinton plan."

2. "There will never be a Palestinian state, but at the same time the state of Israel will cease to exist. The entire territory between the Jordan River and the Mediterranean Sea will be divided among Syria, Jordan, and Egypt."

Most Israelis would assume with little hesitation that the vast majority of Palestinians would vote for the second option. Accordingly, convincing Israelis to agree on painful concessions would be difficult.

Loss of Israeli faith in the Palestinians' ability to fulfill commitments. Palestinian intentions aside, many Israelis no longer believe that the Palestinian Authority could carry out its commitments under a peace deal, especially in the security arena. During Oslo's "good years" (1993–1995), it was believed that an armed Palestinian police force would be able to deal with terrorist threats even more effectively than would the security forces of a democratic state like Israel. As Prime Minister Yitzhak Rabin put it at the time, such a force could act "without supreme court orders and without B'Tselem" (a well-known Israeli human rights organization).

Today, few Israelis believe that the PA is capable of enforcing law and order or preventing terrorism. The PA suffers from both political and military weakness. Unlike Arafat, who enjoyed the faith of most Palestinians (particularly the security forces and Fatah institutions), the current leadership is supported by only a small portion of the public. Neither President Mahmoud Abbas nor Prime Minister Salam Fayad is capable of imposing his will on the extreme factions of Fatah, let alone Hamas.

Fifteen years after their establishment, and despite the vast sums invested in them, the Palestinian security forces do not have sufficient military ability to ensure security even if they wanted to. They comprise groups that are hostile to each other; even certain criminals and terrorists have managed to penetrate their ranks and become officers. They suffer from corruption, lack of infrastructure, and lack of capable leaders. The degrading manner in which Hamas defeated them in Gaza clearly demonstrated this weakness. Thus, there is very little chance that Israeli public opinion would support the transfer of security responsibility, especially in sensitive areas such as Jerusalem. The old concept of security cooperation has taken a major blow, and Israel now needs other security solutions—which are difficult to find due to the lack of territorial depth.

The rise of Hamas. Hamas is a pragmatic movement, capable of taking flexible stances and agreeing to temporary compromises such as ceasefires or "lulls," all the while never truly relinquishing its core opposition to a permanent political solution that perpetuates Jewish control of "holy land." Therefore, the group does not object to President Abbas (or any other secular element) conducting negotiations with Israel, as long as the talks lead to Israeli concessions without ending the conflict.

Hamas's growing strength in recent years is clear, reflected most prominently in its 2006 parliamentary victory and its 2007 takeover of Gaza. These two events, the first political and the second military, also demonstrate the organization's strategy—that is, its military power strengthens its political standing, and its political strength preserves its military independence.

Regarding the prospects for peace, Hamas's rise carries two crucial implications. First, the group holds veto power over any permanent agreement, and it clearly would not accept the kind of solution currently being contemplated (i.e., one that ends both the conflict and Palestinian claims). Second, more Israelis have come to believe that if Israel leaves the West Bank—whether following an agreement with the PA or unilaterally—Hamas would shortly gain control of the area, just as it did in Gaza. The degree of willingness to take a risk in this regard is far smaller than it was in 2000.

A change in the military threat. The negotiations of 2000 assumed that a Palestinian state could generate two types of threats: a classic military threat and a terrorist threat, particularly suicide terrorism. The solution devised and offered at the time addressed both threats. The answer to the classic military threat was that the future Palestinian state would be demilitarized, without tanks, jets, artillery, and other platforms. The answer to terrorism was to be good intelligence, cooperation, and, if necessary, a physical barrier.

In recent years, however, a third factor has emerged as the main threat, one that can bypass all previously suggested security arrangements. This threat comprises three kinds of weapons: primitive rockets for which there is no direct solution, antitank missiles, and advanced antiaircraft missiles. The common denominator to all three is that it is difficult, if not impossible, to prevent them from being manufactured or smuggled. In other words, the ability to provide a reasonable solution to the security problem via a permanent agreement has decreased, and therefore, Israeli willingness to take chances on such agreements has decreased.

Israel's domestic conclusions from disengagement. The 2005 disengagement from Gaza required the evacuation of around 8,000 Israelis from their homes. Three years later, the situation is as follows: approximately 60 percent of the evacuees have yet to find a permanent home, and approximately 30 percent of the adults remain unemployed. The direct cost of the disengagement's civilian dimension has been about $2 billion, which translates into $250,000 per capita.

A final-status agreement with the Palestinians would require the evacuation of about 100,000 Israelis, with enormous budgetary implications—the direct cost alone could exceed $30 billion. It is worthwhile to remember that the compensation ultimately received by the Gaza evacuees is likely less than what West Bank settlers would receive. Even if the same evacuation law were adopted with the same criteria, the per capita cost could increase by 20 percent or more. There would be other costs as well. The government would have to accept the Gaza precedent with regard to all aspects of a West Bank evacuation, including the possibility of re-creating community settlements in regions closer to the center of the country. The impact of such a move on, for example, Israeli real-estate prices would be far reaching. Once the Israeli government and people fully understand these socioeconomic implications, mustering the required public support will be difficult.

Loss of Palestinian faith in Israel's willingness to make tough decisions. For their part, the Palestinians have little faith in Israel's intention to fulfill its commitments under a permanent agreement. The main cause for their skepticism is the way in which Israeli governments have approached the settlements issue. Since the beginning of the Oslo process, the Jewish population in the West Bank (excluding Jerusalem neighborhoods) has increased from 110,000 in 1993 to 190,000 in 2000 to 270,000 today. In Palestinian eyes, such expansion has made the West Bank settlement situation seem irreversible. Moreover, the government's handling of illegal settlement outposts has led the Palestinian leadership, and certainly the Palestinian "street," to believe that Israel is unwilling or unable to deal with the issue.

Changes for the Better

Greater support from the Arab world. Since April 2002, and even more since the 2007 Arab Summit, the Arab world has officially supported the two-state approach. Although the format of the Arab plan requires a full Israeli-Syrian peace treaty and is more pro-Palestinian in its details, it is essentially the same as the Clinton plan.

Whether this conciliatory Arab approach stems from gradual acceptance of Israel's existence or other motives (e.g., the existence of common enemies: Iran and extreme Islam) is of no importance—any current or future Palestinian leadership that seeks to make tough decisions in order to reach a peace agreement will enjoy greater support than previous Palestinian leaderships. Moreover, by making concessions to the Palestinians, Israel would receive compensation of sorts from Arab states, particularly with regard to economic relations.

A desire for change. The Palestinian people are tired of the occupation. They are disappointed with their

leadership, with some of their own tactics, and with the international community. They want a change. While the majority turned this desire into support for Hamas, such support does not stem from ideological considerations. Most Palestinians backed Hamas because it appeared to be capable of delivering on its promises and effecting change. If a different Palestinian messenger emerged—one promising change from the opposite direction and generating a genuine national agenda in the process—it could conceivably gain the public's support in the same manner as Hamas did.

Meanwhile, many Israelis are concerned that time is not on their side. The absence of a solution to the conflict is likely to place increasing weight on other factors, such as the rise of Iranian hegemony or growing demographic concerns. Regarding the latter, some Israelis believe that the lack of a true political channel could cause a change in the international approach and even generate support for a one-state solution (i.e., a single, shared democratic state between the Jordan River and the sea). In such a state, Arabs would become the majority within very few generations. In light of this and other factors, many Israeli officials believe that the idea of a Palestinian state has changed from an Israeli contribution (that Israel is willing to give) to an Israeli interest (for which Israel is willing to pay). If those who hold such beliefs were to set the tone in Israel, they might pursue peace negotiations with greater momentum.

Future Prospects

Positive developments aside, most of the changes that have occurred in the past eight years reduce the chances of reaching a final-status agreement between Israel and the Palestinians—at least one based on the conventional two-state approach. The following seven chapters describe the possible outcome of renewed negotiations with respect to each of the core issues related to that approach. These descriptions are based on the positions of the parties in 2000 and on changes that have occurred in their priorities since then. As will be shown, although a reasonable solution exists for each of the core issues, in some cases the price that one side would have to pay far exceeds what is generally acceptable today. Moreover, it would be almost impossible to convince both publics to agree to all of the concessions they would have to make in order to achieve this kind of comprehensive solution.

2 | Border Issues

DEFINING THE BORDERS between Israel and a Palestinian state will be a fundamental issue to be addressed in any final-status negotiations. Most of a state's borders should be demarcated by the time it is established, because without borders it is difficult for other states to offer diplomatic recognition.

To be sure, a number of countries have had undefined borders for many years after independence. In many cases, borders are left unclear due to ongoing conflicts or because a stronger state opposes the territorial claim of a weaker neighbor. In the Middle East, many states have borders that are not currently defined, that remained undefined for many years, or that are not recognized by neighboring states. For example, the borders between Iraq and Kuwait, Saudi Arabia and Yemen, Qatar and Bahrain, Egypt and Sudan, and Egypt and Libya are still disputed. Even more blatant is the Syria-Lebanon border dispute. Not only is the exact location of that border not agreed on; one of the parties, Syria, refuses to accept the notion that there should even be a border.

Israel's own borders have not been clearly defined either. The peace agreement with Egypt enabled Israel to establish its first official and recognized border with one of its neighbors. This border is consistent with the line agreed to by the Ottoman Empire and Britain in 1906 (with slight alterations regarding the border town of Taba, reached via international arbitration).

To the east, large sections of the Israel-Jordan border were redrawn following the peace treaty between the two countries, but Jordan refused to demarcate boundaries in the Palestinian areas of the Jordan Valley. In addition, and for the first time in Arab-Israeli peacemaking, the Jordan-Israel treaty included the precedent of territorial exchanges and special arrangements for an Israeli presence beyond the international border. These include the leasing by Israel of sovereign Jordanian territory and, elsewhere, the creation of a special regime in the Arava region that permits Israel to continue farming and drilling for water as long as it coordinates the details with the Jordanians in advance.

Israel's unilateral withdrawal from Lebanon in 2000 did not lead to a recognized border with another Arab state. Israel withdrew to a boundary that was endorsed by the international community, but the UN insisted that it be called the "Blue Line," arguing that a line of withdrawal can be considered a border only if both sides recognize it as such. Lebanon never agreed to enter negotiations on that issue.

The prospect of future Israeli-Palestinian borders presents its own unique issues, of course. For one thing, the process of demarcating borders might not be completed in a single act, with every inch of the new Palestinian state's frontier clearly defined before its founding. Instead, such decisions could be made in phases, linked to other items on the final-status agenda.

For example, both parties may decide that certain areas should be declared "security zones" whose permanent status will be decided after a predetermined period. According to this option, the two sides would reach border agreements wherever they could, with disputed areas remaining under Israeli military control for a defined number of years. During that period, Israel would not be allowed to establish new settlements within these zones or make any other significant changes there. Assuming the prearranged term passed peaceably, the two parties would then, through mutual agreement, decide the ultimate sovereign status of the zones. The Palestinians could reasonably assume that this process would, in the end, enlarge their state.

This approach was mentioned in the 2003 Roadmap peace initiative put forth by the Quartet (the UN, European Union, United States, and Russia), most notably in the phrase "a state with provisional borders." Although the possibility of such a solution cannot be ruled out, the Palestinians are now less open to it.

For Israel, another objective in defining borders is to ensure that the country's final frontiers are defensible against any kind of attack. This notion of defensible borders recurs frequently. Even UN Security Council Resolution 242, the basis of Arab-Israeli peacemaking, used the concept, describing the right of states "to

live in peace within secure and recognized boundaries free from threats or acts of force." But those who use this phrase in the Israeli-Palestinian context tend to overlook Israel's geography. It is extremely difficult to establish truly defensible borders for a small state like Israel, particularly given the area's dearth of geographic features suitable for that purpose (e.g., high mountain ranges, wide rivers, vast wildernesses). On many occasions, it has become painfully clear that territorial proposals coming from concerned outsiders are meaningless because they are based on inadequate knowledge of this geographical fact. (In truth, "defensible borders" would be an abstract concept for the future Palestinian state as well. Yet this state will be adjacent to other Arab countries, giving it a degree of strategic depth that Israel will never have.)

Of course, the traditional concept of defensible borders—that is, retaining territory to prevent or deter attack by other states—is no longer the only motive underlying Israeli concerns about a traditional settlement with the Palestinians, especially as the urgency of the Iraqi threat has declined. Another significant factor is the advent of new weapons—including easily transportable rockets and advanced antitank and antiaircraft missiles—that have fundamentally changed the nature of the threat facing Israel.

Assumptions and Conclusions

The territorial problem is one of the most difficult challenges in the Israeli-Palestinian conflict. Emotional and religious issues aside, this problem reflects a real conflict between the most essential interests of both sides. Nevertheless, based on the negotiations in 2000 and the talks held since then, we can make some predictions regarding the outcome of any final-status discussions of territory and borders:

- Based on the precedent from 2000, it is clear that Israel will not be able to retain more than 3–4 percent of the West Bank, and even this concession will require a swap of some sort. From a defensive standpoint, this percentage is dramatically smaller than what many Israelis perceive as being in their "vital interest."
- Israel will not be the sole decisionmaker regarding what areas it will annex.
- There will be no Jewish settlements on the Palestinian side of the border.
- Israel will give up any ambition to keep territory along the Jordan Valley.
- Strong tensions will persist among three conflicting Israeli interests: national security considerations, a desire to keep the maximum number of settlements intact, and the need to minimize the number of Palestinian communities on the Israeli side of the border.
- In order to reduce the number of settlers to be relocated, Israel will prefer to retain territory with settlements rather than territories that have security importance. Even so, the number of evacuees will still exceed 100,000. Ofra, Beit El, Qiryat Arba, and Shilo are among the large settlements that Israel will need to dismantle.
- The main dispute regarding settlements will involve the city of Ariel. Israel will insist on retaining it despite the price (i.e., giving up other areas). The Palestinians will oppose this because of the city's location in the heart of their territory.
- Regarding Jerusalem, Israel will claim that the Jewish neighborhoods beyond the Green Line should not be included in general territorial discussions, arguing that this matter belongs in the separate discussion over Jerusalem. The Palestinians will claim that beside the dispute over Jerusalem itself, the Jewish neighborhoods are illegal settlements that were built on Palestinian land and should therefore be part of the territorial solution. In other words, if Israel wants to keep these neighborhoods, it will need to give up land elsewhere.
- Another disputed issue will be whether to include the area of Gaza and the Dead Sea when calculating the "real size" of the West Bank. Naturally, the bigger the denominator, the more land Israel stands to

gain with every percentage point. Hence, Israel will insist on including these areas in the calculations, and the Palestinians will resist it. Elsewhere, Israel will claim the no-man's land near Latrun and argue that it should not be part of the calculation, and the Palestinians will again disagree. Indeed, there are dozens of different cartographic answers to the question of the West Bank's final size, and the gap between them can be more than 10 percent.

- Regarding the issue of "safe passage," the Palestinians will claim that they have a natural right to a land corridor between Gaza and the West Bank, and that this passage should therefore be separate from territorial calculations (in practice, there would probably be two corridors). Israel will argue that these corridors will be used by the Palestinians and must therefore be part of the territorial swap.

Given these and other factors, the final borders between Israel and the Palestinian state would likely take shape as follows:

- Gaza will remain within its current boundaries (although Israel has some historical evidence that proves the strip should be narrower).

- Israel will gain 3 percent of the West Bank (besides the Jewish neighborhoods of Jerusalem, including Maale Adumim). This percentage will include the Etzion bloc, Ariel (including a very narrow corridor containing Elqana and Barqan), and some of the larger settlements located two to three miles east of the Green Line.

- Israel will make an effort to keep the existing West Bank security barrier as the permanent border. The barrier currently encompasses 8 percent of the West Bank, however, so significant portions of it would need to be relocated in order to meet the final territorial figure.

- Israel will make a special effort to keep the area of Beit Arye east of Ben Gurion Airport on its side of the border.

- Israel will have to give up Highway 443 (the alternate road to Jerusalem) but will insist on special arrangements regarding the use of this road (discussed further in chapter 3).

- Contrary to Israel's vital security needs, the narrow central area of the state (the 10-mile band between the Green Line and the Mediterranean) will not be widened. This will allow two Palestinian border cities, Tulkarem and Qalqiliya, to remain within the Palestinian state.

- Regarding swaps, Israel might attempt to give up areas of the country containing Arab towns. The Israeli Arabs who live in these places would almost certainly oppose such a move, however, so any attempt of that sort would likely fail. Realistically, most of the area that Israel will offer to swap is located in the Judean Desert (southeast of Hebron, near the Dead Sea). The Palestinians would prefer "better" land but will have to accept most of Israel's proposals on this issue.

3 | Security Arrangements

IN THEORY, most of the security problems between Israel and the Palestinians can be solved. For the Palestinians' part, they have demonstrated greater flexibility in this area compared with other issues. In practice, however, three factors suggest that the gaps between the parties are greater than they seem:

1. Even if the Palestinians respond to all of Israel's demands, only part of the security issue will be addressed. Israeli concessions in most of the West Bank would create a difficult security problem regarding enemies that are not part of the Palestinian state.

2. The solution defined in 2000 was based on the notion of a demilitarized Palestinian state. Demilitarization no longer provides an adequate solution, however, given the "demilitarization-bypassing" arms that have been introduced in recent years (e.g., rockets and advanced antitank missiles).

3. In 2000, Israel made concessions on two critical demands: exclusive control over both Palestinian airspace and the electromagnetic spectrum. In the next round of talks, the Palestinians are expected to seize on this concession, fiercely opposing at least the first demand, if not both.

Moreover, any final security arrangements will need to address two types of threats: a direct threat from the Palestinians, and a threat created if Israel finds itself in a military confrontation with another country, without control over the West Bank and with the Palestinians potentially joining the enemy. The following sections discuss the main issues related to these threats and how the two sides might possibly bridge the gaps.

Demilitarization of the Palestinian State

It is relatively easy to reach agreement over the nature of demilitarization—the Palestinians have long ago given up their demand to be like other countries in terms of freedom to amass a military force without limitations. They will agree to a military force without fighter jets, combat helicopters, tanks, artillery, and so on. The debates over the size, weapons, and vehicles of the Palestinian police force can be resolved as well. Israel will also insist that the Palestinians be prohibited from acquiring antitank and antiaircraft missiles, and any type of rockets. The Palestinians will be forced to agree, but such weapons create a greater difficulty, as mentioned previously and discussed below.

Supervision of the demilitarization. The weapons that would pose the most immediate threat to Israel in a two-state arrangement cannot be monitored. These demilitarization-bypassing weapons—which include various kinds of rockets, missiles, and explosives—are very easy to smuggle, conceal, and in some cases even manufacture. There is no mechanism that can prevent such weaponry from reaching Palestinians, as witnessed in part on the Gaza-Egypt border today. Despite their simplicity and relative primitiveness, these weapons can generate serious problems when launched at civilian targets, particularly if Israel is forced to deal with them during a conflict against other enemies (e.g., Syria, Hizballah).

The only practicable way to reduce the severity of this threat is to control more territory, but the range of possibilities on that issue is also close to nil. In other words, Israel will incur a considerable security risk if it reaches a permanent agreement with the Palestinians.

Palestinian Borders with Other States

In the past Israel toyed with the illusory possibility that even after implementation of a permanent arrangement, it would continue to control the border between a Palestinian state and its neighbors. Today it is abundantly clear that this would be impossible. First there is the Philadelphia Corridor precedent, in which Israel left the Gaza-Egypt border without a permanent agreement—it is not reasonable to believe that once such a

deal has been reached, Israel could turn back the clock and reassume control of that border.

The more complex problem is the 70-kilometer border with Jordan. Even if the Palestinians agreed that Israel should maintain control over a strip along the Jordan River, any effective security zone would have to be at least 8–10 kilometers wide and contain permanent Israeli military facilities and a large number of forces. This would require the annexation of about 11 percent of the West Bank in addition to the settlement blocs annexed elsewhere. There is no chance that the Palestinians would accept this arrangement. As such, Israel would be forced to concede control of the Jordan-Palestine border. Clearly, without unbroken Israeli control along that border, there would be little point in requiring Israeli supervision at individual border crossing points—that would be like placing a locked door in the middle of a desert. In other words, there will be no Israeli presence on the Palestinian state's eastern border, a situation that would only exacerbate the problem of arms smuggling.

Theoretically, there is another option: deployment of an international force along the border. From Israel's perspective, however, such forces are usually ineffective; hence, there would be no incentive to pursue that approach. (See the last section of this chapter for a fuller discussion of this issue.)

Corridor to Jerusalem

If Israel returned to the 1967 borders, an intolerable situation would emerge in the Jerusalem corridor. Only one road (Highway 1) would connect the capital with the rest of the country. This would drastically restrict movement to the city and create a security problem—namely, any Palestinians in possession of an efficient mortar range, standard antitank weapons, or even light arms could effectively control the road from the border.

In terms of security, Israel would prefer to annex the entire area north of the corridor, up to and including Highway 443 (which connects Ben Gurion Airport to northern Jerusalem via Modiin and runs parallel to Highway 1 at a distance of 5 kilometers). This is not practicable, however, as it would involve absorbing West Bank territory far in excess of 3 percent, not to mention the 45,000 Palestinians currently living there. One solution is to grant the Highway 443 corridor a special status, making it an Israeli "safe crossing" of sorts within Palestinian territory. Determining this corridor's width and security arrangements would spur a difficult debate, but the dispute appears solvable.

The Security Barrier

The 2000 negotiations were conducted in "an Oslo atmosphere," wherein the prospect of a peace treaty was viewed as favorable for both sides because it would allow greater cooperation, open borders as in Western Europe, and so on. The current Israeli approach embodies the opposite thinking: that openness poses a risk. Accordingly, any final-status discussions must acknowledge that the border between the countries will include a security barrier with crossing points.

Of course, the need to retain the barrier is tied to broader trends. For more on this issue, see chapter 8, which examines the nature of relations between the two countries in the event a permanent agreement is reached.

The Eastern Front

At the time of the 2000 negotiations, Iraq was still under Saddam Hussein's control, and Israel was therefore keen to account for the threat of an Iraqi land invasion through Jordan. Although Jordan was regarded as a buffer against such threats, it was believed that a long-term peace treaty with the Palestinians had to provide a solution for worst-case scenarios such as a potential deterioration in the character of the Jordanian regime.

In light of these concerns, Israeli negotiators requested a security zone along the Jordan Valley about 10–20 kilometers wide as a minimum geographic depth to counter any threatening enemy divisions. Following clear Palestinian opposition, Israel was forced to compromise and make do with more modest demands: first, that it be permitted to maintain several permanent facilities with armored battalions in the valley, and second, that three major axes through the valley be defined as corridors that it could use to transfer forces in emergency situations without requiring Palestinian consent.

Today, it appears that Israel will have to concede on even these demands, for two reasons. First, the immediate Iraqi threat has disappeared. Second, the Palestinians are expected to strongly oppose each demand, particularly the provision that would prohibit them from building houses close to the axes that would cut across their country from end to end.

Airspace Control

One of the more incomprehensible Israeli concessions in 2000 was its softening on demands regarding the airspace rights of a new Palestinian state. Today, it appears that Israel will insist on retaining exclusive control of the airspace above the West Bank. Israeli military personnel will rightly argue that without such control, the air force will be unable to effectively counter an aerial attack from the east, whether it comes from Iran, Iraq, Jordan, or Syria.

The Palestinians are expected to strongly oppose such a demand. First, the precedent of 2000 works in their favor. Second, aerial control is an important symbol of sovereignty that is difficult to forego. Third, in Israel, the air force controls both military and civilian air traffic. This means that any Palestinian civilian air traffic (e.g., commercial flights between Jordan and an airport to be built in the West Bank) would also be controlled by the Israeli air force—a major stumbling block.

The Electromagnetic Spectrum

The virtual realm known as the electromagnetic spectrum was not adequately emphasized by Israel during the 2000 talks and may prove as problematic as the airspace debate. Control of frequencies is a sensitive and crucial issue in large part due to geography. The short distance between Israel and the Palestinian areas, and the clear altitude advantage of the latter, create a real problem. For example, if the Palestinians placed a powerful transmitter on a hillside in Ramallah and began to broadcast on uncoordinated frequencies, civilian flights would not be able to reach Ben Gurion Airport.

Moreover, Israeli frequencies are arranged according to civilian and military channels. This arrangement is crucial for orderly use by the military, in part because most of Israel's sophisticated weaponry uses radio transmissions. This arrangement must also be applicable to any Palestinian state. Yet, as with the airspace issue, the Palestinians are expected to oppose the formula that Israel will demand—complete Israeli control over Palestinian frequencies.

Intelligence Warning Stations

Currently, Israel has a number of intelligence bases in the West Bank. Their missions include intelligence monitoring of activities in both Palestinian territory and other countries, with the latter mission serving as an early warning system to offset Israel's lack of geographic depth.

The Palestinians will rightly argue that in a state of peace, there is no justification for allowing the existence of Israeli intelligence bases in their territory if the purpose is to monitor Palestinian activities. With regard to monitoring other states, the Palestinians will likely permit foreign-warning stations in their territory, but they will demand that any such installations be manned by an international (American) element, not by Israelis. Israel will strongly oppose that demand. Therefore, a complicated debate is expected on this issue, centering on four key questions:

1. How many warning stations will be established in Palestinian territory, and where will they be located?

2. Who will man these stations? If Israelis, how many personnel will there be?

3. Who will control security of the axis leading to these locations?

4. How long will the arrangement last? The Palestinians will want to limit the period to a number of years, while Israel will insist on permanent stations.

Control of Firing along Highway 6

Highway 6 is a relatively new road that traverses Israel from north to south. The whole of the road is located inside the 1967 borders but runs very close to the line. Near Tulkarem and Qalqiliya it runs right alongside

buildings within those cities. Even though there is a wall between the road and the cities, it is easy to fire on Israeli vehicles from the roofs of Palestinian buildings using only light arms. Highway 6 is an important road in general, but it would become particularly crucial in a time of war (e.g., if a conflict erupted with Syria).

Given these factors, Israel must ensure that the entire length of Highway 6 is unthreatened by flat-trajectory weapons from the Palestinian side. This can be achieved by a combination of three measures: moving the border to the east (within the confines of the small percentage of territory that Israel is permitted to annex), raising the height of the wall and reinforcing it, and limiting the height of Palestinian buildings near the border, particularly in Tulkarem and Qalqiliya.

Less Contentious Issues

Overall, the security issue is relatively simple compared with sensitive topics such as Jerusalem, refugees, and territory. Nevertheless, as indicated by the analysis just offered, even this less emotional issue presents wide gaps that will be very difficult to overcome. At the same time, there are some important security principles that seem to be less in dispute.

Military pacts and diplomatic relations. The Palestinian state will be prohibited from entering into any military pact or alliance with another country, except for security arrangements with Israel or a tripartite regional security regime with Jordan and Israel. It will also be prohibited from having within its borders diplomatic representation (such as embassies or attachés) from any country that is officially at war with Israel or calls for Israel's destruction.

Deployment of foreign troops. The Palestinian state will be prohibited from allowing foreign troops on its territory, either temporarily or permanently, and will take all measures at its disposal to prevent such deployments. Similarly, it may not allow the passage of foreign forces through its territory or the training of such forces within its borders, whether by themselves or alongside Palestinian forces. The new state will also be prohibited from admitting any foreign military instructors or advisors into its territory without Israel's prior consent. In the event that Jordan, Israel, and the Palestinians establish a joint security regime, such advisors will be permitted if both Jordan and Israel consent to their presence.

Palestinian forces. The Palestinian state will be permitted to maintain a defense-oriented security force whose main duties would be to maintain public order, ensure internal security, fight terrorism, prevent border infiltration, and deter those who wish to sabotage these missions. Despite the nature of these missions, it is important to emphasize that all parties should avoid portraying the force as "Israel's policeman." At the very least, the United States needs to understand how the Palestinians will perceive a situation in which their forces are trained to enforce Israeli security needs as their chief priority.

In essence, this will be a strong police force. Its size will be identical to the limits agreed to in the 1995 Interim Agreement (Oslo II)—that is, a total of 30,000 personnel deployed in the West Bank and Gaza. This figure, which is larger than the Israeli regular and border police combined, is sufficient for the tasks described above.

Through common agreement, a constitutional cap will be put on the amount of money the Palestinian state can spend on its defense and armed forces, defined as a percentage of the state's gross domestic product. Reaching agreement on this figure will be difficult, with debates sure to erupt over conflicting interpretations of defense expenditures and the role of other sources of defense revenue (e.g., grants, gifts, foreign aid, training).

In addition, the Palestinian state will be prohibited from having a standing army, a national militia, mandatory military service, or a military reserve system. Its forces will be armed primarily with light personal weapons. It will also be allotted a reasonable quantity of machine guns, several dozen armored cars (with no antitank weapons or cannons of any caliber), and a number of transport helicopters.

Fighting terrorism. A cornerstone of the security arrangements will be detailed commitments between the two parties regarding regular cooperation in the

battle against terrorism, including efforts against individuals and groups that oppose the peace process, Israel and its citizens, and Jewish targets around the globe (e.g., to prevent a repetition of Argentina-type terrorist attacks). This cooperation will be unconditional and unconnected to the political relationship between the two parties. The Palestinians should also commit to banning all armed militias, rooting out the terrorist infrastructure, confiscating all illegal weapons, and establishing an effective system of licensing and registering all police and civilian-held weapons.

Joint inspection. Israel and the Palestinian state will establish joint supervisory committees to verify compliance with the security arrangements in their peace treaty. These committees will supervise the Palestinian safe passage routes between Gaza and the West Bank. It would be useful, though not essential, for U.S. personnel to participate in these committees as observers, to sit on a steering committee charged with overseeing the inspection regime, and, with Israeli and Palestinian consent, to recommend changes in the inspection procedures. Bilateral commitment is essential to maintaining a regular, proper inspection regime, but a third party could enhance this process, and the United States is the most appropriate candidate. Not only is its influence over the two parties considerable, but Washington could also leverage this role into enlisting substantial international and inter-Arab support for the process. At the same time, it is important that any U.S. involvement be phased out over time. Finally, in the event a tripartite security regime is established with Jordan, a Jordanian representative should participate in the inspection system on those issues concerning that country directly.

Amending the final agreement. Once enacted, the peace treaty and its terms, especially those regarding security arrangements, should have no expiration date. In addition, any proposed changes would have to be made through the common consent of both parties. The parties would also agree to revisit the treaty's relevant terms in the event of significant regional changes (e.g., the establishment of a Jordanian-Palestinian confederation).

Introduction of International Troops?

Even if every specific security problem is solvable, the fundamental problem remains: Israel wants to see clear evidence that the Palestinians can dismantle the infrastructure of all terrorist organizations before it makes a commitment to give up land. The Palestinians are either unwilling or unable to demonstrate such a capability until Israel signs a final-status agreement guaranteeing withdrawal to the 1967 lines within an acceptable timeline.

To resolve this dispute, some have suggested introducing international troops. For Israel, its past experience—whether along the Gaza-Egypt border or in southern Lebanon—clearly suggests that the introduction of such troops is never a substitute for a reliable national armed force. The presence of international troops can be effective only if two conditions are met: both parties must be genuinely interested in stability, and both sides of the border must be controlled by strong and accountable governments. The UN force in the Golan Heights is effective because these two conditions are met, while a similar UN force in southern Lebanon has failed because the circumstances there are exactly the opposite.

4 | Water Rights

IN THE MIDDLE EAST, water is a strategic commodity over which nations have fought wars and made alliances. Israel treats this issue as one of strategic importance and will give it a central role in negotiations over the establishment of a Palestinian state, no less important than more traditional security concerns. At the same time, water issues have the greatest potential to promote productive cooperation between the parties if they truly intend to live peacefully alongside each other. Unlike geographic borders, which are relatively easy to demarcate, water flows according to its own logic, irrespective of political differences. In many cases it flows underground, through subterranean aquifers that cross boundaries between states. Moreover, unlike most other assets a state may possess, water is a vulnerable commodity; for example, unsupervised drilling or pollution of an aquifer on one side of a border can immediately affect water on the other side. This means that merely erecting high fences between adversarial neighbors is not sufficient to protect one party's water resources from the other.

An Interdependent Issue

About 60 percent of Israel's water comes from aquifers either located in or connected to the West Bank. The connection between Israeli and Palestinian water resources is so pervasive that aquifers on Israel's coastal plane are directly affected by drilling in the West Bank. The reverse is true in Gaza—even after Israel's 2005 withdrawal, that territory is largely dependent on water from Israel.

Israel's objectives are to protect its water sources, prevent their contamination, and insulate them from any chaos that might ensue in the Palestinian water market with the onset of statehood. These objectives can be achieved only through active cooperation between Israel and the Palestinian state. Without detailed, unambiguous commitment to such cooperation—including firm guarantees that Israel's water sources will never be harmed, directly or indirectly—it is doubtful whether Israel will ever acquiesce to the establishment of a conventional Palestinian state. This is a precondition upon which Israel must insist vigorously. Similarly, Israel hopes that Jordan would participate in cooperation concerning shared water sources such as the Jordan River, including the ambitious plan to build a canal that would bring water from the Red Sea to the Dead Sea.

As Israel works toward these objectives, it is important to keep in mind a sense of fairness regarding water usage and the prospect that inequities can promote instability. For example, it is not politically tenable for citizens on one side of the border to have an abundance of clean water while those on the other side have a supply that is insufficient, dirty, or both. More specifically, it would not be sustainable, in a final-status context, for Israelis in annexed areas of the West Bank to enjoy four times more water than their Palestinian neighbors, with Jewish children playing in swimming pools while nearby Arab children lack enough water to bathe. Ariel Sharon was one Israeli official who understood this problem, telling Palestinian leaders that he was in favor of equal water sharing between Palestinian and Israeli residents of the West Bank. His approach was for Israel to retain ultimate control over water sources—in other words, over equal distribution of water itself, but not territorial control over water resources.

As they negotiate terms for the establishment of their own state, the Palestinians are unlikely to accept this proposal. And although many Israelis seem willing to accept the sharing of water supplies in principle, some have repeatedly emphasized the 1966 Helsinki Convention, which addressed the question of fair distribution of water among states. One of the convention's underlying premises is the idea that in determining formulas for such distribution, care must be given to ensure that the state transferring water to other parties will not be significantly harmed in the process. In other words, the transfer should not cause a significant adverse affect on the lifestyle of those giving up their

water for their neighbors' benefit. Therefore, current usage must be given strong consideration in any water negotiations. Balancing these competing interests will be a difficult task.

Israel must also take into account that rising birthrates in Jordan and the Palestinian state will accelerate their future demands for water—demands that will be directed mainly at Israel even as the Arabs begin to improve their own water sources. If Israel acquiesced to such demands, it would in effect be paying a political surcharge for having succeeded in its long, uphill effort to develop and improve the quality of its limited water sources.

In thinking about the role of water in final-status negotiations, it is important to note that the issue already figures prominently in the interim agreement between Israel and the PA, as well as in the Israeli-Jordanian peace treaty and subsequently brokered bilateral agreements. In the Israeli-Palestinian case, the interim agreement makes reference to Palestinian water "rights" in the West Bank (though not in the Jordan River basin, as the Palestinians had first demanded). This was an important albeit partial achievement for the Palestinians—although Israel accepted their right to certain amounts of water (to be reassessed in the future), it did not cede control over water sources.

In future negotiations, the Palestinians are almost sure to demand additional amounts of water, and Israel should recognize this as a legitimate claim. Israel should be especially open on the issue of drinking water, even offering to assist the Palestinians in this regard (e.g., helping them build modern purification facilities). Israel should also try to meet the Palestinians halfway on the question of who controls certain water sources, particularly those that serve mainly the Palestinian population. As its principal compromise on the issue, Israel could offer the option of joint control over certain sources, with veto rights for each of the parties.

In other areas, Israel must be careful to ensure that its rights are not adversely affected. It must be especially vigilant to prevent any action that could damage local water sources—whether under Israeli or joint control. This includes activities that could contaminate its water quality. Israel should also insist that the water plan include a joint supervision system in which there is swift and strict enforcement, through a joint mechanism, of all regulations concerning water usage within the Palestinian state (e.g., to prevent rogue drilling and unlawful pumping). According to various water experts, Israel has an interest in ensuring that no unauthorized West Bank drilling occurs in a zone two to six kilometers east of the Green Line. It must also ensure that the Palestinian state has clearly defined plans for regulating sewage water, which is a major source of contamination that can all too easily drift over to the Israeli side of the border. This is in addition to separate Palestinian commitments regarding full cooperation on an array of other environmental security issues, including the protection of joint natural resources such as Dead Sea minerals. All such commitments should be based on the understanding that actions on one side of the border can cause irreparable harm on the other side.

The Palestinians should recognize that a rigorous water regime would also benefit them, primarily by safeguarding their water sources. Otherwise, they can expect an accelerated process of water salination in the West Bank that would be detrimental to the political viability and future economic development of their state. For example, after the Israeli withdrawal from Gaza, Palestinian civilians there drilled hundreds of wells without obtaining permits from the PA.

Any joint Israeli-Palestinian plan should also include sections on creating new water sources for both parties, whether by purifying sewage water, damming floodwaters, or building large desalination plants. The growing need for desalination in particular is clear. In the past, Israel offered (using funds from donor countries) to build a special site near Hadera (halfway between Tel Aviv and Haifa) to supply desalinated water for Palestinian use only. Today, neither side seems interested in such an arrangement. Even so, any final-status territorial realignments would require Israel to relinquish a certain portion of West Bank water supplies to the Palestinians. Therefore, even if its domestic demand remained stable,

Israel would still have to accelerate the construction of desalination sites along the coast simply for its own use. Specifically, this would mean the construction of a plant that could produce 60 million cubic meters of water every year. Such a facility would cost about $200 million to build.

5 | The Question of Settlements

THERE ARE 123 Israeli settlements and approximately a hundred unauthorized outposts in the West Bank. As mentioned in previous chapters, these numbers do not include neighborhoods built inside the expanded municipal boundaries of Jerusalem, which Palestinians consider to be settlements. The total population of the West Bank settlements is about 270,000. More than half of the residents live in nine large communities, including Maale Adumim, Ariel, Efrat, Qiryat Sefer, and Beit Arye, the latter two of which contain a large *haredi* (ultraorthodox) population.

For Palestinians, nothing epitomizes the Israeli occupation more than settlement activity. Most of them do not believe that a Palestinian state can exist as a viable political entity as long as settlements remain in its midst. For Israelis, settlement in the areas commonly known by their biblical names of Judea and Samaria is rooted in a combination of issues, including security, history, and ideology. Today, settlement has taken on quite practical aspects as well, because any decision on the matter will have an immediate effect on tens of thousands of Israeli families.

It is important to place Israeli settlement in the territo in historical context when addressing it within overall negotiations for the establishment of a Palestinian state. The two political parties that have dominated Israeli politics since the state's formation, Labor and Likud, share responsibility for the issue because both supported, funded, and built settlements while in power. The parties did not share the same approach to the placement of settlements within the territories, however. Although Labor did permit the inauguration of Qiryat Arba on a hill overlooking the West Bank city of Hebron, its settlement construction efforts generally focused on the sparsely populated Jordan Valley and the region around the capital city of Jerusalem. In the decade following the 1967 war, when Labor was in power, settlement activity was limited to about 10,000 Israelis moving into a small number of settlements, primarily in the Jordan Valley.

Likud took a different approach. The current pattern of settlement placement, with numerous small settlements scattered throughout the territories, especially in proximity to densely populated Palestinian areas, was designed and implemented by Likud governments with two strategic purposes in mind: in the short term, to prevent the establishment of territorially contiguous areas of Palestinian autonomy, and in the long term, to prevent the establishment of a Palestinian state. That is the obvious intent of constructing dozens of tiny settlements rather than larger settlements that are, by their very nature, easier to defend.

Significantly, the settlers themselves do not constitute a monolithic bloc. Over the years, Israelis have moved to the territories for a variety of reasons: Zionist ideology, religious appeal, economic incentive, or simply convenience and proximity to major urban centers. These different motivations have an important impact on how different settlement residents view their political future, the future of their communities, and the question of relocation and compensation. For example, the evacuation of places like Qiryat Arba or Beit El would be extremely difficult, likely generating resistance beyond anything experienced to date. In these and similar communities, a combination of four elements would complicate dismantlement: their size; their historic and religious importance; their status as symbols; and the commitment of their inhabitants not to leave. Any Israeli government will consider this difficulty as one of the main reasons not to sign an agreement with the Palestinians—the expected dispute within the Jewish population would be unprecedented.

Impact of the Gaza Withdrawal

In December 2003, Prime Minister Ariel Sharon announced the decision to "disengage" from Gaza. President George W. Bush endorsed his plan in April 2004, and the Israeli government officially approved it a few months later. The withdrawal itself took place in August 2005. Israel dismantled twenty-two settlements in Gaza (and four small settlements in the West Bank) and relocated their residents.

As described in chapter 1, the current status of these evacuees—many of whom still lack permanent residences and jobs—and the per capita cost of moving them are sobering. These statistics indicate the enormous difficulties that Israel would face if it relocated a much larger number of settlers from the West Bank.

Expected Costs

The total direct cost of evacuating West Bank settlements would be more than 30 percent of Israel's budget for a given year. Even if implementation lasted three years rather than one, it would still be a huge burden. Although the United States would likely assume all or most of the costs associated with redeploying Israeli military forces, Israel alone would bear the cost of relocating the settlers (unless diaspora Jews created a special fund toward this end). More specifically, the total number of evacuees would fall between 85,000 and 110,000 (depending primarily on whether Ariel is included), and the cost per person would be at least 20 percent higher than that of the Gaza withdrawal. Even if the same evacuation law were exercised in the West Bank, the demographic and economic characteristics of that territory's population differ significantly from those of the Gaza settlers. In all, the civilian dimension of a West Bank withdrawal could cost more than $30 billion.

In order to defuse some of the tension and frustration that this process would engender, the Israeli government would likely comply with almost every demand the settlers made. For example, most of this population would seek to live in other areas of Israel rather than in existing settlements that will remain intact on the Israeli side of the border. That is, many of them will demand the right to build new settlements, ones that share the same characteristics as their old settlements but located in the center of the country (and not in the Negev). As mentioned previously, if the government acceded to this demand as expected, the impact on Israeli real estate prices would likely be dramatic.

A Final-Status Nonstarter?

Assuming that a conventional final-status agreement would cede relatively little West Bank territory to Israel, the issue of dismantling so many settlements and evacuating so many Israelis is the strongest incentive not to proceed with such negotiations. Even if the government is ready to make all the necessary concessions and take the relevant security risks, many leaders are concerned that Israel might not be able to implement the agreement because of the painful division that would open within the Jewish population.

6 | The Refugee Issue

THE PALESTINIAN REFUGEE situation is the oldest active problem of its sort in the world, with some refugee camps now more than sixty years old. Discussing the issue touches the heart of the Israeli-Palestinian dispute, immediately prompting debate over who is responsible for initiating the Arab-Israeli conflict, starting the 1948 war, and creating the refugee problem in the first place. Those questions lead to a host of others: What constitutes a just solution to the refugee problem? Should Israel pay the price for the other side's military defeat? Is the problem amenable to comprehensive or only partial solutions? Where will the refugees live if a final-status agreement is reached? Who owes compensation to whom, and who should pay this debt? And what about the claims of the hundreds of thousands of Jewish refugees from Arab countries who lost their property and were forced to flee in the years following Israel's founding?

Another difficulty lies in the fact that, unlike other items on the final-status agenda, the refugee issue poses basic questions of representation. For example, would the Palestine Liberation Organization (PLO), and the eventual Palestinian state, represent all Palestinian refugees everywhere, including those who have since become Jordanian citizens, supported for decades by the Jordanian state? Should Jordan be party to negotiations over refugees? If so, should it receive some compensation directly from these negotiations, or should it discuss the matter separately with the PA or Israel? Can the refugee problem be settled without the direct participation of Syria and Lebanon? And what about those Israeli Arabs who were "internal refugees," that is, individuals who were displaced during the war and lost their property? Will the PLO/Palestinian state claim to represent them?

As difficult as these questions are, the parties must accept several immutable facts if they are to reach a solution to the refugee problem. First is the enormity of the problem. Although the statistics are disputed, the UN Relief and Works Agency claims that there are approximately 3.47 million Palestinian refugees scattered throughout the Middle East and elsewhere, with the largest concentrations in Jordan, the West Bank, and Lebanon. Israel cannot simply ignore the problem, regardless of who bears or shares responsibility for its creation. Instead, Israel must recognize that its conflict with the Palestinians will not end without a good-faith effort to solve the gnawing refugee dilemma. If Israelis believe they can sweep the refugee file under the rug, perhaps with the consent of the current Palestinian leadership, they are wrong—any refugees left out of a final-status agreement would raise the mantle of war against Israel as though no agreement had ever been signed. This does not mean that Israel has to blindly accept Palestinian demands. After all, the current Palestinian proposal would constitute a threat to Israel's existence. Nevertheless, Israel must offer a helping hand and do everything in its power to resolve the refugee problem, so that it does not become an incubator for the eventual resumption of conflict.

For their part, the Palestinians cannot remain oblivious to the fact that their shoddy handling of the refugee situation has had a negative effect on Israel. They should recall that Israel pursues peace as a choice, not as a wartime necessity—Israel won its wars against the Arabs, yet it still chooses to make painful territorial concessions and seek historic compromises with the Palestinians. Why? The main reason is the heartfelt Israeli desire to remain a Jewish democratic state, not a state that rules over other people through force. Although opinions differ on the wisdom of the Oslo Accords, it is quite clear that Yitzhak Rabin and Shimon Peres did not pursue that path out of a sense of weakness or defeat. On the contrary, despite all the years of war, terrorism, and intifada, they entered the peace process still believing that all the territorial cards were firmly in Israel's hands. Compared with the real fear of imminent Arab attack and the threat of being driven into the sea, which shaped Israel's national existence for much of the past half century, Israel's current strength constitutes a tremendous change in its strategic situation.

With this in mind, Palestinian leaders must understand that Israel's great concession for peace will be territorial: the willingness to permit the establishment of a Palestinian state. That state and the other countries where refugees currently reside will have to provide the setting for resolving the refugee problem. Palestinians cannot expect Israel to both concede territory and absorb refugees—that is simply impossible. No Israeli government could agree to decrease the state's size by withdrawing from territory and then in turn exacerbate domestic demographic problems by also agreeing to absorb refugees—such a move would threaten Israel's existence as a Jewish democracy. Adding Palestinian refugees to Israel's already fast-growing Arab population is something that the government must seek to prevent at all costs. The Israeli position is simple and clearly delineated: the two-state approach means that there should be one state for the Jewish people and one state for the Palestinian people. The refugees deserve a fair solution, but in order to be sustainable and acceptable to both parties, it must be implemented within the Palestinian state and other Arab countries. In fact, many Israelis view the need to resolve the refugee problem as one of the main reasons why a Palestinian state should be founded.

Palestinian leaders have a different view. They do not accept the idea that a Palestinian state in which all refugees enjoy equal rights is fair compensation for the loss of land and home. Since they understand that Israel can never approve the return of millions of Arabs, they instead insist on the "right" of return rather than actual, full return. Specifically, they have two demands. First, they want it publicly affirmed that the refugees have the right to return to their homes in Israel. Second, they insist that at least a few thousand refugees be permitted to actually exercise that right and immigrate to Israel (the others will "voluntarily" choose to stay where they are or move to the Palestinian state).

The Palestinians support their claim by mentioning previous Israeli positions that expressed willingness to enable some refugees to return. In 1949, for example, during the failed Palestine Conciliation Commission talks in Lausanne, Switzerland, Prime Minister David Ben Gurion made a conditional offer to absorb about 100,000 Palestinian refugees. At that time, the number of Palestinian refugees was estimated at 700,000, with the entire Jewish population of the new state fewer than one million. His condition for the absorption was that Arab countries would absorb the rest, terminate their conflict with Israel, and sign peace treaties based on the armistice frontiers. When the Arabs rejected these conditions, Ben Gurion withdrew his offer, and Israel has never repeated it.

More relevant is the Israeli position as it was understood by the Palestinians (and by some Americans as well) during the January 2001 negotiations in Taba, Egypt. At the time, Israel indicated at least an implicit readiness to enable some tens of thousands of refugees to return to Israel based on the principle of "family reunification." But as Prime Minister Ehud Barak repeatedly stated at the time, "Nothing is agreed unless everything is agreed." Nevertheless, the Palestinians insist that because such a gesture was offered then, at least a similar arrangement should be offered now.

Jordan's Role

Both Israel and the Palestinians should also recognize that there is a third major party tied to the refugee problem: Jordan. That country has absorbed three waves of Palestinian refugees: in 1948, when Israel was founded; in 1967, following the Six Day War; and in 1991, following the Gulf War, when nearly 300,000 Palestinians carrying Jordanian passports were expelled from Kuwait. For half a century, Jordan has opened its doors to far more Palestinian refugees than any other Arab country—a heavy burden for a relatively poor, weak state with few natural resources. As Israelis and Palestinians seek to resolve the refugee problem, Jordan will demand that its burden be eased in all respects—politically, demographically, economically, and in terms of natural resources such as water.

Specifically, Jordan expects that any final resolution to the problem will involve a certain number of the refugees currently residing within its borders to move across the river to the Palestinian state. Even if many Palestinians choose to remain in Jordan and maintain their businesses there, Jordanians expect that they will

be citizens of the Palestinian state, with voting rights there rather than in Jordan. In either situation, Jordan expects substantial financial compensation for its past support of the refugees and for the still-daunting task of integrating a large number of them into Jordanian society.

Thus the first operational principle in solving the refugee problem—a principle that must be recognized before a Palestinian state is established—is that a solution cannot be found in Israel. Rather, Israel will agree to discuss only how Palestinian refugees can be most easily and efficiently absorbed in their new state. Accordingly, a joint Israeli-Jordanian-Palestinian committee should be established to focus specifically on this process. The committee would consider the full set of issues regarding the flow of refugees into the new state, with an eye toward ensuring the state's economic stability. In fact, such joint coordination should be regarded as a precondition to Israel's acceptance of the idea of Palestinian statehood, given that an unregulated stream of refugees could spark local and regional upheavals.

From Israel's perspective, preference of entry should be given to the displaced persons of 1967, whose return to Palestinian territory Israel already accepted in the Oslo Accords. Although Israel should participate in a humanitarian effort to rehabilitate these refugees, it must also insist that it bears no responsibility to compensate them individually for damages suffered due to a war instigated by others, during which Israelis themselves suffered greatly. In order to underscore its rejection of such claims, Israel could perhaps present its own claims to regain Jewish property in Arab countries.

Conclusions

In practical terms, it would be easier to solve the refugee issue than other core problems. Yet the Israeli-Palestinian conflict transcends practical considerations, and from that perspective, the refugee issue represents the essence of the clash between the two national movements. For many Israelis, the Palestinians' drive to return to their homes in Tel Aviv or Haifa is solid proof that they are not really interested in a two-state solution, and that they will continue to fight until they achieve their "real" goal: the elimination of Israel as a Jewish state. And for many Palestinians, the recognition and significant implementation of the "right of return" is more important than a state, especially when that state is destined to be so small, fragile, divided, and dependent.

A solution to this problem seems unattainable without the emergence of a new Palestinian leadership that can at least modify the Palestinian narrative. This amended narrative should include not only the need to "end the occupation" and achieve a "just solution" to the refugee issue, but also the need for a historic reconciliation in which both parties make painful concessions.

7 | The Future of Jerusalem

JERUSALEM IS ONE of the most sensitive subjects in the Israeli-Palestinian conflict. Although there is a reasonable solution that would seem to satisfy the vital interests of each side, both parties clearly remain too suspicious of the other to sincerely consider fair compromises.

Background

Jerusalem was originally divided by the 1949 armistice line, with most Arabs (excepting one neighborhood) on the Jordanian side of the line and all Jews on the Israeli side. All of the important Jewish historical sites and the Old City remained on the Jordanian side. In June 1967, a few days after the Six Day War ended, Israel annexed the entire remainder of the city. When the new border of Jerusalem was demarcated, it included not only the Old City and the Arab districts of east Jerusalem, but also some villages located further east. As a result of that decision, thousands of Palestinians became "permanent residents" of Israel. They have Israeli identification cards and enjoy all the rights of Israeli citizens except the right to vote or run for office.

A Multipart Problem

The Jerusalem issue encompasses several dimensions: the Old City, the rest of the city, and territorial contiguity. Generally speaking, resolving the latter two dimensions is less delicate, though by no means simple.

First, both sides understand in principle that the Jewish neighborhoods will be part of Israel and all or most of the Arab neighborhoods will be part of the Palestinian state. Most Israelis agree that Palestinian areas located on the southeastern and northern sides of the city should be Palestinian territory. Almost all Israelis would support the idea of giving up Kafr Aqab and the Shuafat refugee camp, which officially belong to the city of Jerusalem but are located outside the security barrier. Most Israelis would also concede the southern districts of Jabel Muqaber and Zur Baher. It would be more difficult (but still possible) to convince Israelis to relinquish the neighborhoods of Beit Hanina and Shuafat (near the refugee camp by the same name) because of their proximity to Jewish neighborhoods. The total number of Arabs who live in all of the noted areas is approximately 113,000.

It would be even more difficult to persuade Israelis to give up those areas that are closer to the Old City, but even this so-called division of the city would be possible as long as the Mount of Olives remained in Israeli hands.

The Old City. The Old City of Jerusalem, a one-kilometer square surrounded by walls with eight gates, is divided into four districts: Muslim, Christian, Jewish, and Armenian. Most of the key religious sites for the three main faiths are located within the Old City walls. For Jews, the most important site is the Western Wall (part of the Temple Mount); for Muslims it is the Temple Mount itself (Haram al-Sharif), with its two mosques.

At least two different final-status plans for the Old City issue can be proposed, both of which would preserve the existing arrangements regarding the religious authorities. The first proposal is that the Old City be recognized as a "special area" with its own special regime. Responsibility for security and public order would be given to a special police force consisting of Israelis and Palestinians (and possibly a small international force). Jews and Arabs who are residents of the Old City would be regarded as citizens of Israel and the Palestinian state, respectively.

The second proposal calls for dividing the Old City. The Jewish quarter including the Western Wall would be part of Israel and be connected to the Israeli city of Jerusalem. The rest of the Old City would be part of the Palestinian state. The border between the two states would be demarcated exactly on top of the Western Wall, where the Temple Mount begins. Marking such a sensitive border in clear, definitive terms would be difficult, but not impossible. From a political point of view, this solution could work as long as the holy Jewish portion and the holy Muslim portion are under the full sovereignty of Israel and the Palestinian state,

respectively, and as long as both sides enjoy full territorial contiguity. The Palestinians would be more likely to accept this proposal, since all of their religious sites would be located on their side of the border. Many Jews, however, regard the Western Wall as only part of their most holy place; therefore, strong opposition to this compromise should be expected in Israel.

The problem of territorial contiguity. The Palestinians seek a north-south corridor through Jerusalem that would connect Ramallah and Bethlehem, and they would demand that this corridor be under their full sovereignty in any final-status agreement. Similarly, Israel seeks to maintain a wide territorial connection between Jerusalem and Maale Adumim. Whether or not this annexed area included E-1—the largely empty area between the city and settlement—it would interrupt Palestinian contiguity. The only possible solution to this dilemma is the construction of a highway (and long bridge) that would give the Palestinians safe passage across the land between Jerusalem and Maale Adumim; Israel will not give more than that.

An Unattainable Solution?

In addition to the familiar national and religious quandaries associated with Jerusalem, there is now another severe problem: security. Many Israelis are afraid that the Palestinian police alone would not be able to enforce order or guarantee security in a two-state arrangement. In the case of Jerusalem, the problem would be greatly magnified because it could manifest itself only a few hundred meters from some of Israel's most sensitive sites, including the Knesset, the prime minister's house, the national police headquarters, and so on. Moreover, Muslim, Christian, and Jewish holy sites could all be endangered if, for example, a weak Palestinian police force allowed Muslim extremists to have access to those areas.

Indeed, for many Israelis, the fear that Hamas will eventually control these sensitive urban areas is reason enough to oppose any division of the city. Presently, it is this concern—not the difficulty of giving up Arab districts—that makes the resolution of the Jerusalem problem virtually unattainable.

8 | The Relationship between the Two States

DURING THE OSLO PERIOD, many Israelis supported the two-state concept, not only because they viewed such a compromise as inevitable, but also because they believed that the creation of two states living in peace alongside one another would contribute much to the Israeli economy. The peace process at that time emphasized the benefits of economic, security, and even cultural cooperation between the parties. Shimon Peres called it "a new Middle East," and others promoted the idea of open borders such as in Western Europe.

Today, it is clear that if a peace agreement is achieved, it will be based on a very different concept—one rooted in separation rather than cooperation. Any future negotiations will have the character of a zero-sum game rather than a joint project in which both sides enjoy the synergy. Naturally, this lack of synergy will decrease the motivation to reach such a deal.

This change in the Israeli approach resulted from two principal factors. First is the terrorist campaign that unfolded in Israel beginning in September 2000. Many of these attacks were carried out by Palestinians who worked in Israel (with or without permits). As a result, most Israelis are now afraid of Palestinians—they distrust them and do not wish to see thousands of them coming to work in Israel every day.

The second factor is demography. During the "good years" of Oslo, the number of Palestinians who received Israeli citizenship increased dramatically, primarily as a result of marriage with Israeli Arabs. Such a phenomenon could occur because there was no real restriction on the movement of Palestinians from the West Bank and Gaza into Israel. Most Israelis are afraid of further demographic changes along these lines and hence would prefer not to let Palestinians visit Israel so freely.

These two concerns help explain the support given to Ariel Sharon's Gaza disengagement plan. Most Israelis liked the idea that, at the end of the day, "We are here, and they are there." This sentiment would no doubt extend to any final-status plan as well. Initially, cooperation between the two states would be limited, proffered only when there is no other choice. Such activities would likely be restricted to four fields: water and environmental issues; security; energy; and the electromagnetic sphere.

The most significant difference between the former and current mindsets would be reflected in the economic realm. At present, Israel, Gaza, and the West Bank are one economic entity, sharing a single currency (the Israeli shekel) and a common "customs envelope." Goods produced in Gaza or Ramallah can be sent to markets in Tel Aviv as if they were produced in Haifa. Such an arrangement is possible only as long as Israel controls all of the passages to the Palestinian areas. In a two-state scenario, however, there would be no Israeli presence along the border passages between the Palestinian state and Jordan and Egypt; Israel would therefore have to alter the customs envelope. In other words, the movement of goods between the two states would become ordinary import-export activity. Moreover, there would be a security barrier along the border, and the movement of people and goods between the states would be permitted only through authorized passages.

In the absence of any Israeli presence along the Palestinian-Jordanian and Palestinian-Egyptian borders, Israel would try to encourage the Palestinians to strengthen their economic relationships with these two states and gradually decrease their dependence on Israel. Yet the results of such an approach would depend primarily on the level of openness that Egypt and Jordan exhibited. Both countries would likely be reluctant to give such assistance to the Palestinian economy.

Safe Passage

As mentioned in chapter 2, the Palestinians claim that since Gaza and the West Bank will be one political entity in any final-status arrangement, it is essential that there be a permanent land corridor connecting them—otherwise, they argue, the Palestinian state will not be viable. This demand for safe passage is a sensitive one, but solvable.

According to the Palestinian position, there should be at least two such passages, taking the form of roads connecting Gaza with Ramallah and Hebron. In their view, these roads should serve the Palestinians only—there should be no Israeli supervision.

Israel will agree in principle to safe passage, but only if three conditions are met. First, the corridors must be under full Israeli security responsibility. Second, Israel must be given the authority to enforce limitations regarding who is permitted to use the passages. And third, the Palestinians must reciprocally accept Israel's right to have a similar safe passage within the Palestinian state (e.g., Highway 443 from Tel Aviv to Jerusalem, as discussed in the "Security Arrangements" chapter).

Part II
Alternative Solutions

Overview

THE TWO-STATE APPROACH—at least the conventional version currently in play—is not the only possible solution to the Israeli-Palestinian conflict. Its main advantage is the direct involvement of only two parties, but this is also its most glaring current weakness. As mentioned previously, the traditional approach has created a zero-sum game: the more one side gains, the more the other loses.

Given the failure to achieve a final settlement based on this concept in 2000, as well as the stalemate since then, it is important to explore other possibilities. The two proposals presented in chapters 9 and 10 bring alternative ideas to the table and offer different paths to resolving the conflict.

9 | The Jordanian Option

LIKE OTHER ARAB STATES, Jordan did not accept the original UN partition plan for Mandatory Palestine. Following the departure of the British army in May 1948, the Jordanian Royal Army conquered the West Bank. From then until June 1967, the territory was under full Jordanian sovereignty. Israel continued to administer the area based on Jordanian law after 1967. Moreover, the Arabs of this area continued to be recognized as Jordanian citizens, the official currency remained the Jordanian dinar, and Jordan was officially in charge of the Muslim holy places, including the Temple Mount.

Between 1967 and 1993, Israelis debated two primary approaches to the West Bank situation. The Likud Party suggested that Israel should annex the territory and grant a measure of autonomy to the Arabs living there. The Labor Party offered to divide the territory into three parts. The central area, home to most of the Palestinians, would be returned to Jordan, while on the east and west, Israel would annex two "strips." The notion of an independent Palestinian state was completely rejected.

In 1988, a clandestine meeting in London between King Hussein of Jordan and Israeli foreign minister Shimon Peres served as the climax of bilateral discussions on the issue. These discussions centered on a third option: designating most of the West Bank as part of a Jordanian-Palestinian confederation. According to this concept, Israel would have given up almost the entire territory, and the Palestinians would have been free of Israeli occupation and able to enjoy limited independence. Meanwhile, Jordan would have been the only country permitted to deploy armed forces in the area. Israeli prime minister Yitzhak Shamir rejected the idea, however. Not long thereafter, King Hussein announced that Jordan would cease representing West Bank Palestinians. In the years since, Jordan has contended that the PLO is the Palestinians' sole legitimate representative. The notion of a Palestinian state thus became the only acceptable solution.

The Jordanian Option Today

Until recently, the idea of proposing any solution other than the two-state model was entirely unacceptable to all parties. Today, growing voices among the Palestinians, Jordan, and Israel are calling for an approach similar to the Jordanian confederation option of years past. The underlying catalyst for this shift is the rise of Hamas. In Jordan, many are concerned that any Palestinian state established in the West Bank would soon be taken over by Hamas, just as occurred in Gaza. Coupled with the growing influence of the Muslim Brotherhood within Jordan proper, such a development could lead to the collapse of the current regime in Amman. Certain leading thinkers in Jordan understand that the only Israeli-Palestinian agreement that can prevent such a result is a confederation of the West Bank and Jordan. This move would enable Amman to reinforce its authority and undermine any potential coalition between Hamas in the West Bank and the Palestinians in Jordan, who already form a majority of the country's population.

For their part, many moderate West Bank Palestinians believe that an independent Palestinian entity in the West Bank and Gaza would not be a viable state. Sooner or later, this unstable situation would facilitate a Hamas takeover, and moderate Palestinians would prefer to live under a Jordanian regime rather than Hamas.

It is important to note that most Palestinians never strove for an independent Gaza–West Bank state in the first place. They want to be free of Israeli occupation and pursue a normal life, but they do not much care about the exact form of the political solution. Statehood was Yasser Arafat's aspiration—the dream rose with him and began to diminish after his death. One of the reasons it diminished is that Israel continued to build settlements in areas the Palestinians thought would constitute their state. Such factors have made many moderate Palestinians realize that a state is not the only important objective, especially if it is to be a tiny, noncontiguous state.

The current PA leadership stands to lose the most if the Jordanian option is accepted, and this leadership represents only a small portion of Palestinian society. More specifically, Palestinian society is currently divided into three groups: those who support Hamas and oppose any political solution; those who still believe in a Palestinian state; and a third group, the silent majority of the people, who want a dignified solution. As far as this third group is concerned, the Jordanian option is just as good as a Palestinian state. (It should be noted that some of them might instead support a binational state, which many Israelis would view as the end of Jewish national aspirations.)

The fact that many Palestinians might give up the idea of a state does not mean that they are ready to lose their Palestinian national identity. Rather, they understand that their two main goals—a better life and (limited but still recognized) Palestinian sovereignty—could be achieved if the West Bank becomes part of a Jordanian confederation.

As far as Israel is concerned, such a proposal poses no major dilemmas. For obvious reasons, most Israelis would prefer to make concessions and give land to a reliable state like Jordan rather than incur the risk inherent in the establishment of a Palestinian state, which many fear would ultimately prove a dangerous enemy.

At present, this alternative solution is not a subject of serious discussion. Although its likelihood of success is by no means less than that of the two-state approach, raising the issue is not yet politically correct. Such a proposal undermines what the international community and especially the Arab world have set as a "legitimate" solution. This does not mean that the current norm is more valid, but it does demonstrate that shifting the paradigm will require smart marketing rather than merely substituting one plan for another.

If the Jordanian option is eventually put on the table, implementing it will require more than a bilateral Israeli-Jordanian agreement (the approach suggested in 1988). Instead, the final settlement should stem from trilateral negotiations—after all, the time when others could make decisions for the Palestinians (as did Begin and Sadat in 1979) is over.

10 | The Regional Solution

IN RECENT YEARS, two of the most fundamental facts regarding the Israeli-Palestinian conflict have coexisted uneasily, and incongruously, in the same space. On the one hand, resolving the conflict is as important as ever. On the other, a solution is impossible as long as the parties adhere to the currently accepted approach.

Why the Current Approach Will Fail

The Israeli-Palestinian situation is qualitatively different from other conflicts. Most other ongoing disputes—such as that between India and Pakistan over Kashmir, between Israel and Syria over the Golan Heights, and dozens of other cases—are territorial affairs whose harmful effects have been manageable for decades. The Israeli-Palestinian conflict is different for at least three reasons:

1. The Palestinian people live under occupation and in conditions that are unacceptable in the twenty-first century.

2. The state of Israel cannot determine its own final, recognized borders until the conflict ends.

3. The conflict has harmful regional and international effects.

Eight years ago, President Clinton proposed a detailed and balanced compromise plan for resolving the conflict, seemingly addressing the requirements of both sides. At first glance, one might think it possible to retrieve this plan, ratify it, and implement it. In practice, however, this approach would fail once again, due in large part to four principal obstacles.

The existence of Hamas. Even if Hamas loses its parliamentary majority and its control over the government and Gaza itself, the movement would still be strong enough to torpedo any diplomatic solution currently under consideration. Hamas will maintain its level of influence, especially in Gaza, until the Palestinian people who currently support the group are offered a genuine resolution to their predicament. The "simple" strategy of Palestinian statehood in the West Bank and Gaza alone is not such a resolution.

The problem of process. Before any substance can be usefully discussed, there must be agreement on process. Israel and moderate Palestinians have opposite approaches on this issue. Israel insists that diplomatic negotiations take place only after all the terrorist organizations are disbanded and the security problems resolved. The Palestinians, in turn, insist that they have no intention of trying to persuade such organizations to disarm until a comprehensive political solution that includes binding timetables is formulated.

The inability to bridge gaps. In terms of political survival, the maximum that any government in Israel can agree to offer the Palestinians is less than the minimum that any Palestinian government can agree to accept. This gap has only widened since 2000. As mentioned previously, the conventional two-state paradigm has become a zero-sum game, providing insufficient incentive for both sides to take the necessary risks and move forward.

The inevitably unsustainable outcome. Assume that the impossible occurs: the previous three obstacles are overcome, and a comprehensive peace agreement is achieved. Assume further that this agreement is actually implemented (including the evacuation of 100,000 Israelis from the West Bank). Even in such a case, there is no chance that a Clinton-style solution would be stable or sustainable, for at least two reasons: the Palestinian state would not be viable, and Israel's borders would not be defensible. The combination of these two problems would inevitably catapult the two sides back into a cycle of violence.

A New Paradigm

Although the establishment of a Palestinian state is acceptable to all relevant parties, it seems that creating "two states for two peoples" between the Mediterranean Sea and Jordan River would not be good for either side. Predictably, then, neither party is willing to make a real effort to reach a solution it considers unattractive. All that has been done in the past eight years under the title of "the peace process" has therefore constituted little more than futile efforts lacking a genuine intention of facilitating an agreement.

In light of this realization, it is important to inject new ideas into the conventional two-state solution in order to make it more attractive and viable. One such idea centers on the Arab world, where moderate states like Egypt, Jordan, and Saudi Arabia seem more willing than ever to be proactively involved in the peace process. The following proposal for a regional peace agreement would offer these states a more significant role while still giving Israel and the Palestinians a viable and attractive solution.

Terms of a Regional Agreement

Egypt. Egypt will transfer an area south of Gaza along the Mediterranean coast to the sovereignty of the new Palestinian state. This area will measure about 600 square kilometers, stretching 30 kilometers to the south and including 20 kilometers of coastline. These dimensions will make the allotment large enough to accommodate a modern seaport, a new city of one million inhabitants, and a large airport to the southwest, as far away from Israeli territory as possible. The area will be the equivalent in size to approximately 13 percent of the West Bank (the size of the area to be annexed to Israel, as will be described shortly).

Jordan. Jordan will transfer territory near the Jordan River—equivalent in size to about 5 percent of the West Bank—to the sovereignty of the new Palestinian state. Priority will be given to an area with a significant Palestinian population. Jordan might be compensated for this move by the transfer of land currently under Saudi Arabian sovereignty. In any case, it is important that Egypt not be the only Arab state that gives up land.

Israel. Israel will add approximately 13 percent of the West Bank to its sovereign territory. The area to be annexed will more or less follow the original route of the security barrier. In addition:

- Israel will transfer to Egyptian sovereignty an area in the southern Negev, along the Sinai border. The size of this area will be determined in multilateral negotiations.
- Israel will allow a tunnel to be dug through its territory (north of Eilat) that will connect Jordan and Egypt, giving the latter a land link to the Persian Gulf states. This tunnel will be under full Egyptian sovereignty. On the Egyptian side, the tunnel will connect with a network of roads, a train route, and oil and gas pipelines. This infrastructure will ultimately connect to the Palestinian seaport, airport, and new city located on the Mediterranean coast, within "expanded Gaza."
- Israel will agree to amend the military appendix of its peace treaty with Egypt in a way that enables Cairo to exercise more sovereignty in the Sinai Peninsula.
- Israel will waive its demand (long backed by the Quartet Roadmap) to make political negotiations contingent on first disbanding terrorist organizations and resolving security problems.

The Palestinian state. The Palestinians will receive an area the equivalent of 105 percent of the original "1967 borders territory." Specifically, this land will include the modified pre-1967 areas, the territory transferred by Egypt (equivalent to the West Bank areas the Palestinians will cede to Israel), and the territory transferred by Jordan (equivalent to about 5 percent of the West Bank). The additional territory will make a substantive economic difference for the Palestinians, facilitating the resolution of the refugee problem by offering many a bright future in the "greater Gaza."

Meeting Respective Interests

In addition to these formal concessions and annexations, each party would reap several less obvious benefits from a regional solution, many of which would address longstanding national interests.

Jordan. Overcrowding and difficult economic conditions in Gaza have compelled many Palestinians to move to Jordan. The Hashemite government, concerned about the kingdom's demographic imbalance, is interested in halting such immigration, whether from Gaza or the West Bank. The creation of a new city in the expanded Gaza would mitigate this problem.

In addition, Jordan has no seaport or even land access to the Mediterranean coast. As a result, merchandise and energy resources exported by Gulf states to Western European countries and the United States do not pass through the kingdom. The construction of a tunnel through Israeli territory connecting Jordan to Egypt and the new Palestinian port would allow Jordan to become a transit station for exports to Western countries.

Egypt. In addition to the Israeli tunnel and land concessions, Egypt stands to benefit on a number of other fronts:

- The transfer of goods, oil, and gas from the Gulf states, through the new tunnel, across Egyptian territory, and through the new Palestinian port to Western markets will provide the Egyptian government with substantial transit taxes.

- Approximately half of the Egyptian population lives off agricultural work. But available water resources are declining even as the country's population growth increases—a dangerous pattern. Within a generation or two, the only solution for this problem will be to establish large desalination plants. This would require advanced technology and funds; Egypt has neither. As part of the regional peace agreement, then, Egypt could be granted international investment in such plants.

- Although Egypt has been ousted from the center of various international processes in recent years, leading participation in a regional peace solution would return the country to prominence. It would be clear to the international community that without Egyptian generosity, the interminable Israeli-Palestinian conflict would continue to perpetuate turmoil in the Middle East.

- Although Egypt would be asked to cede about 1 percent of the Sinai Peninsula, it would increase its sovereignty over the remaining 99 percent once Israel agreed to amend the military appendix of the countries' bilateral peace treaty.

Israel. Israel has a clear interest in ending the conflict, and the regional plan makes this goal more feasible. The active involvement of other states (and not just as opinionated onlookers) will only enhance the plan's credibility in the eyes of the Israeli public. This approach will meet more specific Israeli interests as well:

- A large portion of Israel's most vital assets will remain under its control within the 13 percent of the West Bank it will annex.

- Israel will have to evacuate only about 30,000 Israelis from the West Bank, a number that is acceptable to the public and manageable in political and financial terms. Other peace plans involve relocating more than 100,000 Israelis, which is an impractical idea.

- The movement of private vehicles and goods through the tunnel connecting Jordan and Egypt will significantly reduce the number of Palestinians traveling through the middle of Israel via the Gaza–West Bank "safe passage."

The Palestinian state. Achieving a peace treaty that will end the conflict, while at the same time maintaining the essential interests of the Palestinian population and the incipient Palestinian state, is a prime Palestinian interest. A regional solution can meet this interest, as well as other, more specific needs:

- One of the main Palestinian demands is that Israel withdraw from the Gaza and West Bank areas it occupied following the 1967 war and transfer them to Palestinian sovereignty. Yet the areas that Jordan and Egypt would transfer to the Palestinians under the regional plan would create a state that is larger than the total pre-1967 territories.

- Gaza is currently the most crowded area in the world, and within the next decade, its population is expected to increase by about 150 percent, to around 2.4 million inhabitants. Since the Gazan economy is based on agriculture and traditional industries, the territory's current size does not allow for a sustainable future. Only the Egyptian expansion described earlier would allow Gaza to be part of a viable Palestinian state.

- Given the infrastructure construction associated with connecting the Gulf countries to Egypt (via the Israeli tunnel to Jordan), greater Gaza and the new port to be established there would become targets for major infrastructure development of their own, as well as principal export stations for goods and energy resources to Western countries. This transformation would significantly boost the new state's economy and international standing alike.

- A major benefit of such economic development—and a critical feature of the regional solution in general—is that it would strengthen Palestinian political moderates, greatly reducing the risk of a Hamas takeover.

The international community. The various international mediators in the conflict have ample reasons to support a regional solution:

- The international community continues to invest enormous funding in basic humanitarian aid to the Palestinian people. Resolving the conflict would allow it to redirect those funds toward developing Palestinian infrastructure and advancing the new state's economy. In other words, Western capital could be invested in buying a "fishing rod" for an increasingly self-sufficient state, instead of buying "fish" for a hungry Palestinian population indefinitely.

- The Israeli-Palestinian conflict negatively affects relations between Western countries and Muslim and Arab states, as well as internal social equilibrium within Western European countries. Its continuation incites frustration among Muslim and Arab communities and helps strengthen anti-Western elements and extremist Muslim movements. Ending the conflict as part of a general regional peace treaty, in a manner that is acceptable to all parties, would greatly defuse these negative effects.

- The regional solution described herein is consistent with the international community's prevailing approach to such problems—namely, that the right way to resolve conflicts is by achieving a regional agreement based on economic considerations, not a bilateral settlement based solely on security considerations.

11 | Conclusion

THEORETICALLY, the familiar two-state solution based on the Clinton parameters is achievable. If every specific issue is analyzed separately, it is possible to find a solution, just as President Clinton did in December 2000. Yet one would have to be unduly optimistic to believe that all of the problems can be resolved. It is not just a matter of negotiating tradeoffs; any conventional approach is likely to be stymied by major new problems such as the ascendance of Hamas, the now-proven difficulty of relocating so many Israelis, and, above all, the complete lack of mutual trust. The probability of solving any one of these new problems is very slim; the likelihood of solving all of them is almost zero.

Portions of this paper have attempted to outline what is required to resolve each significant area of dispute between the two sides. Nevertheless, it is difficult to believe that a comprehensive solution based on the conventional two-state concept can be reached in the foreseeable future. Under these circumstances, it is important to explore other possibilities for ending the conflict rather than insisting on a concept that has failed at least four times in the past seven decades.

Some readers may argue that neither the "Jordanian option" nor the "regional solution" stands a much better chance of success than the current approach. If in fact the regional players and the international community are unable to step forward and resolve the conflict as proposed herein, then the most likely outcome would be a stalemate and a continuation of the current trends. In other words, radical Islamist forces would continue to grow stronger in the territories, the Palestinian Authority would remain weak, and Hamas would retain control in Gaza. Under such circumstances, the physical and the economic connection between the West Bank and Gaza would become more tenuous, and the concept of one political entity would become less and less self-evident. At the same time, Israel's security barrier would likely become a firmer boundary, the Israel Defense Forces would maintain operations throughout the West Bank, and the number of settlers would grow steadily.

This unfortunate scenario would nevertheless be sustainable for a significant period of time—at least for Israelis. Although Israel would face increased international criticism, the real losers in the indefinite maintenance of the status quo would be the Palestinians. And in the long run, the absence of a solution—and especially the lack of confidence that any solution is forthcoming—would have severe implications. For example, it could eventually lead to a third intifada or a major military confrontation between Israel and Hamas in Gaza.

Finally, all parties should remember that the Israeli-Palestinian conflict is not significantly influenced by other Middle East problems. The converse is true as well—contrary to many prevailing beliefs, the dispute does not significantly influence other regional conflicts. For example, there is no basis for the argument that an Israeli-Syrian peace agreement would have a positive impact on the Israeli-Palestinian conflict, nor for the idea that a solution to the conflict would help improve the situation in Iraq. Similarly, most other Middle Eastern concerns—including issues with Iran, stability in the Gulf, problems in Egypt, Hizballah's success in Lebanon, and the genocide in Sudan—have nothing to do with the Israeli-Palestinian dilemma. Nevertheless, the conflict remains a major source of unrest in a highly charged region of the world. Resolving it is therefore crucial, not only for the sake of those parties that live with it on a daily basis, but also to puncture the illusions that the conflict is the cause of all regional troubles—illusions that deflect attention from the issues themselves.

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